

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from _____ to _____

Commission file No. 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on February 29, 2000, was \$220,694,369 based on the closing price on the New York Stock Exchange on such date of \$16 3/16 per share.

Rollins, Inc. had 29,881,458 shares of Common Stock outstanding as of February 29, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Rollins, Inc.'s Annual Report to Stockholders for the calendar year ended December 31, 1999 are incorporated by reference into Part I, Item 1, Part II, Items 5-8, and Part IV, Item 14.

Portions of the Proxy Statement for the 2000 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-13.

PART I

Item 1. Business

(a) General development of business.

There have been no significant changes in the nature of business conducted by the Registrant since December 31, 1998. During the year, the Registrant completed several strategic acquisitions designed to strengthen its market position. Details of acquisitions and the creation of the joint venture which is discussed at (c)(1)(ii) below and which are included on page 16 of the 1999 Annual Report to Stockholders are incorporated herein by reference.

(b) Financial information about industry segments.

The Registrant has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment included on pages 12 and 13 of the 1999 Annual Report to Stockholders are incorporated herein by reference.

(c) Narrative description of business.

(1) (i) The Registrant is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.7 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, dairy farms and transportation companies.

(ii) In 1999 the Registrant and Johnson Wax Professional entered into a joint venture, Acurid Retail Services, L.L.C., created to sell and provide pest elimination services to customers in the retail market. This joint venture was a further market expansion of AcuridSM, Orkin's premium brand of pest elimination services for commercial customers, which was first introduced in 1998.

(iii) The Registrant maintains sufficient quantities of chemicals and other supplies on hand to alleviate any potential short-term shortage in availability from its national network of suppliers.

(iv) Other than the Orkin(R), PCO Services, Inc.(R), Acurid Retail Services, L.L.C.(R) trademarks and the AcuridSM service mark, which are material to the Registrant, governmental licenses, patents, trademarks and franchises are of minor importance to the Registrant's service operations. Local licenses and permits are required in order for the Registrant to conduct its pest and termite control services in certain localities. In view of the widespread operations of the Registrant's service operations, the failure of a few local governments to license a facility would not have a material adverse effect on the results of operations of the Registrant.

(v) The business of the Registrant is affected by the seasonal nature of the Registrant's pest and termite control services. The metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons) has historically resulted in an increase in the revenue and income of the Registrant's pest and termite control operations during such period.

(vi) The Registrant maintains a sufficient level of materials and supplies to fulfill its servicing needs.

(vii) The Registrant and its subsidiaries do not have a material part of their business that is dependent upon a single customer or a few customers, the loss of which would have a material effect on the business of the Registrant.

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(viii) The dollar amount of service contracts and backlog orders as of the end of the Registrant's 1999 and 1998 calendar years was approximately \$17,750,960 and \$14,231,000, respectively. Backlog services and orders are usually provided within the month following the month of receipt, except in the area of prepaid pest control where services are usually provided within twelve months of receipt.

(ix) The Registrant and its subsidiaries do not have a material portion of their business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

(x) The Registrant believes that Orkin competes favorably with competitors as one of the world's largest pest and termite control companies.

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

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

(xii) Other than the impact on the Registrant of the 1997 provision for termite contracts which was established to address the abnormal occurrence of

termite claims, and the related cost to more frequently reapply materials, the capital expenditures, earnings and competitive position of the Registrant and its subsidiaries are not materially affected by compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

(xiii) The number of persons employed by the Registrant and its subsidiaries as of February 29, 2000 was approximately 9,350.

(d) Financial information about foreign and domestic operations and export sales.

The Registrant and its subsidiaries do not have foreign operations which are material to their business in terms of revenue, income (loss) from continuing operations, or assets.

Item 2. Properties.

The Registrant's administrative headquarters and central warehouse, both of which are owned by the Registrant, are located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Registrant owns or leases several hundred branch offices and operating facilities used in its business. None of the branch offices, individually considered, represents a materially important physical property of the Registrant. The facilities are suitable and adequate to meet the current and reasonably anticipated future needs of the Registrant.

Item 3. Legal Proceedings.

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

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Additionally, in the normal course of business, the Registrant is a defendant in a number of lawsuits which allege that plaintiffs have been damaged as a result of the rendering of services by Registrant personnel and equipment. The Registrant is actively contesting these actions. It is the opinion of Management that the outcome of these actions will not have a material adverse effect on the Registrant's financial position, results of operations or liquidity.

Item 3.A. Forward-Looking Statements.

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected impact of the outcome of litigation arising in the ordinary course of business and the outcome of the Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc., et al. ("Cutler") litigation on the Company's financial condition, results of operations and liquidity; the Company's potential for recurring revenue; and the Company's projected 2000 performance. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, the possibility of a court ruling against the Company in litigation or in the Cutler 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; the failure of the Company or its major suppliers or customers to adequately address the Year 2000 programming issue; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

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

There were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise, during the fourth quarter of 1999.

Item 4.A. Executive Officers of the Registrant.

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

<TABLE>
<CAPTION>

Name	Age	Office With Registrant	Date First Elected
-----	---	-----	-----
<S>	<C>	<C>	<C>
R. Randall Rollins (1).....	68	Chairman of the Board and Chief Executive Officer	10/22/91
Gary W. Rollins (1).....	55	President and Chief Operating Officer	1/24/84
Harry J. Cynkus (2).....	50	Chief Financial Officer and Treasurer	5/28/98
Michael W.. Knottek (3).....	55	Vice President and Secretary	5/28/98

</TABLE>

- (1) R. Randall Rollins and Gary W. Rollins are brothers.
- (2) Harry J. Cynkus joined the Registrant in April 1998 and, in May 1998, was elected Chief Financial Officer and Treasurer. From 1996 to 1998, Mr. Cynkus served as Chief Financial Officer of Mayer Electric Company, a \$300 million wholesaler of electrical supplies. From 1994 to 1996, he served as

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Vice President - Information Systems for Brach & Brock Confections, the acquirer of Brock Candy Company, where Mr. Cynkus served as Vice President - Finance and Chief Financial Officer from 1992 to 1994. From 1989 to 1992, he served as Vice President - Finance of Initial USA, a division of an international support services company. Mr. Cynkus is a Certified Public Accountant.

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

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Information regarding dividends, stock prices and number of stockholders on page 8 of the 1999 Annual Report to Stockholders, and the principal markets on which the Registrant's Common Stock is traded on page 21 of the 1999 Annual Report to Stockholders, is incorporated herein by reference.

Item 6. Selected Financial Data.

Selected Financial Data on the inside front cover of the 1999 Annual Report to Stockholders is incorporated herein by reference.

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

Management's Discussion and Analysis included on pages 9 through 11 of the 1999 Annual Report to Stockholders is incorporated herein by reference.

Item 7.A. Quantitative and Qualitative Disclosures about Market Risk.

The information under the caption "Market Risk" included in Management's Discussion and Analysis on page 10 of the 1999 Annual Report to Stockholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the Registrant, the Independent Public Accountants' Report and the financial statement schedule incorporated by reference in this report are shown on the accompanying Index to the Consolidated Financial Statements and Schedule.

Quarterly Information is on page 8 of the 1999 Annual Report incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information under the caption "Election of Directors" included on pages 4 and 5 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2000 is incorporated herein by reference. Additional information concerning executive officers is included in Part I, Item 4.A. of this Form 10-K.

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Item 11. Executive Compensation.

The information under the caption "Executive Compensation" included on pages 9 through 10 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2000 is incorporated herein by reference.

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

The information under the captions "Capital Stock" and "Election of Directors" included on pages 2 through 3 and pages 4 through 5, respectively, of the Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2000 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information under the caption "Compensation Committee Interlocks and Insider Participation" included on page 8 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2000 is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.
2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.
3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report. The following such exhibits are management contracts or compensatory plans or arrangements:

(10)(a) Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit 10 as filed with its Form 10-K for the year ended December 31, 1996.

(10)(b) Rollins, Inc. 1994 Employee Stock Incentive Plan.

(10)(c) Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed or were required to be filed during the fourth quarter of calendar year 1999.

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

(2)(a) Asset Purchase Agreement by and between Orkin Exterminating Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.

(b) Stock Purchase Agreement as of September 30, 1999,

by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C.Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc.

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- (c) Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd.
- (d) First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd.
- (e) Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
- (3) (i) Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-K for the year ended December 31, 1997.
- (ii) By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
- (4) Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
- (10) (a) Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit (10) as filed with its Form 10-K for the year ended December 31, 1996.
- (10) (b) Rollins, Inc. 1994 Employee Stock Incentive Plan.
- (10) (c) Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
- (13) Portions of the Annual Report to Stockholders for the year ended December 31, 1999 which are specifically incorporated herein by reference.
- (21) Subsidiaries of Registrant.
- (23) Consent of Independent Public Accountants.
- (24) Powers of Attorney for Directors.
- (27) (a) Financial Data Schedule (For Commission Use Only).
- (27) (b) Restated Financial Data Schedule (For Commission Use Only).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROLLINS, INC.

By: /s/ R. RANDALL ROLLINS

R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)

Date: March 15, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant and in the capacities and on the dates indicated.

By: /s/ R. RANDALL ROLLINS

R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)

By: /s/ HARRY J. CYNKUS

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

Date: March 15, 2000

Date: March 15, 2000

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

Wilton Looney, Director
John W. Rollins, Director
Henry B. Tippie, Director
James B. Williams, Director
Bill J. Dismuke, Director

/s/ GARY W. ROLLINS

Gary W. Rollins
As Attorney-in-Fact & Director
March 15, 2000

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ROLLINS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE
(Item 14)

CONSOLIDATED FINANCIAL STATEMENTS OF ROLLINS, INC. AND SUBSIDIARIES:

The Registrant's 1999 Annual Report to Stockholders, portions of which are filed with this Form 10-K, contains on pages 12 through 20 the consolidated financial statements for the years ended December 31, 1999, 1998 and 1997 and the report of Arthur Andersen LLP on the consolidated financial statements for the years then ended. These consolidated financial statements and the report of Arthur Andersen LLP are incorporated herein by reference. The consolidated financial statements include the following:

	Annual Report Page(s) -----
(1) Consolidated Financial Statements	
Consolidated Statements of Financial Position as of December 31, 1999 and 1998.....	12
Consolidated Statements of Income for each of the three years in the period ended December 31, 1999.....	13
Consolidated Statements of Earnings Retained for each of the three years in the period ended December 31, 1999.....	13
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1999.....	14
Notes to Consolidated Financial Statements.....	15-19
Report of Independent Public Accountants on Consolidated Financial Statements.....	20
Report of Independent Public Accountants on Financial Statement Schedule, Page 10 of this Form 10-K.	

(2) Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts, Page 11 of this Form 10-K.

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

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To the Directors and the Stockholders of Rollins, Inc.:

We have audited, in accordance with generally accepted auditing standards, the Consolidated Financial Statements included in Rollins, Inc.'s annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 16, 2000. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14 of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/S/ ARTHUR ANDERSEN LLP

 ARTHUR ANDERSEN LLP

Atlanta, Georgia
 February 16, 2000

ROLLINS, INC. AND SUBSIDIARIES
 SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS (1)
 FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
 (In thousands of dollars)

<TABLE>
 <CAPTION>

Balance at End of Description Period	Balance at Beginning of Period	Additions		Deductions (3)
		Charged to Costs and Expenses	Charged to Other Accounts(2)	
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
<C>				
Year ended December 31, 1999				
Allowance for doubtful accounts.....	\$ 5,347	\$ 6,551	\$ 434	\$ 7,403
\$ 4,929	-----	-----	-----	-----

Year ended December 31, 1998				
Allowance for doubtful accounts.....	\$ 9,326	\$ 4,502	\$ -	\$ 8,481
\$ 5,347	-----	-----	-----	-----

Year ended December 31, 1997				
Allowance for doubtful accounts.....	\$ 4,457	\$14,531	\$ -	\$ 9,662
\$ 9,326	-----	-----	-----	-----

</TABLE>

- NOTE: (1) The above schedule is prepared reflecting the divestitures of the Registrant's RPS business segment and Orkin's Landscaping and Lawn Care divisions. 1997 has been restated.
- (2) Charged to Other Accounts represents beginning balances of allowances for doubtful accounts of acquired companies.
- (3) Deductions represent the write-off of uncollectible receivables, net of recoveries.

ROLLINS, INC. AND SUBSIDIARIES
 INDEX TO EXHIBITS

Exhibit
 Number

 (2) (a) Asset Purchase Agreement by and between Orkin Exterminating

Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.

- (b) Stock Purchase Agreement as of September 30, 1999, by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C. Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc.
 - (c) Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd.
 - (d) First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd.
 - (e) Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
- (3) (i) Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year ended December 31, 1997.
 - (ii) By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit 3 (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
- (4) Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
- (10) (a) Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit 10 as filed with its Form 10-K for the year ended December 31, 1996.
 - (10) (b) Rollins, Inc. 1994 Employee Stock Incentive Plan.
 - (10) (c) Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
- (13) Portions of the Annual Report to Stockholders for the year ended December 31, 1999 which are specifically incorporated herein by reference.
 - (21) Subsidiaries of Registrant.
 - (23) Consent of Independent Public Accountants.
 - (24) Powers of Attorney for Directors.
 - (27) (a) Financial Data Schedule (For Commission Use Only).
 - (27) (b) Restated Financial Data Schedule (For Commission Use Only).

CONFIDENTIAL TREATMENT REQUESTED

Confidential Portions of This Agreement Which Have Been Redacted Are Marked With Brackets ("***"). The Omitted Material Has Been Filed Separately With The United States Securities and Exchange Commission.

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement ("Agreement") is made as of September 30, 1999, by Orkin Canada, Inc., a New Brunswick corporation ("Buyer"), Orkin Expansion, Inc., a Delaware corporation ("Expansion"), S.C. Johnson Commercial Markets, Inc., a Delaware corporation ("CMI") and S.C. Johnson Professional, Inc., a Delaware corporation ("JPI" and together with CMI, the "Seller").

RECITALS

A. Seller desires to sell, and Buyer desires to purchase, all of the issued and outstanding shares (the "Shares") in the capital of PCO Services, Inc., a Canadian federal corporation (together with the NSULC (as defined below) subsequent to the Amalgamation (as defined below), the "Company"), together with certain other assets owned by Seller, and Buyer and Seller desire to enter into certain other agreements all for the consideration and upon the terms set forth in this Agreement.

B. Seller desires to sell, and Expansion desires to purchase, Seller's Intellectual Property Assets (as hereinafter defined), for the consideration and upon the terms set forth in this Agreement.

C. Prior to the Closing, CMI will contribute the Shares and the Seller's Intellectual Property Assets to its wholly owned subsidiary JPI.

D. Prior to the Closing (as defined herein) Seller will cause (i) PCO Services, Inc. to form a Nova Scotia unlimited liability company subsidiary (the "NSULC"); (ii) PCO Services, Inc. to continue from the federal jurisdiction to Nova Scotia as a limited liability Nova Scotia company; and (iii) PCO Services, Inc. to amalgamate and consolidate with and into the NSULC under the laws of Nova Scotia and to continue as an unlimited liability company under the laws of Nova Scotia (the "Amalgamation").

AGREEMENT

The parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

"Adjustment Amount" -- as defined in Section 2.5.

"Applicable Contract" -- any Contract (a) under which the Company has any rights, or (b) under which the Company is subject to any obligation or liability, in each case which Contract has an economic benefit or obligation to the Company in excess of CDN [***].

"Balance Sheet" -- as defined in Section 3.4.

"Best Efforts" -- the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved within the time frame contemplated by this Agreement; provided, that an obligation to use Best Efforts under this Agreement does not require the Person subject to that obligation to take any action or actions that would result in a material reduction in the benefits of or a material increase in costs under this Agreement and the Contemplated Transactions to such Person.

"Breach" -- a "Breach" of a representation, warranty, covenant, obligation, or other provision of this Agreement or any instrument delivered pursuant to this Agreement will be deemed to have occurred if there is or has been any material inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, and the term "Breach" means any such material inaccuracy, breach or failure.

"Buyer" -- as defined in the first paragraph of this Agreement.

"Closing" -- as defined in Section 2.3.

"Closing Cash Payment" -- as defined in Section 2.6(a).

"Closing Date" -- as defined in Section 2.3.

"Company" -- as defined in the Recitals of this Agreement.

"Competition Act" -- the Competition Act (Canada), R.S.C. 1985, c.34, as amended.

"Consent" -- any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"Contemplated Transactions" -- all of the transactions contemplated by this Agreement, including:

(a) the sale of the Shares by the Seller to Buyer;

(b) the execution, delivery, and performance of the Noncompetition Agreement, and the Seller's Release;

(c) the acquisition by Expansion of the Intellectual Property Assets;

(d) the performance by Buyer and Seller of their respective covenants and obligations under this Agreement; and

(e) Buyer's acquisition of ownership of the Shares and the ability to exercise control over the Company.

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"Contract" -- any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"Damages" -- as defined in Section 10.2.

"Disclosure Letter" -- the disclosure letter delivered by Seller to Buyer concurrently with the execution and delivery of this Agreement as supplemented pursuant to this Agreement.

"Encumbrance" -- any mortgage, charge, claim, lien (statutory or otherwise), hypothec, adverse claim, option, pledge, security interest, right of first refusal, or restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

"Employee Plans" -- as defined in Section 3.12.

"Environment" -- soil, land surface or subsurface strata, surface waters (including, if applicable, navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air, plant and animal life.

"Environmental Liabilities" -- any cost, damages, expense, liability, obligation, or other responsibility arising from or under any Environmental Law consisting of or relating to:

(a) any environmental contamination existing as of the Closing Date;

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, investigative, or remedial, or inspection costs and expenses arising under Environmental Law; or

(c) financial responsibility under Environmental Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("Cleanup"); or

(d) any other compliance, corrective, investigative, or remedial measures required under Environmental Law.

"Environmental Law" -- any formerly or currently applicable Legal Requirement that requires :

(a) advising appropriate authorities, and the public of intended or actual Releases of Hazardous Materials, violations of discharge limits, or other prohibitions that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the Release of Hazardous Materials into the Environment;

(c) reducing the quantities, preventing the Release, or minimizing the hazardous characteristics of wastes that are generated;

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(d) protecting resources, species, or ecological amenities;

(e) reducing to acceptable levels the risks inherent in the transportation of Hazardous Materials;

(f) cleaning up Hazardous Materials that have been Released, preventing the threat of Release, or paying the costs of such clean up or prevention; or

(g) making responsible parties pay private parties, or groups of them, for damages done to the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"Environmental Permit" -- any Governmental Authorization issued, granted, given or otherwise made available pursuant to any Environmental Law.

"Facilities" -- any real property, leaseholds, or other interests in real property currently or formerly owned or operated by the Company and any buildings, plants or structures currently or formerly owned or operated by the Company.

"GAAP" -- generally accepted Canadian accounting principles, including those set out in the Handbook of the Canadian Institute of Accountants, applied on a basis consistent with the basis on which the Balance Sheet and the other financial statements referred to in Section 3.4 were prepared.

"Governmental Authorization" -- any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body.

"Governmental Body" -- any:

(a) nation, state, province, territory, county, city, town, village, district, or other jurisdiction of any nature;

(b) federal, state, provincial, territorial, local, municipal, foreign, or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); or

(d) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

"Hazardous Activity" -- the distribution, generation, application, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater

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containing Hazardous Materials in excess of Legal Requirements) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment; provided, however, that the term "Hazardous Activity" shall not include the use and application of pesticides and other Hazardous Materials in connection with the lawful conduct of the business of the Company.

"Hazardous Materials" -- any waste or other substance listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

"Income Tax Act"-- the Income Tax Act (Canada) R.S.C. 1985 c.1 (5th Supp) as amended.

"Independent Accounting Firm" -- as defined in Section 2.6(d).

"Intellectual Property Assets" -- as defined in Section 3.21.

"Interim Balance Sheet" -- as defined in Section 3.4.

"Investment Canada Act" -- the Investment Canada Act, R.S.C. 1985, c.28 as amended.

"Knowledge" -- an individual will be deemed to have "Knowledge" of a particular fact or other matter if:

(a) such individual is actually aware of such fact or other matter; or

(b) in the case of the Seller, if a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting the business of the Company in the Ordinary Course of Business.

As used herein, "Knowledge" (including the phrase "to Seller's

Knowledge", "to Buyer's Knowledge" or similar phrases) shall mean, (1) with respect to Seller, the Knowledge of [***], and (only with respect to the representations in Section 3.17) [***] and (2) with respect to Buyer, the Knowledge of [***], and [***].

"Legal Requirement" -- any federal, provincial, territorial, state, local, municipal, foreign, or other administrative order, constitution, law, ordinance, regulation, statute, or treaty formerly or currently in effect.

"Material Adverse Effect" or "Material Adverse Change" -- an occurrence or event shall be deemed to have a Material Adverse Effect or to have caused a Material Adverse Change

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if such effect or change materially adversely affects the business or financial condition of the Company taken as a whole.

"Noncompetition Agreement" -- as defined in Section 2.4(a) (iv).

"Objections" -- as defined in Section 2.6(b).

"Occupational Safety and Health Law" -- any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any mandatory program of a Governmental Body designed to provide safe and healthful working conditions.

"Order" -- any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"Ordinary Course of Business" -- an action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" if:

(a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person;

(b) such action is not required to be authorized by the board of directors of such Person (or by any Person or group of Persons exercising similar authority); or

(c) such action is similar to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

"Organizational Documents" -- (a) the articles or certificate of incorporation and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (e) any amendment to any of the foregoing.

"Person" -- any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

"Proceeding" -- any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Purchase Price" -- as defined in Section 2.2.

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"Purchase Price Adjustment Calculation" -- as defined in Section 2.6(b).

"Related Person" -- with respect to a specified person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material

Interest;

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and

(f) any Related Person of any individual described in clause (b) or (c).

For purposes of this definition, "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least 50% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 50% of the outstanding equity securities or equity interests in a Person.

"Release" -- any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional other than usage or application in the Ordinary Course of Business.

"Representative" -- with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Seller" -- as defined in the first paragraph of this Agreement.

"Seller's Release" -- as defined in Section 2.4.

"Shares" -- as defined in the Recitals of this Agreement, together with any shares issued as a result of the Amalgamation.

"Subsidiary" -- with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body are held by the

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Owner or one or more of its Subsidiaries; when used without reference to a particular Person, "Subsidiary" means a Subsidiary of the Company.

"Tax" -- any and all federal, provincial, state, local, municipal, foreign or other taxes, charges, fees, imposts, duties or other assessments of whatever nature, including any obligation to collect and pay over taxes imposed on another Person, together with interest, penalties and additional amounts, imposed by any taxing authority.

"Tax Return" -- any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

"Threat of Release" -- a substantial likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

"Threatened" -- a claim, Proceeding, dispute, action, or other matter will be deemed to have been "Threatened" if any demand or statement has been made (either in writing, or to the Knowledge of the pertinent party, orally) or any notice has been given (either in writing, or to the Knowledge of the pertinent party, orally) that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter is reasonably likely to be asserted, commenced, taken, or otherwise pursued in the future.

"Year 2000 Compliant" -- as defined in Section 3.26.

2. SALE AND TRANSFER; CLOSING

2.1 SHARES AND INTELLECTUAL PROPERTY ASSETS

Subject to the terms and conditions of this Agreement, at the Closing, Seller will sell and transfer the Shares and the Intellectual Property Assets to Buyer or Expansion, as the case may be, and Buyer or Expansion, as the case may be, will purchase the Shares and the Intellectual Property Assets from Seller.

2.2 PURCHASE PRICE

The purchase price for the Shares, the Intellectual Property Assets, and the Noncompetition Agreement will be Twenty Five Million United States Dollars (US \$25,000,000) plus or minus, as the case may be, (a) the Adjustment Amount; (b) any adjustment made pursuant to Section 2.8(b); and (c) any payment made pursuant to Article 10 of this Agreement (collectively, the "Purchase Price").

2.3 CLOSING

The purchase and sale (the "Closing") provided for in this Agreement will take place at the offices of Arnall Golden & Gregory, LLP in Atlanta, Georgia, at 10:00 a.m. (local time) on October 29, 1999, to be effective as of 12:01 a.m., local time, on October 31, 1999, or at such other time and place as the parties may agree. The effective date of the Closing shall be the "Closing Date". Subject to the provisions of Section 9, failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place determined pursuant to this Section 2.3 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

2.4 CLOSING OBLIGATIONS

At the Closing:

(a) Seller will deliver:

(i) certificates representing the Shares, duly endorsed (or accompanied by duly executed irrevocable stock powers) for transfer to Buyer;

(ii) a release executed by Seller in form and substance reasonably satisfactory to the Buyer ("Seller's Release");

(iii) an assignment or assignments, in form and content acceptable to the Canadian Intellectual Property Office ("CIPO") and/or the United States Patent and Trademark Office, as appropriate, evidencing the assignment and transfer to Expansion of the Intellectual Property Assets;

(iv) a noncompetition agreement in the form of Exhibit 2.4(a)(iv), executed by Seller (the "Noncompetition Agreement"); and

(v) a certificate executed by Seller representing and warranting to Buyer that each of Seller's representations and warranties in this Agreement was accurate in all material respects as of the date of this Agreement and is accurate in all material respects as of the Closing Date as if made on the Closing Date (giving full effect to any supplements to the Disclosure Letter that were delivered by Seller to Buyer prior to the Closing Date in accordance with Section 5.5);

(vi) a duly executed resignation of each director and officer (who is not an employee of the Company) of the Company as Buyer may specify in writing, together with a release from each such director and officer;

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(vii) a duly executed resignation of the auditors of the Company effective as at the Closing (if applicable);

(viii) an opinion of counsel of Seller, in form and substance reasonably satisfactory to the Buyer; and

(ix) such other documents as are reasonably required to consummate the Contemplated Transactions.

(b) Buyer or Expansion, as the case may be, will deliver:

(i) subject to Section 2.7, the Closing Cash Payment, by wire transfer to an escrow account specified by Buyer, which shall provide that the interest earned thereon (if any) shall be retained by Seller, and that the Closing Cash Payment shall be delivered to an account specified by Seller on November 1, 1999;

(ii) a certificate executed by Buyer representing and warranting to Seller that each of Buyer's representations and warranties in this Agreement was accurate in all material respects as of the date of this Agreement and is accurate in all material respects as of the Closing Date as if made on the Closing Date;

(iii) a letter of no action and/or an advance ruling certificate under the Competition Act in respect of the

Buyer's pre-notification filing under the Competition Act;

(iv) an opinion of counsel to Buyer, in form and substance reasonably satisfactory to the Seller; and

(v) such other documents as are reasonably required to consummate the Contemplated Transactions.

2.5 ADJUSTMENT AMOUNT

The "Adjustment Amount" (which may be a positive or negative number) will be equal to the amount determined by subtracting the Adjusted Net Worth of the Company as of the date of the Balance Sheet, determined in accordance with GAAP (adjusted, as applicable, in the manner set forth in Part 3.4 of the Disclosure Letter), from the Adjusted Net Worth of the Company as of the Closing Date. The "Adjusted Net Worth" of the Company shall be equal to the book value of the assets of the Company, less the book value of the liabilities of the Company; provided, however, that (a) the Adjusted Net Worth of the Company as of the date of the Balance Sheet shall be further adjusted by subtracting from the book value of the assets of the Company [***] of the cash included on the Balance Sheet and (b) the Adjusted Net

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Worth of the Company as of the Closing Date shall be adjusted by adding the amount of any [***] for [***] contained on the Balance Sheet.

2.6 ADJUSTMENT PROCEDURE

(a) On or before two (2) business days prior to the Closing Date, the Seller shall make a good faith estimate of the Adjustment Amount (using the conversion rate between United States and Canadian dollars in effect on such date), and shall notify Buyer in writing of such estimate. Such estimate shall be added to US \$25,000,000, and the resulting number shall be the "Closing Cash Payment".

(b) In order to finally determine the amount of the Purchase Price, after the Closing, Seller shall perform an initial calculation of the Adjustment Amount (the "Purchase Price Adjustments Calculation") which shall be delivered to Buyer within 30 days following the Closing Date (using the conversion rate between United States and Canadian dollars in effect on the Closing Date). All expenses incurred in connection therewith shall be borne by Seller; provided, that Buyer shall cooperate with and provide information and access to information to Seller, at no cost, during such period. Buyer shall have a period of 30 days after receipt of the Purchase Price Adjustments Calculation to present to Seller in writing any objections and the amounts related thereto (the "Objections") which Buyer may have with respect to the Purchase Price Adjustments Calculation, which Objections shall be presented in reasonable detail. At its own expense, Buyer (including its internal auditors) and its certified public accountants/chartered accountants shall have the opportunity during and following the preparation of the Purchase Price Adjustments Calculation to consult with Arthur Andersen and the chief financial officer, controller, or any other officer of Seller engaged in the calculation, to observe, review, and examine the work papers, schedules, and other documents prepared or used in connection with the Purchase Price Adjustments Calculation, and to review the books and records of Seller related to such calculation. If no Objections are raised by Buyer within such 30-day period, the Purchase Price Adjustments Calculation shall be deemed accepted and approved by Buyer and the Purchase Price shall be adjusted using the Adjustment Amount as determined in the Purchase Price Adjustments Calculation.

(c) If, within such 30-day period, Buyer raises Objections, Buyer and Seller shall attempt in good faith to resolve the matter or matters in dispute and, if resolved, such resolution shall be final, conclusive and binding upon the parties hereto and the Purchase Price shall be finally determined using the Adjustment Amount as so determined.

(d) If the dispute referred to in Section 2.6(c) is not resolved by Buyer and Seller within 10 days after delivery of the Objections, then the specific matters in dispute shall be submitted to Ernst & Young or such other

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nationally recognized accounting firm as Buyer and Seller may mutually agree upon (the "Independent Accounting Firm"), which

firm shall be requested to make a determination as to such matter or matters as are in dispute within 30 days after such submission of the dispute to the Independent Accounting Firm, which determination shall be final, conclusive and binding upon the parties hereto and the Purchase Price shall be finally determined using the Adjustment Amount as so determined. The Independent Accounting Firm shall act as experts and not as arbitrators and shall decide only those matters in dispute. The Independent Accounting Firm shall simultaneously deliver its written determination to Buyer and Seller. Seller and Buyer shall share the fees and expenses of the Independent Accounting Firm equally. Seller and Buyer agree to cooperate in good faith with each other, with each other's authorized representatives and with the Independent Accounting Firm, if any, in order that any and all matters in dispute may be resolved as soon as practicable.

(e) If the final Purchase Price Adjustments Calculation results in a Purchase Price that is greater than the Closing Cash Payment, then Buyer shall pay the difference between the final Purchase Price and the Closing Cash Payment to Seller. If the final Purchase Price Adjustments Calculation results in a Purchase Price that is less than the Closing Cash Payment, then Seller shall pay the difference between the final Purchase Price and the Closing Cash Payment to Buyer. No interest shall be due or payable respecting any payments to be made pursuant to this Section 2.6(e). Any and all payments required to be made by Buyer or Seller as a result of adjustments made pursuant to this Section 2.6(e) shall be made by wire transfer of immediately available funds within five business days after the final determination of the amount of the Purchase Price. The determination and adjustment of the Purchase Price in accordance with the provisions of this Section 2.6 shall not limit or affect any other rights or causes of actions either Buyer or Seller may have with respect to the representations, warranties, covenants and indemnities in its favor contained in this Agreement.

2.7 WITHHOLDING

(a) If a certificate acceptable to the Buyer, acting reasonably, pursuant to Section 116(2) of the Income Tax Act with respect to the Shares is not delivered to the Buyer at or before the Closing, the Buyer shall be entitled to withhold from the Purchase Price payable at the Closing the amount required to be remitted to the Receiver General pursuant to Section 116 of the Income Tax Act (the "Withheld Amount").

(b) If the Seller delivers to the Buyer prior to the 25th day after the end of the month in which the Closing Date occurs a certificate acceptable to the Buyer, acting reasonably, issued by the Minister of National Revenue under Section 116(4) of the Income Tax Act, the Buyer shall promptly pay to the Seller the Withheld Amount.

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(c) If the Seller does not deliver to the Buyer within the specified time the certificate described in Section 2.7(a) or (b) above and the Buyer has withheld the Withheld Amount, the Buyer shall (i) remit to the Receiver General the amount required to be remitted pursuant to Section 116 of the Income Tax Act (Canada) and the amount so remitted shall be credited to the Buyer as a payment to the Seller on account of the Purchase Price, and (ii) pay the remaining portion of the Withheld Amount, if any, to the Seller.

2.8 RE-PURCHASE OF ACCOUNTS RECEIVABLE

(a) Within thirty (30) days after the Closing, Seller shall cause the Company to deliver to Buyer a detailed listing of open accounts receivable of the Company as of the day immediately preceding the Closing (the "Accounts Receivable") together with an aging schedule therefor.

(b) Within thirty (30) days after the [***] and [***] day following the Closing Date, Buyer shall present Seller with a detailed listing of the accounts and invoices which were listed on the Accounts Receivable list delivered at Closing and which remain outstanding on such date (the "Uncollected AR Calculation"). Seller shall have a period of 30 days after receipt of the Uncollected AR Calculation to present to Buyer in writing any objections and the amounts related thereto (the "AR Objections") which Seller may have with respect to the

Uncollected AR Calculation, which AR Objections shall be presented in reasonable detail. At its own expense, Seller (including its internal auditors) and its certified public accountants/chartered accountants shall have the opportunity during and following the preparation of the Uncollected AR Calculation to consult with Arthur Andersen and the chief financial officer, controller, or any other employee of Buyer or the Company engaged in the calculation of the Uncollected AR Calculation, to observe, review, and examine the work papers, schedules, and other documents prepared or used in connection with the Uncollected AR Calculation, and to review the books and records of Buyer related to such calculation. If Seller raises no AR Objections within such 30-day period, the Uncollected AR Calculation shall be deemed accepted and approved by Seller. If, within such 30-day period, Seller raises AR Objections, Buyer and Seller shall attempt in good faith to resolve the matter or matters in dispute and, if resolved, such resolution shall be final, conclusive and binding upon the parties hereto. If the parties fail to reach such resolution within ten (10) days after delivery of the AR Objections, the dispute mechanism set forth in Section 2.6(d) of this Agreement shall apply. Once the Uncollected AR Calculation is finally determined and any payments with respect to such invoices during the determination period, together with any [***] on [***] or [***] which cannot be [***] to [***] have been [***] thereto, then the reserve against accounts receivable reflected in the final Purchase Price Adjustments Calculation shall be subtracted therefrom. If the result is a positive number, it is the "A/R Overpayment"; if negative, it is the "A/R Underpayment." If there is an A/R Overpayment, then the Buyer shall be entitled to (A) cause the

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Seller to re-purchase all uncollected Accounts Receivable from the Company for an amount equal to the A/R Overpayment or (B) retain one or more Accounts Receivable included on the Accounts Receivable list (the "Retained A/R"), and cause the Seller to pay to Buyer the A/R Overpayment, [***] of the book amount of the Retained A/R. If there is an A/R Underpayment, then Purchaser shall pay Seller such amount (even though expressed as a negative number). The Purchase Price shall be adjusted by the A/R Overpayment or A/R Underpayment, as the case may be.

(c) Between the Closing Date and the date of its presentation of the Uncollected AR Calculation, Buyer shall, and shall cause the Company to, (i) undertake to collect the Accounts Receivable in a manner consistent with the Company's past practices in the Ordinary Course of Business, and (ii) apply any payments received from any customer listed on the Accounts Receivable list in the manner directed by such Customer, and, if the customer fails to designate an invoice for payment, then the payment shall be applied against the Accounts Receivable balance of such customer as in existence immediately preceding the Closing Date.

2.9 PURCHASE PRICE ALLOCATION

The parties agree to allocate, for all purposes including United States and Canadian Tax purposes, the Purchase Price among the Shares, the Intellectual Property Assets, and the Noncompetition Agreement as mutually agreed by the parties on or before the Closing. Furthermore, the parties acknowledge that, for United States Tax purposes, the Contemplated Transactions will be treated as a sale of assets. Accordingly, the parties agree to further allocate the Purchase Price attributable to the Shares among each class of assets owned by the Company as mutually agreed by the parties on or before the Closing. The Parties shall negotiate in good faith to reach an agreement respecting such allocations prior to the Closing, including an allocation of [***] to the [***] and at least [***] to the [***].

3. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that, except as set forth in the Disclosure Letter:

3.1 ORGANIZATION AND EXISTENCE

(a) Part 3.1 of the Disclosure Letter contains a complete and accurate list for the Company of its jurisdiction of incorporation, other jurisdictions in which it is authorized to do business, and its capitalization (including the identity of each shareholder and the number of shares held by each). The Company is a corporation duly incorporated, organized and validly existing under the laws of its jurisdiction of incorporation, with full corporate power and authority to

conduct its business as it is now being conducted, to own or use the properties and assets

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that it purports to own or use, and to perform all its obligations under Applicable Contracts. The Company is duly qualified to do business as a foreign corporation under the laws of each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification.

(b) Seller has delivered to Buyer copies of the Organizational Documents of the Company, as currently in effect, and will deliver copies of the Organizational Documents of the NSULC as soon as practicable after formation.

3.2 AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid, and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and principles governing the availability of equitable remedies. Seller has the right, power, authority, and capacity to execute and deliver this Agreement, the Seller's Release, and the Noncompetition Agreement and to perform its obligations hereunder and thereunder .

(b) Except as set forth in Part 3.2 of the Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the Company, or (B) any resolution adopted by the board of directors or the shareholders of the Company;

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Company, or any of the assets owned or used by the Company, may be subject;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by the Company or that otherwise relates to the business of, or any of the assets owned or used by, the Company;

(iv) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or

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exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; or

(v) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by the Company.

Except as set forth in Part 3.2 of the Disclosure Letter or as may be required under the Competition Act or the Investment Canada Act, neither Seller nor the Company is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

3.3 CAPITALIZATION

The authorized capital of PCO Services, Inc. consists of an unlimited number of common shares, of which 250,600,001 shares are issued and outstanding. Upon the consummation of the Amalgamation, the authorized capital of the Company shall consist of an unlimited number of common shares, of which 250,600,001 shares will be issued and outstanding before the Closing, and will constitute the Shares. Seller is currently the owner of all of the issued and outstanding shares of PCO Services, Inc., and, before the Closing, will be the record and

beneficial owner and holder of the Shares, free and clear of all Encumbrances. With the exception of the Shares (which are, or before the Closing will be, owned by Seller), all of the outstanding equity securities and other securities of the Company are owned of record and beneficially by the Company, free and clear of all Encumbrances. No legend or other reference to any purported Encumbrance appears upon any certificate representing equity securities of the Company. All of the outstanding equity securities of the Company have been or (before the Closing) will be duly authorized, validly issued, fully paid and nonassessable. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of the Company. None of the equity securities or other securities of the Company was or (before the Closing) will be issued in violation of any Legal Requirement. The Company does not own, or have any Contract to acquire, any equity securities or other securities of any Person (other than the Company) or any direct or indirect equity or ownership interest in any other business.

3.4 FINANCIAL STATEMENTS

Seller has delivered to Buyer: (a) the unaudited balance sheet of the Company as at June 30 in each of the years 1996 through 1998, and the related statement of income, and cash flow for each of the fiscal years then ended, (b) an unaudited balance sheet of the Company as at June 30, 1999 (including the notes thereto, the "Balance Sheet"), and the related statement of income, and cash flow for the fiscal year then ended, and (c) an unaudited balance sheet of the Company as at August 31, 1999 (the "Interim Balance Sheet") and the related unaudited statement of income, and cash flow for the two (2) months then ended, including in each case the notes thereto. Such financial statements and notes fairly present the financial condition and the results of operations, and cash flow of the Company as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject, in the case of interim financial statements, to normal recurring year-end

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adjustments (the effect of which will not, individually or in the aggregate, have a Material Adverse Effect) and the absence of notes (that, if presented, would not differ materially from those included in the Balance Sheet), and except as set forth in Part 3.4 of the Disclosure Letter; the financial statements referred to in this Section 3.4 reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. No financial statements of any Person other than the Company are required by GAAP to be included in the financial statements of the Company.

3.5 BOOKS AND RECORDS

The books of account, minute books, registers, share books, and other records of the Company, all of which have been made available to Buyer, are complete and correct and have been maintained in accordance with Legal Requirements and sound business practices. The minute books of the Company contain accurate and complete records of all meetings held of, and corporate action taken by, the shareholders, the Boards of Directors, and committees of the Boards of Directors of the Company, and no meeting of any such shareholders, Board of Directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Company.

3.6 TITLE TO PROPERTIES; ENCUMBRANCES

Part 3.6 of the Disclosure Letter contains a complete and accurate list of all real property, leaseholds, or other interests in real property owned or held by the Company. Seller has delivered or made available to Buyer copies of the deeds and other instruments (as recorded) by which the Company acquired such real property and interests, and copies of all title insurance policies, opinions, abstracts, and surveys in the possession of Seller or the Company and relating to such property or interests. The Company owns all the properties and assets reflected in the Balance Sheet and the Interim Balance Sheet (except for assets held under capitalized leases disclosed or not required to be disclosed in Part 3.6 of the Disclosure Letter and personal property sold since the date of the Balance Sheet and the Interim Balance Sheet, as the case may be, in the Ordinary Course of Business). All material properties and assets reflected in the Balance Sheet and the Interim Balance Sheet as being owned by the Company are free and clear of all Encumbrances and are not, in the case of real property, subject to any rights of way, building use restrictions, exceptions, variances, reservations, or limitations of any nature except, with respect to all such properties and assets, (a) mortgages, hypothecs, or security interests shown on the Balance Sheet or the Interim Balance Sheet as securing specified liabilities or obligations, with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (b) mortgages, hypothecs, or security interests incurred in connection with the purchase of property or assets after the date of the Interim Balance Sheet (such mortgages and security interests being limited to the property or assets so acquired), with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (c) liens, levies and assessments for current taxes not yet due, and (d) with respect to real

property, (i) minor imperfections of title, if any, none of which individually or in the aggregate is substantial in amount, or materially impairs the present use of the property by the Company, (ii) zoning laws and other land use restrictions that do not impair

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the present use of the property subject thereto, or (iii) as set forth in the applicable deed or lease or as excepted in the applicable title insurance policy or letter of counsel to the extent currently in Seller's possession.

3.7 CONDITION AND SUFFICIENCY OF ASSETS

The buildings, plants, structures, and equipment of the Company, taken as a whole, are in good operating condition and repair (ordinary wear and tear excepted), and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, or equipment is in need of maintenance or repairs except for maintenance and repairs that are not material in nature or cost. The Company owns or has the right to use buildings, plants, structures, and equipment which are sufficient for the continued conduct of the Company's businesses after the Closing in substantially the same manner as conducted prior to the Closing, subject to the obtaining of the consents set forth in Schedule 3.2 to the Disclosure Letter.

3.8 INVENTORY

All inventory of the Company, whether or not reflected in the Balance Sheet or the Interim Balance Sheet, consists of a quality and quantity usable and salable in the Ordinary Course of Business, except for obsolete items and items of below-standard quality, all of which have been written off or written down in accordance with GAAP in the Balance Sheet or the Interim Balance Sheet or on the accounting records of the Company as of the Closing Date, as the case may be. The quantities of each item of inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable in the present circumstances of the Company.

3.9 ACCOUNTS RECEIVABLE; CUSTOMER PREPAYMENTS; NO UNDISCLOSED LIABILITIES

All Accounts Receivable of the Company that are reflected on the Balance Sheet or the Interim Balance Sheet or on the accounting records of the Company as of the Closing Date represent or will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. All payments received by the Company from customers in advance of services being performed are properly reflected as liabilities on the Balance Sheet and Interim Balance Sheet in accordance with GAAP. Except as set forth in Part 3.9 of the Disclosure Letter, the Company has no liabilities or obligations which would be required to be reflected or reserved against in the Balance Sheet or the Interim Balance Sheet, in each case in accordance with GAAP and are not so reflected except for current liabilities incurred in the Ordinary Course of Business since the respective dates thereof.

3.10 TAXES

(a) The Company has filed or caused to be filed on a timely basis, all Tax Returns that are or were required to be filed by or with respect to the Company, either separately or as a member of a group of corporations, pursuant to applicable Legal Requirements. Seller has made available to Buyer copies of,

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and Part 3.10 of the Disclosure Letter contains a complete and accurate list of, all such Tax Returns relating to income or capital taxes filed for tax periods ending on June 30, 1995 and thereafter. The Company has paid, or made provision for the payment of, all Taxes that have or may have become due pursuant to those Tax Returns or otherwise (including, without limitation, any payroll, sales, or other trust fund taxes), or pursuant to any assessment received by Seller (with respect to the Company) or the Company, except such Taxes, if any, as are listed in Part 3.10 of the Disclosure Letter and are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Balance Sheet and the Interim Balance Sheet.

(b) The Tax Returns of the Company subject to such Taxes have been audited by the relevant tax authorities or are closed by the applicable statute of limitations for all taxable years through June 30, 1995. Part 3.10 of the Disclosure Letter contains a complete and accurate list of all audits of all such Tax Returns, including a description of the nature and outcome of each audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or, as described in Part 3.10 of the Disclosure Letter, are being

contested in good faith by appropriate proceedings. Part 3.10 of the Disclosure Letter describes all adjustments to the income Tax Returns filed by the Company or any group of corporations including the Company for all taxable years since June 30, 1993, and the resulting proposal or deficiencies. Except as described in Part 3.10 of the Disclosure Letter, neither Seller nor the Company has given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of the Company or for which the Company may be liable.

(c) The charges, accruals, and reserves with respect to Taxes on the respective books of the Company are adequate (determined in accordance with GAAP) and are, to Seller's Knowledge at least equal to the Company's liability for Taxes. There exists no proposed tax assessment against the Company except as disclosed in the Balance Sheet or in Part 3.10 of the Disclosure Letter. All Taxes that the Company is or was required by Legal Requirements to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

(d) All Tax Returns filed by (or that include on a consolidated basis) the Company are true, correct, and complete. There is no tax sharing agreement that will require any payment by the Company after the date of this Agreement.

(e) The corporate actions described in recital (D) of this Agreement will not cause Buyer or the Company to become subject to, or to become liable for the payment of, any Tax.

(f) Seller is not a registrant for the purpose of Part IX of the Excise Tax Act (Canada).

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3.11 NO MATERIAL ADVERSE CHANGE

Since the date of the Balance Sheet, there has not been any Material Adverse Change in the Company, and no event has occurred or circumstance exists that is reasonably likely to result in such a Material Adverse Change.

3.12 EMPLOYEE BENEFITS

(a) As used in this Section 3.12, 3.15 and Section 3.19, the following term has the meaning set forth below.

"Employee Plans" -- means all the employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, severance, change of control, pension, retirement, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, disability, life insurance and similar plans, programs, arrangements or practices relating to the current or former employees, officers or directors of the Company maintained, sponsored or funded by the Company, whether written or oral, funded or unfunded, insured or self-insured, registered or unregistered.

(b) Part 3.12(b) of the Disclosure Letter lists and describes all Employee Plans. The Seller has furnished to the Buyer true, correct and complete copies of all the Employee Plans as amended as of the date hereof, together with all material related documentation.

(c) All of the Employee Plans are and have been established, registered, invested and administered in all substantial respects in accordance with their terms and are in good standing under all applicable Legal Requirements, including Tax laws. None of the Employee Plans are defined benefit plans.

(d) All Company contributions or premiums under the Employee Plans have been made in accordance with the terms of the Employee Plans.

(e) All employee data necessary to administer each Employee Plan has been provided by the Seller to the Buyer to the extent permitted by law and is true and correct as of the date of this Agreement and the Seller will notify the Buyer of any changes thereto occurring prior to the Closing Date.

(f) No Employee Plan is subject to any pending investigation, examination or other proceeding, action or claim initiated by

any regulatory authority, or by any other party (other than routine claims for benefits), and to Seller's Knowledge there exists no state of facts which could reasonably be expected to give rise to any such investigation, examination or other proceeding, action or claim or to affect the registration of any Employee Plan required to be registered.

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(g) No insurance policy or any other agreement affecting any Employee Plan requires or permits a retroactive increase in contributions, premiums or other payments due thereunder.

(h) None of the Employee Plans (other than pension plans) provide benefits to retired employees or to the beneficiaries or dependents of retired employees.

3.13 COMPLIANCE WITH LEGAL REQUIREMENTS; GOVERNMENTAL AUTHORIZATIONS

(a) Part 3.13 of the Disclosure Letter contains a complete and accurate list of each material Governmental Authorization that is held by the Company or that is otherwise necessary for the conduct of the business of, or to any of the assets owned or used by, the Company (other than Licenses held directly by employees of the Company as to which Seller has no Knowledge of any breach, revocation, withdrawal, cancellation or termination of any material number thereof). Except (i) as set forth in Part 3.13 of the Disclosure Letter and (ii) with respect to environmental matters which are addressed solely and exclusively in Section 3.18 hereof:

(i) each Governmental Authorization is valid, subsisting and in good standing and the Company is, and at all times since January 1, 1998 has been, in substantial compliance with each Legal Requirement or Governmental Authorization that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

(ii) no event has occurred or circumstance exists that (with or without notice or lapse of time) (A) may constitute or result in a violation by the Company of, or a failure on the part of the Company to comply with, any Legal Requirement Known to Seller or Governmental Authorization; (B) may give rise to any obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; or (C) result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, of any Governmental Authorization;

(iii) the Company has not received, at any time since January 1, 1998, any notice or other communication either in writing, or to the Seller's Knowledge, orally) from any Governmental Body regarding (A) any actual or alleged violation of, or failure to comply with, any Legal Requirement or Governmental Authorization, (B) any actual or alleged obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; or (C) any actual

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or alleged revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization;

(iv) all applications required to have been filed for the renewal of the Governmental Authorizations listed in Part 3.13 of the Disclosure Letter have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

3.14 LEGAL PROCEEDINGS; ORDERS

(a) Except (i) as set forth in Part 3.14 of the Disclosure Letter and (ii) with respect to environmental matters which are addressed solely and exclusively in Section 3.18 hereof, there is no pending Proceeding that has been commenced by or against the Seller or the Company:

(i) that relates to or may affect the business of, or any

of the assets owned or used by, the Company; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of Seller no such Proceeding has been Threatened, and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any Proceeding of the kind set forth in 3.14(a)(ii) above. Seller has provided Buyer with access to copies of all pleadings, correspondence, and other documents relating to each Proceeding listed in Part 3.14 of the Disclosure Letter.

(b) Except (i) as set forth in Part 3.14 of the Disclosure Letter and (ii) with respect to environmental matters which are addressed solely and exclusively in Section 3.18 hereof:

(i) there is no Order to which the Company, or any of the assets owned or used by the Company, is subject;

(ii) Seller is not subject to any Order that relates to the business of, or any of the assets owned or used by the Company; and

(iii) to the Knowledge of Seller, no officer or employee of the Company is specifically and directly subject to any Order that prohibits such officer or employee from engaging in or continuing any conduct, activity, or practice relating to the business of the Company.

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(c) Except as (i) set forth in Part 3.14 of the Disclosure Letter and (ii) with respect to environmental matters which are addressed solely and exclusively in Section 3.18 hereof:

(i) the Company is, and at all times since January 1, 1998 has been, in substantial compliance with the terms and requirements of each Order to which it, or any of the assets owned or used by it, is or has been subject;

(ii) no event has occurred or circumstance exists that could reasonably be expected to constitute or result in (with or without notice or lapse of time) a violation of or failure to materially comply with the terms or requirements of any Order to which the Company, or any of the assets owned or used by the Company, is subject; and

(iii) the Company has not received, at any time since January 1, 1998, any notice or other communication (either in writing, or to the Seller's Knowledge, oral) from any Governmental Body regarding any actual or alleged violation of, or failure to comply with, any term or requirement of any Order to which the Company, or any of the assets owned or used by the Company, is or has been subject.

3.15 ABSENCE OF CERTAIN CHANGES AND EVENTS

Except as set forth in Part 3.15 of the Disclosure Letter, since the date of the Balance Sheet, the Company has conducted its business only in the Ordinary Course of Business and there has not been any:

(a) change in the Company's authorized or issued capital (except in connection with the Amalgamation); grant of any stock option or right to purchase shares in the capital of the Company; issuance of any security convertible into such capital; grant of any registration rights; purchase, redemption, retirement, or other acquisition by the Company of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares in the capital;

(b) amendment to the Organizational Documents of the Company except in connection with the Amalgamation;

(c) payment or increase by the Company of any bonuses, salaries, or other compensation to any shareholder, director, officer (as such), or (except in the Ordinary Course of Business) employee or entry into any employment, severance, or similar Contract with any director, officer, or employee;

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(d) adoption of, or increase in the level of payments to or level of benefits under, any Employee Plans for or with any employees or former employees of the Company;

(e) damage to or destruction or loss of any asset or property of the Company, whether or not covered by insurance, which had a Material Adverse Effect;

(f) entry into, termination of (other than by expiration), or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, or similar agreement, or (ii) any Contract or transaction involving a total remaining commitment by or to the Company of at least CDN [***];

(g) sale (other than sales of inventory in the Ordinary Course of Business), lease (other than leases of vehicles in the Ordinary Course of Business), or other disposition of any asset or property of the Company (other than dispositions of vehicles in the Ordinary Course of Business) or mortgage, pledge, hypothec, or imposition of any lien or other Encumbrance on any material asset or property of the Company, including the sale, lease, or other disposition of any of the Intellectual Property Assets except for the transfer of the United States trademark registration of "PCO Services, Inc." by the Company to Seller;

(h) cancellation or waiver of any claims or rights with a value to the Company in excess of CDN [***];

(i) material change in the accounting methods used by the Company; or

(j) agreement, whether oral or written, by the Company to do any of the foregoing.

3.16 CONTRACTS; NO DEFAULTS

(a) Part 3.16(a) of the Disclosure Letter contains a complete and accurate list, and Seller has delivered to Buyer true and complete copies (or, where applicable, forms), of:

(i) each Contract that involves performance of services or delivery of goods or materials by the Company of an amount or value in excess of CDN [***];

(ii) each Contract that involves performance of services or delivery of goods or materials to the Company of an amount or value in excess of CDN [***];

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(iii) each Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of the Company in excess of CDN [***];

(iv) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than CDN [***] and with terms of less than one year);

(v) each licensing agreement or other Contract with respect to patents, trademarks, copyrights, and form agreements generally used with employees, consultants and contractors in respect thereof;

(vi) each collective bargaining agreement and other Contract to or with any labor union or other employee representative of a group of employees;

(vii) each joint venture, partnership, and other Contract (however named) involving a sharing of profits, losses, costs, or liabilities by the Company with any other Person other than payments to employees under an Employee Plan;

(viii) each Contract containing covenants that in any way purport to restrict the business activity of the Company or limit the freedom of the Company to engage in any line

of business or to compete with any Person;

(ix) each Contract providing for payments to or by any Person based on sales, purchases, or profits, other than direct payments for goods or services performed except for payments to employees pursuant to written policies);

(x) each power of attorney or procuration that is currently effective and outstanding, except as executed in the Ordinary Course of Business (with respect to customs);

(xi) each Contract obligating the Company for capital expenditures in excess of CDN [***];

(xii) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by the Company other than in the Ordinary Course of Business; and

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(xiii) each amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

(b) Except as set forth in Part 3.16(b) of the Disclosure Letter:

(i) Seller (and no Related Person of Seller) does not have nor may Seller acquire any rights under, and Seller does not have, nor may Seller become subject to any obligation or liability under, any Contract that relates solely to the business of, or any of the assets owned or used by, the Company; and

(ii) there is no shareholder agreement that restricts, in whole or in part, the ability of the directors to manage the business and affairs of the Company.

(c) Except as set forth in Part 3.16(c) of the Disclosure Letter, each Applicable Contract identified or required to be identified in Part 3.16(a) of the Disclosure Letter is in full force and effect and is valid and enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and principles governing the availability of equitable remedies.

(d) Except as set forth in Part 3.16(d) of the Disclosure Letter:

(i) the Company is, and at all times since January 1, 1999, has been, in substantial compliance with the terms and requirements of each Applicable Contract;

(ii) to the Knowledge of Seller, each other Person that has or had any obligation or liability under each Applicable Contract at all times since January 1, 1999 has been, in substantial compliance with the terms and requirements of such Contract;

(iii) no event has occurred or circumstance exists that (with or without notice or lapse of time) is reasonably likely to contravene, conflict with, or result in a violation or breach of, or give the Company or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; and

(iv) the Company has not given to or received from any other Person, at any time since January 1, 1999, any notice or other communication (either in writing, or to the Seller's Knowledge, oral) regarding any actual or alleged violation or breach of, or default under, any Applicable Contract.

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[***] - CONFIDENTIAL TREATMENT REQUESTED

(e) There are no renegotiations of or outstanding rights to renegotiate any material amounts paid or payable to the Company under current or completed Applicable Contracts with any Person and, to the Knowledge of Seller, no such Person has made written demand for such renegotiation.

(f) The Applicable Contracts relating to the sale, design, manufacture, or provision of products or services by the Company have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Legal Requirement.

3.17 INSURANCE

(a) Seller has delivered to Buyer:

(i) true and complete copies of all policies of insurance to which the Company is a party or under which the Company, or any director of the Company, is or has been covered at any time within the three (3) years preceding the date of this Agreement;

(ii) true and complete copies of all pending applications for policies of insurance; and

(iii) any statement by the auditor of the Company's financial statements with regard to the adequacy of such entity's coverage or of the reserves for claims.

(b) Part 3.17(b) of the Disclosure Letter describes:

(i) any self-insurance arrangement by or affecting the Company, including any reserves established thereunder; and

(ii) any contract or arrangement, other than a policy of insurance, for the transfer or sharing of any risk by the Company.

(c) Part 3.17(c) of the Disclosure Letter sets forth, by year, for the current policy year and each of the three preceding policy years:

(i) a summary of the loss experience under each policy;

(ii) a statement describing each claim under an insurance policy for an amount in excess of CDN [***], which sets forth:

(A) the name of the claimant;

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(B) a description of the policy by insurer, type of insurance, and period of coverage; and

(C) the amount and a brief description of the claim; and

(iii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Part 3.17(d) of the Disclosure Letter:

(i) To Seller's Knowledge, all policies to which the Company is a party or that provide coverage to either Seller, the Company, or any director or officer of the Company:

(A) are valid, outstanding, and enforceable, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and principles governing the availability of equitable remedies;

(B) are issued by an insurer that is financially sound and reputable;

(C) are sufficient for compliance with all Legal Requirements and Applicable Contracts to which the Company is a party; and

(D) will continue in full force and effect following the consummation of the Contemplated Transactions to the extent that they provide "occurrence based" coverage.

(ii) The Company has not received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights in response to a currently open claim, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(iii) The Company has paid all premiums due, and has otherwise performed all of its obligations, under each policy to which the Company is a party or that provides coverage to the Company or any director thereof.

(iv) The Company has given notice to the insurer of all current claims of which it has Knowledge that may be insured thereby.

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[***] - CONFIDENTIAL TREATMENT REQUESTED

3.18 ENVIRONMENTAL MATTERS

Except as set forth in part 3.18 of the Disclosure Letter:

(a) (i) no event has occurred during the last [***] years or circumstance exists that (with or without notice or lapse of time) (A) is likely to give rise to any obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any Environmental Liabilities; or (B) is likely to result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or requirement to obtain any material modification to, any Environmental Permit;

(ii) the Company has not received any actual, or to the Knowledge of Seller Threatened, Order, notice, or other communication from (i) any Governmental Body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of any Facilities, regarding (A) any actual or alleged violation of, or failure by the Company to comply with, any Environmental Law or Environmental Permit, (B) any actual or to the Knowledge of Seller Threatened obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any Environmental Liabilities; or (C) any actual or to the Knowledge of Seller Threatened revocation, withdrawal, suspension, cancellation, termination of, or material modification to any Environmental Permit; and

(iii) each Environmental Permit is valid, subsisting and in good standing and the Company is, and at all times during the last [***] years has been, in material compliance with each Environmental Law or Environmental Permit that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets.

(b) There are no pending or, to the Knowledge of Seller, Threatened claims against the Seller or the Company resulting from any Environmental Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting any of the Facilities.

(c) There are no Hazardous Materials present, at, on, in or under the Environment at any of the Facilities, other than (i) as used in the lawful conduct of the business by the Company, or (ii) which were present at the Facility in question at the later of the time the Seller acquired the Company and the Company entered into occupation of the Facility in question. The Company has not, to the Knowledge of Seller, permitted or conducted any Hazardous Activity at the Facilities except in material compliance with all applicable Environmental Laws. There are no pest control products stored at any of the Facilities currently owned, leased or operated by the Company which (a) were manufactured prior to October 30, 1996 or (b) are listed in Part I of Schedule II to the Canadian

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[***] - CONFIDENTIAL TREATMENT REQUESTED

Environmental Protection Act (as in force as of the date of Closing), and which the cost to properly dispose of such products would exceed [***].

Seller has delivered to Buyer true and complete copies and results of any reports, and any material studies, analyses, tests, or monitoring possessed by Seller or the Company pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities or any other properties and assets (whether real, personal, or mixed) in which the Company has or had an interest, or concerning compliance by the Company with Environmental Laws.

3.19 EMPLOYEES

(a) Part 3.19 of the Disclosure Letter contains, to the extent permitted by law, complete and accurate list of the following information for each employee of the Company, including each employee on leave of absence or layoff status: employer; name; age, job title; current compensation and any change in compensation since June 30, 1999; vacation accrued; banked sick days/personal choice days, if any; bonus days with pay, if any; and recognized service date for purposes of vesting and eligibility to participate in any Employee Plan or vacation plan.

(b) The Company does not have any written employment agreements (including any confidentiality, non-competition or proprietary rights agreements hereinafter "Proprietary Rights Agreements") with any Person except (i) form non-competition agreements with all employees; or (ii) as are listed in Part 3.16(a) of the Disclosure Letter. Further, to Seller's Knowledge no employee of the Company is a party to, or is otherwise bound by, any agreement, including any confidentiality, non competition, or proprietary rights agreement, between such employee and any other Person ("Proprietary Rights Agreement") that adversely affects (i) his ability to perform his duties as an employee of the Company, or (ii) the ability of the Company to conduct its business, including any Proprietary Rights Agreement with Seller or the Company by any such employee. To Seller's Knowledge (excluding the knowledge of the officer or key employee in question), no officer or other key employee of the Company intends to terminate his employment with the Company.

(c) No retired employee or director of the Company, or their dependents are currently receiving benefits or scheduled to receive benefits from the Company in the future; other than pursuant to the terms of an Employee Plan or pursuant to a Legal Requirement.

(d) The Company is in substantial compliance with Legal Requirements respecting employment and employment practices, terms and conditions of employment, pay equity, wages and hours of work, immigration, human rights, health and safety. The Company is not liable for the payment of any compensation, damages, taxes, fine, penalties or other amounts, however

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designated, for the failure to comply with any of the foregoing Legal Requirements.

(e) All amounts due or accruals due for all salary, wages, bonuses, commissions, vacations with pay, banked sick days, personal choice days, bonus days, pension benefits or other employee benefits are reflected in the Balance Sheet if and to the extent required by GAAP to be so reflected.

(f) Except as set forth in Part 3.19 of the Disclosure Letter, no individual employee, officer, director, agent, consultant or advisor has any agreement as to length of employment or retainer, length of notice or severance or termination payment required to terminate his or her employment or retainer or any combination thereof or any entitlement upon change of control of the Company or the contemplated transactions, other than such as results from Legal Requirements or a written policy of the Company applicable to any particular class or classes of employees, which policy is set forth in the Company's Policy Manual or in Schedule 3.12 to the Disclosure Letter.

3.20 LABOR RELATIONS; COMPLIANCE

Except as set forth in Part 3.20 of the Disclosure Letter, since January 1, 1999 the Company has not been and is not a party to any collective bargaining or other labor Contract with any trade union or employee association nor is any collective agreement being negotiated except that a collective bargaining agreement is currently being negotiated with respect to certain employees of the Company located in the province of Quebec. Except as set forth in Part 3.20 of

the Disclosure Letter, since January 1, 1999, there has not been, there is not presently pending or existing, and to Seller's Knowledge there is not Threatened, (a) any strike, slowdown, picketing, work stoppage, or employee grievance process, (b) any Proceeding against the Company relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with any applicable labor relations board or any comparable government body or under any applicable human rights, employment standards, workers compensation or occupational health and safety legislation, or (c) any application for certification of a collective bargaining agent received by or advised to the Company. To Seller's Knowledge no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute. There is no lockout of any employees by the Company, and the Company contemplates no such action. No trade union or employee association has applied to have the Company declared a related or successor employer pursuant to any applicable labor relations or employment Legal Requirement.

3.21 INTELLECTUAL PROPERTY

(a) Intellectual Property Assets -- The term "Intellectual Property Assets" means:

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(i) the name "PCO Services", all business names, trading names, registered and unregistered trademarks, service marks, and applications which are used in the conduct of the business of the Company as currently conducted and are described on Part 3.21(e) of the Disclosure Letter (collectively, "Marks");

(ii) all patents, patent applications, and inventions and discoveries that may be patentable which are used in the conduct of the business of the Company as currently conducted (collectively, "Patents");

(iii) all copyrights in both published works and unpublished works which are used in the conduct of the business of the Company as currently conducted (collectively, "Copyrights"); and

(iv) all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints; owned, used, or licensed by the Seller or the Company as licensee or licensor with respect to the business of the Company as currently conducted (collectively, "Trade Secrets").

(b) Agreements -- Part 3.21(b) of the Disclosure Letter contains a complete and accurate list of all Applicable Contracts relating to Intellectual Property Assets to which the Company is a party or by which the Company is bound, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available software programs with a value of less than CDN [***] under which the Company is the licensee. There are no outstanding and, to Seller's Knowledge, no Threatened disputes or disagreements with respect to any such agreement.

(c) Know-How Necessary for the Business

(i) The Intellectual Property Assets are all those necessary for the operation of the Company's business as it is currently conducted.

(d) Patents - Neither Seller nor the Company holds any Patents applicable to the business of the Company.

(e) (i) Part 3.21(e) of the Disclosure Letter contains a complete and accurate list and summary description of all Marks. One or more of the Seller or the Company is the owner of all right, title, and interest in and to each of the Marks, free and clear of all liens, security interests, charges, Encumbrances, equities, and other adverse claims.

(ii) All Marks that have been registered with the US Patent and Trademark Office or the CIPO are currently in substantial compliance with all formal legal requirements (including the timely post-registration

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filing of affidavits of use and payment of renewal fees),

and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.

(iii) No Mark has been or is now involved in any opposition or cancellation proceeding and, to Seller's Knowledge, no such action is Threatened with the respect to any of the Marks.

(iv) To Seller's Knowledge, there is no potentially interfering trademark or trademark application of any third party.

(v) To Seller's Knowledge, no Mark is infringed or has been challenged or threatened in any way and none of the Marks used by the Company infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(f) Copyrights - Neither Seller nor the Company has any registered copyrights applicable to the business of the Company.

(g) Trade Secrets

(i) Seller and the Company have taken all reasonable precautions to protect the secrecy, confidentiality, and value of their Trade Secrets.

(ii) Either the Seller or the Company has the right (but not necessarily exclusive) to use the Trade Secrets. To Seller's Knowledge, no Trade Secret has been Threatened in any way.

3.22 CERTAIN PAYMENTS

Since January 1, 1989, neither the Company nor any director, officer, agent, or employee of the Company, or to Seller's Knowledge any other Person associated with or acting for or on behalf of the Company, while acting on behalf of the Company has (a) directly or indirectly made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company or any Affiliate of the Company, or (iv) in violation of any Legal Requirement, or (b) intentionally established or maintained any fund or asset that has not been recorded in the books and records of the Company.

3.23 DISCLOSURE

(a) No representation or warranty of Seller in this Agreement and no statement in the Disclosure Letter omits to state a material fact necessary to make

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the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 5.5 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

3.24 RELATIONSHIPS WITH RELATED PERSONS

Except as set forth in Part 3.24 of the Disclosure Letter, neither Seller nor any Related Person of Seller or of the Company has any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Company's businesses. Except as set forth in Part 3.24 of the Disclosure Letter, neither Seller nor any Related Person of Seller or of the Company has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (i) had business dealings or a material financial interest in any transaction with the Company other than business dealings or transactions conducted in the Ordinary Course of Business with the Company at substantially prevailing market prices and on substantially prevailing market terms, or (ii) engaged in competition with the Company with respect to any line of the products or services of the Company (a "Competing Business") in any market presently served by the Company. Except as set forth in Part 3.24 of the Disclosure Letter, neither Seller nor any Related Person of Seller or of the Company is a party to any Contract with, or has any claim or right against, the Company.

3.25 BROKERS OR FINDERS

Seller and its agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

3.26 YEAR 2000 COMPLIANCE

Seller and the Company have (i) undertaken a detailed inventory, review, and assessment of all areas within and affecting the Company' business and operations that could be adversely affected by the failure of the Company to be "Year 2000 Compliant" (as hereinafter defined), (ii) developed a plan and time line for the Company becoming Year 2000 Compliant, (iii) implemented that plan in accordance with the specified timetable, and (iv) as a result thereof, the operations and business of the Company is currently, or will be Year 2000 Compliant on or before the Closing Date. As used herein, "Year 2000 Compliant" shall mean that all software, embedded microchips and other processing capabilities utilized by the Company on existing computer hardware resources which are critical to the functioning of the business of the Company will correctly process, sequence, and calculate, without interruption, all date and date related data for all dates to, through and for 20 years after January 1, 2000, including leap year calculations.

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3.27 INVESTMENT CANADA ACT

The book value of the assets of the Company as shown on the most recent year-end balance sheet of the Company prepared in accordance with GAAP was less than CDN. \$184 million. The Company is not engaged in any of the following businesses:

- (i) production of uranium or ownership of an interest in a producing uranium property in Canada;
- (ii) any service of a financial nature offered by a financial institution excluding the underwriting and selling of insurance policies;
- (iii) carriage of passengers or goods from one place to another by any means, including carriage by air, by rail, by water, by land and by pipeline (except for its own internal distribution);
- (iv) the publication, distribution or sale of books, magazines, periodicals or newspapers in print or machine readable form, other than the sole activity of printing or typesetting of books, magazines, periodicals or newspapers (except for (x) advertising materials or (y) training materials used by the Company's employees);
- (v) the production, distribution, sale or exhibition of film or video recordings (except for (x) advertising materials or (y) training materials used by the Company's employees);
- (vi) the production, distribution, sale or exhibition of audio or video music recordings;
- (vii) the publication, distribution or sale of music in print or machine readable form; or
- (viii) radio communication in which the transmissions are intended for direct reception by the general public, any radio or television broadcasting undertakings and any satellite programming and broadcast network services.

3.28 LIMITATION ON WARRANTIES

Except as expressly set forth in this Article 3, Seller makes no express or implied warranty of any kind whatsoever including, without limitation, any representation as to the value of any of the assets of the Company or the future profitability or future earnings of the Company. ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXPRESSLY EXCLUDED.

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4. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

4.1 ORGANIZATION AND GOOD STANDING

Buyer is a corporation duly incorporated, organized, validly existing, and in good standing under the laws of the province of New Brunswick.

4.2 AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. Buyer has the absolute and unrestricted right, power, and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) Except as set forth in Schedule 4.2, neither the execution and delivery of this Agreement by Buyer nor the consummation or performance of any of the Contemplated Transactions by Buyer will give any Person the right to prevent, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

- (i) any provision of Buyer's Organizational Documents;
- (ii) any resolution adopted by the board of directors or the shareholders of Buyer;
- (iii) any Legal Requirement or Order to which Buyer may be subject; or
- (iv) any Contract to which Buyer is a party or by which Buyer may be bound.

Except as set forth in Schedule 4.2, Buyer is not and will not be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

4.3 INVESTMENT INTENT

Buyer is acquiring the Shares for its own account and not with a view to their distribution within the meaning of Section 2(11) of the Securities Act of 1933, as amended.

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4.4 CERTAIN PROCEEDINGS

There is no pending Proceeding that has been commenced against Buyer and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To Buyer's Knowledge, (i) no such Proceeding has been Threatened, and (ii) no event has occurred or circumstance exists that may serve as a basis for commencement of any such Proceeding.

4.5 BROKERS OR FINDERS

Buyer and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

5. COVENANTS OF SELLER PRIOR TO CLOSING DATE

5.1 ACCESS AND INVESTIGATION

Between the date of this Agreement and the Closing Date, Seller will, and will cause the Company and its Representatives to, (a) afford Buyer and its Representatives and prospective lenders and their Representatives (collectively, "Buyer's Advisors") reasonable access during normal business hours to the Company's personnel, properties (including subsurface testing), contracts, books and records, and other documents and data (provided, however, to the extent Buyer deems subsurface testing to be necessary, Buyer will coordinate with Seller to ensure (i) minimum disruption of the business of the Company, (ii) that such subsurface testing will be subject to such reasonable terms and conditions as Seller may impose including indemnity of Seller and the Company for all liabilities and expenses relating to or caused by such testing and (iii) that a representative of Seller will be present at all times and shall be entitled to obtain split samples), (b) furnish Buyer and Buyer's Advisors with copies of all such contracts, books and records, and other existing documents and data as Buyer may reasonably request, and (c) furnish Buyer and Buyer's Advisors with such additional financial, operating, and other data and information as Buyer may reasonably request.

5.2 OPERATION OF THE BUSINESSES OF THE COMPANY

Between the date of this Agreement and the Closing Date, unless Buyer consents otherwise, Seller will, and will cause the Company to:

- (a) conduct the business of the Company only in the Ordinary Course of Business (except for the continuance of the Company to Nova Scotia and the consummation of the Amalgamation);
- (b) use its Best Efforts (consistent with its past practices)

to preserve intact the current business organization of the Company, keep available the services of the current officers, employees, and agents of the Company, and maintain the relations and good will with suppliers, customers, landlords,

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creditors, employees, agents, and others having business relationships with the Company;

(c) confer with Buyer concerning operational matters of a material nature; and

(d) otherwise report periodically to Buyer concerning the status of the business, operations, and finances of the Company.

5.3 NEGATIVE COVENANT

Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, Seller will not, and will cause the Company not to, without the prior consent of Buyer, take any reasonable affirmative action, or fail to take any reasonable action within their or its control, as a result of which any of the changes or events listed in Section 3.15 is more likely than not to occur.

5.4 REQUIRED APPROVALS

As promptly as practicable after the date of this Agreement, Seller will, and will cause the Company to, make all filings required by Legal Requirements to be made by or reasonably deemed advisable by the Buyer to be made by them, in order to consummate the Contemplated Transactions (including all filings under the Competition Act and the Investment Canada Act, if applicable) to the extent such filings have not been made prior to the date hereof. Between the date of this Agreement and the Closing Date, Seller will, and will cause the Company to, (a) cooperate with Buyer with respect to all filings that Buyer reasonably elects to make or is required by Legal Requirements to make in connection with the Contemplated Transactions, and (b) cooperate with Buyer in obtaining all consents identified in Schedule 7.3; provided that except as provided in Section 11.1, this Agreement will not require Seller to pay funds to third parties or dispose of or make any change in any portion of its business or to incur any other burden in order to cooperate or to obtain a Governmental Authorization.

5.5 NOTIFICATION

Between the date of this Agreement and the Closing Date, Seller will promptly notify Buyer in writing if Seller or the Company becomes aware of any fact or condition that causes or constitutes a Breach of any of Seller's representations and warranties as of the date of this Agreement, or if Seller or the Company becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Disclosure Letter if the Disclosure Letter were dated the date of the occurrence or discovery of any such fact or condition, Seller will promptly deliver to Buyer a supplement to the Disclosure Letter specifying such change. Any such supplements, shall have the effect of modifying the representations and warranties of Seller from and after the Closing for purposes of Article 10 hereof. During the

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same period, Seller will promptly notify Buyer of the occurrence of any Breach of any covenant of Seller in this Section 5 or of the occurrence of any event that will make the satisfaction of the conditions in Section 7 impossible or likely not to occur.

5.6 PAYMENT OF INDEBTEDNESS BY RELATED PERSONS

Except as expressly provided in this Agreement, Seller will cause all indebtedness owed to *** by either *** or any *** of either *** to be paid in full prior to Closing and will terminate all existing lines of credit (other than as provided under the leases set forth in the Disclosure Letter) available to the Company to the extent it has not done so prior to the date hereof.

5.7 NO NEGOTIATION

Until such time, if any, as this Agreement is terminated pursuant to Section 9, Seller will not, and will cause the Company and each of their Representatives not to, directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries

or proposals from, any Person (other than Buyer or as otherwise contemplated hereby) relating to any transaction involving the sale of the business or assets (other than in the Ordinary Course of Business) of the Company, or any of the capital stock of the Company, or any merger, consolidation, business combination, or similar transaction involving the Company.

5.8 BEST EFFORTS

Except as set forth in the proviso to Section 5.4, between the date of this Agreement and the Closing Date, Seller will use its Best Efforts to cause the conditions in Sections 7 and 8 to be satisfied.

6. COVENANTS OF BUYER PRIOR TO CLOSING DATE

6.1 APPROVALS OF GOVERNMENTAL BODIES

As promptly as practicable after the date of this Agreement, Buyer will, and will cause each of its Related Persons to, make all filings required by Legal Requirements to be made by them to or deemed advisable by the Buyer to be made by them, in order to consummate the Contemplated Transactions (including all filings under the Competition Act and the Investment Canada Act, if applicable). Between the date of this Agreement and the Closing Date, Buyer will, and will cause each Related Person to, (i) cooperate with Seller with respect to all filings that Seller is required by Legal Requirements to make in connection with the Contemplated Transactions, and (ii) cooperate with Seller in obtaining all consents identified in Schedule 7.3 of the Disclosure Letter; provided that this Agreement will not require Buyer to dispose of or make any change in any portion of its business or to incur any other burden to obtain a Governmental Authorization.

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6.2 BEST EFFORTS

Except as set forth in the proviso to Section 6.1, between the date of this Agreement and the Closing Date, Buyer will use its Best Efforts to cause the conditions in Sections 7 and 8 to be satisfied.

6.3 KNOWLEDGE OF MISREPRESENTATIONS AND OMISSIONS

As of the date hereof, Buyer has no Knowledge of any material misrepresentations or omissions in the representations and warranties of the Seller in this Agreement and the Disclosure Letter, and prior to the Closing, Buyer shall promptly notify Seller if Buyer obtains Knowledge that the representations and warranties of Seller in this Agreement and the Disclosure Letter are not true and correct in all material respects or if any of them contain errors or omissions. Buyer shall cause Zia Siddiqui (who is a former employee of Seller, and is a current employee of Buyer) to reasonably cooperate with Seller in the preparation of the Disclosure Letter.

7. CONDITIONS PRECEDENT TO BUYER'S OBLIGATION TO CLOSE

Buyer's obligation to purchase the Shares and to take the other actions required to be taken by Buyer at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Buyer, in whole or in part):

7.1 ACCURACY OF REPRESENTATIONS

(a) All of Seller's representations and warranties in this Agreement (considered collectively) must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing, without giving effect to any supplement to the Disclosure Letter; and each of Seller's representations and warranties (considered individually), if not accurate in all material respects as of the date of this Agreement or as of the Closing Date, must not have a Material Adverse Effect.

(b) Each of Seller's representations and warranties in Sections 3.3, 3.12 and 3.24 must have been accurate in all respects as of the date of this Agreement, and must be accurate in all respects as of the Closing Date as if made on the Closing Date, without giving effect to any supplement to the Disclosure Letter.

7.2 SELLER'S PERFORMANCE

(a) All of the covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered

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collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to Section 2.4 must have been delivered, and each of the other covenants and obligations in Section 5.4 must have been performed and complied with in all respects.

7.3 CONSENTS

Each of the Consents identified Schedule 7.3 which the parties have agreed are the material Consents out of those set forth in Part 3.2 of the Disclosure Letter and Schedule 4.2, must have been obtained and must be in full force and effect.

7.4 NO PROCEEDINGS

Since the date of this Agreement, there must not have been commenced or Threatened against Buyer, or against any Person affiliated with Buyer, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions.

7.5 NO CLAIM REGARDING SHARES OWNERSHIP OR SALE PROCEEDS

There must not have been made or Threatened by any Person (other than Seller) any claim asserting that such Person (a) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any shares of, or any other voting, equity, or ownership interest in, the Company, or (b) is entitled to all or any portion of the Purchase Price payable for the Shares.

7.6 COMPETITION ACT

The Seller, the Company and the Buyer shall each have filed all notices and information required under Part IX of the Competition Act or deemed advisable by the Buyer, and shall have satisfied any request for additional information thereunder and the applicable waiting periods and any extensions thereof shall have expired without the threat of restraint or challenge, or the Buyer shall have received an Advance Ruling Certificate ("ARC") pursuant to section 102 of the Competition Act stating that the Commissioner of Competition appointed thereunder is satisfied that he would not have sufficient grounds on which to apply for an order in respect of the transaction contemplated by this Agreement.

7.7 BOARD APPROVAL

The Contemplated Transactions shall have been approved by the Board of Directors of Orkin Exterminating Company, Inc. ("Orkin"), Buyer's parent corporation.

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8. CONDITIONS PRECEDENT TO SELLER'S OBLIGATION TO CLOSE

Seller's obligation to sell the Shares and to take the other actions required to be taken by Seller at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller, in whole or in part):

8.1 ACCURACY OF REPRESENTATIONS

All of Buyer's representations and warranties in this Agreement (considered collectively) must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing.

8.2 BUYER'S PERFORMANCE

(a) All of the covenants and obligations that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects.

(b) Buyer must have delivered each of the documents required to be delivered by Buyer pursuant to Section 2.4, must have delivered the Closing Cash Payment in the manner contemplated in Section 2.4, subject to any withholding under Section 2.7 and each of the covenants and obligations in Section 6.1 must have been performed and complied with in all respects.

8.3 CONSENTS

Each of the Consents identified in Schedule 7.3 must have been obtained and must be in full force and effect; provided, however, that Buyer may waive the requirement to obtain a Consent, if such waiver will not have an economic consequence to Seller, and if such requirement is waived, then the failure to obtain the applicable Consent shall not be a condition precedent to Seller's obligation to close.

8.4 AMALGAMATION

The Amalgamation shall have occurred and the Company shall be continuing as a NSULC.

8.5 NO PROCEEDINGS

Since the date of this Agreement, there must not have been commenced or Threatened against Seller, or against any Person affiliated with Seller, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the

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Contemplated Transactions or the Amalgamation, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions or the Amalgamation.

8.6 BOARD APPROVAL

The Contemplated Transactions shall have been approved by the Boards of Directors of Seller and of S.C. Johnson & Son, Inc.

9. TERMINATION

9.1 TERMINATION EVENTS

This Agreement may, by notice given prior to or at the Closing, be terminated:

(a) by either Buyer or Seller if a material Breach of any provision of this Agreement has been committed by the other party and such Breach has not been waived;

(b) (i) by Buyer if any of the conditions in Section 7 have not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement) and Buyer has not waived such condition on or before the Closing Date; or (ii) by Seller, if any of the conditions in Section 8 have not been satisfied of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Seller to comply with its obligations under this Agreement) and Seller has not waived such condition on or before the Closing Date;

(c) by mutual consent of Buyer and Seller; or

(d) by either Buyer or Seller if the Closing has not occurred (other than through the failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before November 5, 1999, or such later date as the parties may agree upon.

9.2 EFFECT OF TERMINATION

Each party's right of termination under Section 9.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 9.1, all further obligations of the parties under this Agreement will terminate, except that the obligations in Sections 11.1 and 11.3 will survive; provided, however, that if this Agreement is terminated by a party because of the Breach of the Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not

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satisfied as a result of the other party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

10. INDEMNIFICATION; REMEDIES

10.1 SURVIVAL

All representations, warranties, covenants, and obligations in this Agreement, the Disclosure Letter, the supplements to the Disclosure Letter, the certificates delivered pursuant to Sections 2.4(a)(v) and 2.4(b)(ii), and any other certificate or document delivered pursuant to this Agreement will survive the Closing.

10.2 INDEMNIFICATION AND PAYMENT OF DAMAGES BY SELLER

Seller will indemnify and hold harmless Buyer and the Company, and their respective Representatives, shareholders, controlling persons, and affiliates (collectively, the "Indemnified Persons") for, and will pay to the Indemnified Persons the amount of, any loss, liability, claim, damage (including incidental and consequential damages), expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by Seller in this Agreement, the Disclosure Letter, the supplements to the Disclosure Letter, or any other certificate or document delivered by Seller pursuant to this Agreement;

(b) any Breach by Seller of any covenant or obligation of Seller in this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with Seller or the Company (or any Person acting on their behalf) in connection with any of the Contemplated Transactions;

(d) any loss, cost, or liability (including punitive damages, legal fees and other expenses) not otherwise covered by insurance that the Buyer or the Company may incur as a result of, or relating to, those items set forth in Part 3.14 of the Disclosure Schedule; or

(e) any fixed obligation for a specified sum of money which arose or accrued before the Closing Date which should have been (in accordance with GAAP) reflected on the Company's balance sheet used in the determination of Adjusted Net Worth, but which was not so reflected .

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10.3 EXCLUSIVE REMEDY

Buyer acknowledges and agrees that, from and after the Closing, its sole and exclusive remedy with respect to any and all claims relating to the subject matter of this Agreement and the Contemplated Transactions shall be pursuant to the indemnification provisions set forth in this Article 10; provided, however, that notwithstanding the foregoing, Buyer shall be entitled to seek equitable remedies (including, without limitation, specific performance) with respect to Breaches, or contemplated Breaches, of Sections 2.1, 2.5, 5.1, 5.4, 11.3, 11.6 and any breach of the Noncompetition Agreement. Except with respect to the indemnification claims under this Article 10, equitable remedies as set forth in the preceding sentence, remedies based on fraud, intentional breaches of this Agreement, or intentional misrepresentations, Buyer hereby waives, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action it may have against Seller, including without limitation any such rights, claims or causes of action relating to environmental matters, relating to the subject matter of this Agreement and the Contemplated Transactions arising under or based upon any federal, provincial, state, local or foreign statute, law, ordinance, rule or regulation or otherwise. Buyer further acknowledges and agrees that (i) other than the representations and warranties of Seller specifically contained in this Agreement, there are no representations or warranties of Seller or its Representatives or any other Person or entity either express or implied with respect to the Company and (ii) except as expressly provided in this Article 10, it shall have no claim or right to indemnification based on any information, documents or materials furnished by Seller or its Representatives or any other Person, including any information, documents or material made available to Buyer in expectation of the Contemplated Transactions.

10.4 INDEMNIFICATION AND PAYMENT OF DAMAGES BY BUYER

Buyer will indemnify and hold harmless Seller and its Representatives, shareholders, controlling persons and affiliates, and will pay to Seller or such persons the amount of any Damages arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate or document delivered by Buyer pursuant to this Agreement, (b) any Breach by Buyer of any covenant or obligation of Buyer in this Agreement, (c) any liabilities of the Company which accrue on or

after the Closing Date, or which are not subject to indemnification by Seller pursuant to Section 10.2(d) hereof; (d) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Buyer (or any Person acting on its behalf) in connection with any of the Contemplated Transactions or (e) any actual or alleged failure of Buyer to comply with the Investment Canada Act in connection with the Contemplated Transactions.

10.5 TIME LIMITATIONS

If the Closing occurs, Seller will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, other than those in Sections 3.3, 3.10, 3.12, and 3.18, unless on or before the [***] of the Closing Date a claim has arisen, or Buyer has a reasonable good faith basis for determining that a claim will be

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asserted, and Buyer notifies Seller of such claim specifying the factual basis of that claim in reasonable detail to the extent then known by Buyer; a claim with respect to Section 3.3, 3.10, 3.12, or 3.18, or a claim for indemnification or reimbursement not based upon any representation or warranty or any covenant or obligation to be performed and complied with on or prior to the Closing Date, may be made at any time during the applicable statute of limitations for such underlying claim.

10.6 LIMITATIONS ON AMOUNT - SELLER

Seller will have no liability (for indemnification or otherwise) with respect to the matters described in Section 10.2 until the total of all Damages with respect to such matters exceeds US [***] (the "Basket") and then only for the amount by which such Damages exceed the Basket. Seller shall also have no liability for Damages in excess of [***] of the Purchase Price (the "Cap"); provided that the Basket and the Cap shall be inapplicable to any Damages attributable to intentional breaches of this Agreement, intentional misrepresentation, or fraud. Furthermore, and notwithstanding the foregoing, (A) neither the Basket nor the Cap shall be applicable to Damages attributable to (i) the indemnification obligation contained in Sections 10.2(d) and 10.2(e) hereof; (ii) a Breach of the representation and warranty with respect to environmental matters set forth in Section 3.18; or (iii) a Breach of the representation and warranty with respect to tax matters contained in Section 3.10; and (B) the Basket shall not be applicable to Damages attributable to a Breach of the representation and warranty on Year 2000 compliance set forth in Section 3.26 (notwithstanding any qualifiers to such representations and warranties included in Part 3.26 of the Disclosure letter), provided that Seller will have no liability (for indemnification or otherwise) with respect to such Damages until the total of all Damages with respect to such Section 3.26 exceeds US [***] and then only for the amount by which such Damages exceed US [***].

10.7 LIMITATIONS ON AMOUNT - BUYER

Buyer will have no liability (for indemnification or otherwise) with respect to the matters described in Section 10.4 until the total of all Damages with respect to such matters exceeds the Basket and then only for the amount by which such Damages exceed the Basket. Buyer shall also have no liability for Damages in excess of the Cap; provided that the Basket and the Cap shall be inapplicable to any Damages attributable to intentional breaches of this Agreement, intentional misrepresentation, or fraud. Furthermore, and notwithstanding the foregoing, neither the Basket nor the Cap shall be applicable to Damages attributable to the indemnification obligation contained in Sections 10.4(c) and 10.4(e) hereof.

10.8 PROCEDURE FOR INDEMNIFICATION - THIRD PARTY CLAIMS

(a) Promptly after receipt by an indemnified party under Section 10.2 or 10.4 of notice of the commencement of any Proceeding against it (or, in the case of a claim for indemnification by Buyer under Section 10.2(d) hereof, upon receipt of a notice from an insurance carrier denying coverage or rejecting a claim relating to the litigation referenced in such Section), such indemnified party will, if a claim is to be made against an indemnifying party under such Section, give

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notice to the indemnifying party of the commencement of such Proceeding, but the failure to notify the indemnifying party will not relieve the indemnifying party of any liability that it may have to any indemnified party, except to the extent that the indemnifying party demonstrates that the defense of such action is prejudiced by the indemnifying party's failure to give such notice.

(b) If any Proceeding referred to in Section 10.8(a) is brought against an indemnified party and it gives notice to the indemnifying party of the commencement of such Proceeding, the indemnifying party will be entitled to participate in such Proceeding and, to the extent that it wishes (unless (i) the indemnifying party is also a party to such Proceeding and the indemnified party determines in good faith that joint representation would be inappropriate, or (ii) the indemnifying party fails to provide reasonable assurance to the indemnified party of its financial capacity to defend such Proceeding and provide indemnification with respect to such Proceeding), to assume the defense of such Proceeding with counsel reasonably satisfactory to the indemnified party and, after notice from the indemnifying party to the indemnified party of its election to assume the defense of such Proceeding, the indemnifying party will not, as long as it diligently conducts such defense, be liable to the indemnified party under this Section 10 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the indemnified party in connection with the defense of such Proceeding. If the indemnifying party assumes the defense of a Proceeding, no compromise or settlement of such claims may be effected by the indemnifying party without the indemnified party's consent (which consent shall not be unreasonably withheld or delayed) unless (A) there is no finding or admission of any violation of Legal Requirements or any violation of the rights of any Person and no effect on any other claims that may be made against the indemnified party, and (B) the sole relief provided is monetary damages that are paid in full by the indemnifying party; and the indemnified party will have no liability with respect to any compromise or settlement of such claims effected without its consent. If notice is given to an indemnifying party of the commencement of any Proceeding and the indemnifying party does not, within ten business days after the indemnified party's notice is given, give notice to the indemnified party of its election to assume the defense of such Proceeding or its determination that the claim is not subject to indemnification hereunder, the indemnifying party will be bound by any determination made in such Proceeding or any compromise or settlement effected by the indemnified party.

(c) Notwithstanding the foregoing, if an indemnified party determines in good faith that there is a reasonable probability that a Proceeding may adversely affect it or its affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the indemnified party may, by notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the indemnifying party will not be bound by any determination of a Proceeding so defended or any

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compromise or settlement effected without its consent (which may not be unreasonably withheld).

10.9 PROCEDURE FOR INDEMNIFICATION - OTHER CLAIMS

A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the party from whom indemnification is sought.

11. GENERAL PROVISIONS

11.1 EXPENSES

Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel, and accountants. Buyer will pay one-half and Seller will pay one-half of (i) the Competition Act filing fee, and (ii) any amounts required to obtain the consents listed on Schedule 7.3. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a Breach of this Agreement by another party. Upon consummation of the Contemplated Transactions, Buyer shall pay, in addition to the Purchase Price, any Taxes applicable in connection with the purchase of the Seller Intellectual Property Assets and/or the execution of the Noncompetition Agreement (including, without limitation, any applicable Goods and Services Tax in Canada).

11.2 PUBLIC ANNOUNCEMENTS

Any public announcement or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Buyer determines; provided, however, that Buyer shall give reasonable notice to Seller before making any public announcement with respect to such matters, and shall allow Seller reasonable time to comment on such release or announcement in advance of such release or announcement. Unless consented to by Buyer in advance or required by Legal Requirements, prior to the Closing Seller, shall, and shall cause the Company to, keep this Agreement strictly confidential and may not make any disclosure of this Agreement to any Person who does not have the "need to know". Seller and Buyer will consult with each other concerning the means by which the Company's employees, customers, and suppliers and others having dealings with the Company will be informed of the Contemplated Transactions, and Buyer will have the right to be present for any such communication.

11.3 CONFIDENTIALITY

Between the date of this Agreement and the Closing Date, Buyer and Seller will maintain in confidence, and will cause the directors, officers, employees, agents, and advisors of Buyer and the Company to maintain in confidence, any written information furnished by another party or the Company in connection with this Agreement or the Contemplated

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Transactions, unless (a) such information is already known to such party or is provided to such party by another not bound by a duty of confidentiality or such information becomes publicly available through no fault of such party, (b) the use of such information is necessary or appropriate in making any filing or obtaining any consent or approval required for the consummation of the Contemplated Transactions, or (c) the furnishing or use of such information is required by or necessary in connection with legal proceedings.

If the Contemplated Transactions are not consummated, each party will return or destroy as much of such written information as the other party may reasonably request. Notwithstanding any implication to the contrary contained herein, the Confidentiality Agreement dated as of July 26, 1999, between Seller and Orkin shall remain in full force and effect.

11.4 NOTICES

All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by telecopier (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

If to Seller: S.C. Johnson Commercial Markets, Inc.
8310 16th Street
Sturtevant, Wisconsin 53177
Attn: General Counsel
Telecopy number: (414) 631-4021

If to Buyer: Orkin Canada, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324
Attn: President
Telecopy number: (404) 888-2279

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With a copy to: General Counsel
Rollins, Inc.
P.O. Box 647
Atlanta, Georgia 30301
Telecopy number: (404) 888-2731

and to: Arnall Golden & Gregory, LLP
1201 West Peachtree Street
2800 One Atlantic Center
Atlanta, Georgia 30309-3450
Attn: Jonathan Golden, Esq.
Telecopy number: (404) 873-8701

11.5 ARBITRATION

Any controversy, dispute or claim arising out of or relating in any way to this Agreement or the other agreements contemplated hereby shall, except with respect to seeking equitable remedies, be settled exclusively by arbitration in the City of Washington, D.C. Such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with its then prevailing rules (except as otherwise provided herein), by one independent and impartial

arbitrator. Notwithstanding anything to the contrary provided above, the arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. ss. 1 et seq. The fees and expenses of the AAA and the arbitrator shall be shared equally by the parties and advanced by them from time to time as required; provided that at the conclusion of the arbitration, the arbitrator shall award costs and expenses (including the costs of the arbitration previously advanced and the fees and expenses of attorneys, accountants and other experts) and interest at the prime interest rate as set forth in the "Money Rates" section of the Wall Street Journal on the date of such award to the prevailing party. Pre-arbitration discovery shall be permitted in accordance with the rules of the AAA. The arbitrator shall render his award within 90 days of the conclusion of the arbitration hearing. The arbitrator shall not be empowered to award to either party any punitive damages in connection with any dispute between them arising out of or relating in any way to this Agreement or the Contemplated Transactions arising hereunder or thereunder, and each party hereby irrevocably waives any right to recover such damages. Notwithstanding anything to the contrary provided in this Section 11.5 and without prejudice to the above procedures, either party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitration panel is convened and available to hear such party's request for temporary relief. The award rendered by the arbitrator shall be final and not subject to judicial review and judgment thereon may be entered in any court of competent jurisdiction.

11.6 FURTHER ASSURANCES

The parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

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11.7 WAIVER

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

11.8 ENTIRE AGREEMENT AND MODIFICATION

This Agreement supersedes all prior agreements between the parties with respect to its subject matter (including the Terms Sheet between Buyer and Seller dated August 27, 1999) and constitutes (along with the documents referred to in this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

11.9 DISCLOSURE LETTER

(a) The disclosures in the Disclosure Letter, and those in any Supplement thereto, shall relate only to the representations and warranties in the Section of the Agreement to which they expressly relate and not to any other representation or warranty in this Agreement; provided, however, that the Disclosure Letter may, by explicit reference, cross-reference specific disclosures that may be applicable to more than one Section of the Agreement.

(b) In the event of any inconsistency between the statements in the body of this Agreement and those in the Disclosure Letter (other than an exception set forth as such in the Disclosure Letter with respect to a specifically identified representation or warranty), the statements in the body of this Agreement will control.

11.10 ASSIGNMENTS, SUCCESSORS, AND NO THIRD-PARTY RIGHTS

Neither party may assign any of its rights under this Agreement without the

prior consent of the other parties, except that Buyer may assign any of its rights under this Agreement to any Subsidiary of Buyer provided that in such case Buyer shall continue to remain

liable under this Agreement. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

11.11 SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

11.12 SECTION HEADINGS, CONSTRUCTION

The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

11.13 TIME OF ESSENCE

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

11.14 GOVERNING LAW

This Agreement will be governed by the laws of the State of Delaware without regard to conflicts of laws principles.

11.15 COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first written above.

BUYER:

ORKIN CANADA, INC.

By: _____

Its: _____

CMI:

S.C. JOHNSON COMMERCIAL MARKETS, INC.

By: _____

Its: _____

EXPANSION:

ORKIN EXPANSION, INC.

By: _____

Its: _____

JPI:

S.C. JOHNSON PROFESSIONAL, INC.

By: _____

Its: _____

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Confidential Portions of This Agreement Which Have Been Redacted Are Marked With Brackets ("***"). The Omitted Material Has Been Filed Separately With The United States Securities and Exchange Commission.

ASSET PURCHASE AGREEMENT

This agreement ("Agreement") dated as of October 19, 1999 is by and between ORKIN EXTERMINATING COMPANY, INC., a Delaware corporation ("Orkin"), REDD PEST CONTROL COMPANY, INC., a Mississippi corporation ("Redd"), and RICHARD L. REDD, an individual resident of the state of Mississippi (hereinafter sometimes referred to as "Richard Redd" or the "Owner").

W I T N E S S E T H:

WHEREAS, Redd is engaged in the Pest Business (as defined in Section 2.01 below); and

WHEREAS, the Owner owns all of the issued and outstanding equity interests of Redd; and

Whereas, [***], an individual resident of the state of [***], [***], an individual resident of the state of [***], and [***], an individual resident of the state of [***] are collectively the "Senior Management" of Redd, and the obligations of Orkin to consummate the transactions contemplated herein are conditioned, in part, on certain agreements to be entered into by the Senior Management; and

WHEREAS, Orkin desires to purchase all of the assets owned and used by Redd in connection with the Pest Business and assume certain liabilities of Redd in connection therewith, all upon terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
PURCHASE OF ASSETS AND RELATED AGREEMENTS

1.01 Purchase and Sale of Assets. At the Closing (as defined in Section 1.04 below) and subject to the terms hereof, Redd agrees to sell and deliver to Orkin, and Orkin agrees to purchase, all of Redd's right, title and interest in the assets used by Redd in the conduct of the Pest Business other than the Excluded Assets (as defined below) (collectively the "Assets"). The Assets shall include, but not be limited to, the following:

(a) Customer Contracts and Customer Lists. All of Redd's rights pursuant to written or oral contracts existing as of the Closing Date to provide Pest Services to customers ("Customer Contracts"), and Redd's existing lists of current customers ("Customer Lists").

(b) Accounts Receivable and Prepaid Expenses. All accounts receivable of Redd as of the Closing Date ("Accounts Receivable"), prepaid advertising as of the Closing Date, and all other prepaid expenses of Redd (including leasehold security deposits and prepaid rent for those properties covered by the Leases as defined in Section 1.01(d) below), other than Prepaid Insurance (as defined herein) and other prepaid expenses included in the Excluded Items (as defined herein), ("Prepaid Expenses").

(c) Fixed Assets. All fixtures, tools, items of furniture, equipment, computers, vehicles, leasehold improvements and other tangible personal property assets owned by Redd and used in the Pest Business, including those listed on Schedule 1.01(c) (the "Fixed Assets").

(d) Leases. To the extent assignable (or, if not assignable, to the extent that the respective lessor consents to such assignment or Orkin waives receipt of such consent) all of Redd's leasehold interest in those operational field office locations and vehicles covered by the leases listed on Schedule 1.01(d) (the "Leases").

(e) Inventory. All inventories (including inventories covered by Redd purchase orders, warehoused inventories, owned inventories held by suppliers, inventories covered by customer purchase orders and sample and promotional goods) that are used in the conduct of the Pest Business as of the Closing Date, including any inventories acquired after the date of this Agreement but excluding any inventories sold or otherwise disposed of after the date of this Agreement ("Inventory").

(f) Other Contracts and Purchase Orders. All of Redd's rights, to the extent assignable or transferable (or, if not assignable, to the extent that each respective third party to such agreement consents to the assignment thereof, or Orkin waives receipt of such consent), pursuant to: employment agreements, covenants not to compete and confidentiality agreements with Redd employees (to the extent Orkin can be a third-party beneficiary), covenants not to compete and confidentiality agreements with all Redd employees; and those non-disclosure agreements, confidentiality agreements, licenses, service contracts and other contracts including those listed on Schedule 1.01(f) hereto ("Other Contracts"). All of Redd's commitments and orders for the purchase and sale of goods and equipment (including Inventory) and services (including advertising, maintenance and other incidental services) ("Purchase Orders").

(g) Intellectual Property. All of Redd's right, title and interest in all logos, service marks and trademarks owned by Redd, including, without limitation, those items listed on Schedule 1.01(g) hereto, and all of Redd's right, title, and interest in and to existing quality control procedures and protocols, service procedures and protocols, field computer software (to the extent assignable or transferable or if not assignable, to the extent the licensor consents to the assignment thereof or Orkin waives receipt of such consent), and technical know-how, and in and to computer data (collectively, "Intellectual Property").

(h) Other Assets. All of Redd's rights to its telephone numbers for field office locations listed on Schedule 1.01(h); telephone directory advertising; existing files and records (including correspondence) of current and former customers, all licenses, consents, permits, variances, certifications, and approvals of governmental agencies to the extent transferable; existing books of account, financial, accounting, marketing, and other records relating to the operation of the Pest Business (excluding the corporate minute books and stock ledgers of Redd) and all current, existing pricing, cost information and supplier lists relating to the Pest Business; and, except as

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otherwise provided in this Agreement, all deposits, refunds, causes of action, rights of recovery, rights of set off and rights of recoupment.

1.02 Excluded Assets. The Assets shall not include the following items (collectively, the "Excluded Assets"):

(a) Cash and Cash Equivalents. All cash and cash equivalents (other than cash equivalents included in the Prepaid Expenses).

(b) Insurance Policies; Tax Refunds. All insurance policies and claims thereunder of Redd, including prepayments of insurance premiums ("Prepaid Insurance"), claims for and rights to receive tax refunds, tax deductions for losses, expenses and other tax benefits of Redd such as credits and losses accrued or arising prior to the Closing Date, all tax returns of Redd (whether relating to the Pest Business or otherwise), and any legal files or other documents covered by an evidentiary privilege.

(c) Transaction Documentation. All books, documents, records and files prepared in connection with or relating to the transactions contemplated by this Agreement.

(d) Transaction Rights. All of Redd's rights under or pursuant to this Agreement and the other agreements between Redd and Orkin contemplated hereby.

(e) Corporate Records. All minute books and stockholder and stock transfer records and similar corporate records of Redd.

(f) Franchise Agreements. All of Redd's contracts to provide franchising services to the Franchisees specified on Schedule 1.02(f) attached hereto (the "Redd Franchise Agreements").

(g) C.P.S. Insurance Company, Ltd. and Copesan Services stock. All of the stock of C.P.S. Insurance Company, Ltd. Copesan Services.

(h) Excluded Items. Those items ("Excluded Items") set forth on Schedule 1.02(h) attached hereto.

1.03 Assumption of Liabilities.

(a) Orkin shall assume on the Closing Date and shall pay, perform and discharge when due all of Redd's obligations and liabilities arising from and after the Closing under the Customer Contracts (other than Termite Guarantee Contracts, which shall be governed by the provisions of Section 1.03(c) hereof), the Other Contracts, the Leases and the Purchase Orders ("Executory Contractual Liabilities"). As a part of the Purchase Price, Orkin shall also assume (i) the obligations of Redd under those certain deferred compensation agreements specified on Schedule 1.03(a) (i) attached hereto (the

"Deferred Compensation Agreements"); (ii) those acquisition debt obligations specified on Schedule 1.03(a)(ii) attached hereto (the "Acquisition Obligations"); (iii) that certain outstanding loan from Deposit Guaranty National Bank, in the principal amount of [***] (the "[***] Loan"); (iv) the obligations of Redd for

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[***] but [***], [***] with [***], [***], and/or [***] of Redd employees as of the Closing Date (the "Days Off Accruals"); and (v) specified accounts payable as identified and in the amount contained on the Assumed Payables List (as hereinafter defined). Collectively, the liabilities referred to in this Section 1.03(a) are the "Assumed Liabilities".

(b) Except for the Assumed Liabilities, it is expressly understood and agreed between the parties hereto that ORKIN SHALL NOT ASSUME AND IS NOT ASSUMING, NOR SHALL ORKIN BECOME LIABLE, OBLIGATED OR RESPONSIBLE FOR THE PAYMENT OF ANY DEBTS, LIABILITIES OR OBLIGATIONS OR THE PERFORMANCE OF ANY DUTIES OF REDD OF ANY KIND OR NATURE WHATSOEVER, KNOWN OR UNKNOWN, WHETHER ARISING BEFORE, ON OR SUBSEQUENT TO THE CLOSING AND WHETHER CONTINGENT OR LIQUIDATED IN AMOUNT (INCLUDING, WITHOUT LIMITATION, ANY DEBT, LIABILITIES, OBLIGATIONS OR DUTIES ARISING OUT OF ACCOUNTS PAYABLE (OTHER THAN THOSE INCLUDED IN THE ASSUMED PAYABLES LIST), TAX LIABILITIES, ENVIRONMENTAL, IMMIGRATION OR PRODUCT LIABILITY MATTERS, EMPLOYEE BENEFITS, CUSTOMER CONTRACTS OR OTHER CONTRACTS OR AGREEMENTS (OTHER THAN OBLIGATIONS ARISING UNDER THE EXECUTORY CONTRACTUAL LIABILITIES FROM AND AFTER THE CLOSING DATE) OR OTHER LIABILITIES OF REDD).

(c) Notwithstanding anything in this Agreement to the contrary, Orkin shall not assume any obligation under a [***] unless and until (i) the [***] to such contract makes a [***] to [***], (ii) the [***] for which such [***] was made has commenced, and (iii) Orkin inspects and is satisfied with the condition of such [***].

1.04 Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at the offices of Barnes, Broom, Dallas and McLeod, PLLC, in Jackson, Mississippi, on November 30, 1999. The Closing shall be effective as of 12:01 am local time on December 1, 1999 (or, if the Closing does not occur on November 30, 1999 on such other date as may be mutually acceptable to the parties hereto), which shall be the "Closing Date".

ARTICLE II DEFINITIONS; PURCHASE PRICE

2.01 Certain Definitions. As used herein, the following terms shall have the meanings set forth below.

(a) "Assumed Payables List" shall be a list of payables of Redd which shall be assumed by Orkin and which shall trigger a reduction to the Purchase Price. A draft of the Assumed Payables List shall be provided by Redd to Orkin on or before five (5) business days prior to the Closing Date. The Assumed Payables List shall be updated as of the Closing Date, and shall be finalized as a part of the Purchase Price Adjustments Calculation after the Closing Date.

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(b) "Baseline Assets" shall mean [***], [***] (excluding Prepaid Insurance, Excluded Items, and any deferred discounts), [***], and [***].

(c) "Baseline Liabilities" shall mean the [***] of [***] received by Redd prior to Closing for [***] that have not yet been [***] under [***].

(d) "Earnest Money Deposit" means the sum of [***] Dollars [***], which was delivered by Orkin to Redd on [***].

(e) "Holdback" shall be equal to [***] of the total amount of the Accounts Receivable as of the Closing.

(f) "Major Customers" shall mean those customers identified on Schedule 3.05 attached hereto, constituting the 20 largest customers (other than Copesan Services) based on the Revenue generated by such customers for the twelve months ended September 30, 1999.

(g) "Net Worth" shall mean the difference between the Baseline Assets and the Baseline Liabilities.

(h) "Permitted Encumbrances" shall mean (i) claims, security interests, liens and other title encumbrances that are disclosed on Schedule 2.01(h) or the other Schedules hereto, and (ii) mechanics', carriers, workmen's, repairmen's or other like liens arising or incurred in the ordinary course of

business, liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business and liens for taxes and other governmental charges which are not yet due and payable or which may thereafter be paid without penalty.

(i) "Pest Business" shall mean the provision of Pest Services by Redd to customers.

(j) "Pest Services" shall mean the provision of termite, pest control and elimination services, and the sale or leasing of termite, pest control and elimination products.

(k) "Revenues" shall mean the net revenues (gross revenues determined after discounts and allowances other than the 5% prepayment discount Redd has offered to its customers in the ordinary course of business) accrued for the period designated, generated in connection with the performance by Redd of Pest Services for its customers, exclusive of any revenues derived from the provision of Pest Services under contract or subcontract with Copesan Services, as determined under GAAP, consistently applied.

(l) "Termite Guarantee Contracts" shall mean contractual obligations of Redd to perform corrective or treatment measures for the benefit of a customer with respect to termite infestation or termite damage.

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[***] - CONFIDENTIAL TREATMENT REQUESTED

2.02 Purchase Price. The purchase price ("Purchase Price") for the Assets, the Redd Noncompetition Agreement (as defined in Article IX), the Richard Redd Noncompetition Agreement (as defined in Article IX), and the Senior Management Noncompetition Agreements (as defined in Article IX) shall be equal to FIFTEEN MILLION SEVEN HUNDRED AND SEVENTY FIVE THOUSAND DOLLARS (\$15,775,000), subject to the adjustments required to be made pursuant to Sections 2.03 and 2.08.

2.03 Adjustments to Purchase Price. The Purchase Price shall be (i) decreased by the face amount of the obligations under the [***], (ii) decreased by the outstanding obligations (including principal and interest) under the [***] on the Closing Date; (iii) decreased by the outstanding obligations (including principal and interest) under the [***] on the Closing Date; (iv) decreased by the [***]; (v) decreased by the [***] included on the [***]; and (vi) increased or decreased, as the case may be, by the difference between the Net Worth as of July 31, 1999 and the Net Worth on the Closing Date (collectively, the "Purchase Price Adjustments"). On or before two business days prior to the Closing Date, Orkin and Redd shall make a good faith estimate as of the Closing Date of the Purchase Price Adjustments, which estimate shall be used in determining the Closing Cash Payment (as defined below) (the "Estimated Purchase Price Adjustments"). The Purchase Price Adjustments shall be finally calculated and determined in the manner set forth in Section 2.05 below. The Purchase Price shall also be subject to the adjustments for Accounts Receivable set forth in Section 2.08 below.

2.04 Payments at Closing. At the Closing, Orkin shall deliver the following:

(a) to Redd, by wire transfer of immediately available funds to an account or accounts designated in writing by Redd, [***] DOLLARS [***], minus the [***] (which shall be retained by Redd), minus the Estimated Purchase Price Adjustments, and minus the Holdback (the "Closing Cash Payment"); and

(b) to Redd, one or more promissory note(s) in the form attached hereto as Exhibit A with a term of [***], an interest rate of [***] and an aggregate face amount of [***] DOLLARS [***] (collectively, the "Promissory Notes"); and

(c) to [***], an amount necessary to satisfy, in full, the [***], as set forth in a payoff letter to be obtained by Redd from [***] before the Closing.

In addition, Orkin shall (i) deliver to Richard Redd the amounts due (if any) at the Closing under the Richard Redd Noncompetition Agreement; and (ii) deliver to Senior Management the amounts due (if any) at the Closing under the Senior Management Noncompetition Agreements.

2.05 Calculation of Purchase Price Adjustments.

(a) In order to finally determine the amount of the Purchase Price, Orkin shall perform a calculation of the Purchase Price Adjustments (the "Purchase Price Adjustments Calculation") which shall be delivered to Redd within 30 days following the Closing Date. Orkin (including its internal auditors) and its certified public accountants shall have the opportunity during the preparation of the Purchase Price Adjustments Calculation to consult with Stockwell & Company, certified public accountants (at the expense of Redd), and the chief financial officer,

controller, or any other officer of Redd (to the extent not employed by Orkin), and to review the books and records of Redd. Redd shall have a period of 30 days after receipt of the Purchase Price Adjustments Calculation to present to Orkin in writing any objections and the amounts related thereto (the "Section 2.05 Objections") which Redd may have with respect to the computation of the Purchase Price Adjustments Calculation, which Section 2.05 Objections shall be presented in reasonable detail. If no Section 2.05 Objections are raised by Redd within such 30-day period, the Purchase Price Adjustments Calculation shall be deemed accepted and approved by Redd and the adjustments to Purchase Price required by Section 2.03 shall be made accordingly.

(b) Resolution by Parties. If, within such 30-day period, Redd raises Section 2.05 Objections, Orkin and Redd shall attempt in good faith to resolve the matter or matters in dispute and, if resolved, such resolution shall be final, conclusive and binding upon the parties hereto and the adjustments to Purchase Price required by Section 2.03 shall be made accordingly.

(c) Resolution by Independent Accounting Firm. If the dispute referred to in Section 2.05(b) is not resolved by Orkin and Redd within 10 days after delivery of the Section 2.05 Objections, then the specific matters in dispute shall be submitted to Ernst & Young or such other nationally recognized accounting firm as Orkin and Redd may mutually agree upon (the "Independent Accounting Firm"), which firm shall be requested to make a determination as to such matter or matters as are in dispute within 30 days after the such submission of the dispute to the Independent Accounting Firm, which determination shall be final, conclusive and binding upon the parties hereto and the Purchase Price shall be revised to reflect such determination. The Independent Accounting Firm shall simultaneously deliver its written determination to Orkin and Redd. The fees and expenses of the Independent Accounting Firm shall be shared equally by Redd and Orkin. Redd and Orkin agree to cooperate in good faith with each other, with each other's authorized representatives and with the Independent Accounting Firm, in order that any and all matters in dispute may be resolved as soon as practicable.

2.06 Payment After Determination of Final Purchase Price Adjustments. If the final Purchase Price Adjustments Calculation results in Purchase Price Adjustments that are less than the Estimated Purchase Price Adjustments, then Orkin shall pay the difference between the final Purchase Price Adjustments and the Estimated Purchase Price Adjustments to Redd. If the final Purchase Price Adjustments Calculation results in Purchase Price Adjustments that are greater than the Estimated Purchase Price Adjustments, then Redd shall pay the difference between the final Purchase Price Adjustments and the Estimated Purchase Price Adjustments to Orkin. No interest shall be due or payable respecting any payments to be made pursuant to this Section 2.06. Any and all payments required to be made by Orkin or Redd as a result of adjustments made pursuant to this Section 2.06 shall be made by wire transfer of immediately available funds within five business

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days after the Purchase Price Adjustments Calculation is finalized. If Redd fails to pay Orkin any amount due to Orkin under this Section 2.06, Orkin may elect to set-off such amounts against the obligations due under the Promissory Notes.

2.07 Allocation. The Purchase Price received by Redd shall be allocated among each class of Assets of Redd, the Richard Redd Noncompetition Agreement, and the Senior Management Noncompetition Agreements, as mutually agreed by the parties on or before the Closing. Redd agrees that it will prepare and file any notice or other filings required pursuant to

Section 1060 of the Internal Revenue Code of 1986, as amended, and that any such notices or filings will be prepared based on such tax allocation of the Purchase Price. Redd agrees to send to Orkin a completed copy of its Form 8594 with respect to this transaction prior to filing such form with the Internal Revenue Service.

2.08 Accounts Receivable Adjustment. At the Closing, Redd shall deliver to Orkin a detailed listing of the Accounts Receivable together with an aging schedule therefor. On the [***] and [***] following the Closing Date, Orkin shall present Redd with a detailed listing of the accounts and invoices which were listed on the Accounts Receivable list delivered at Closing and which remain outstanding on such date (the "Uncollected AR Calculation"). Redd shall have a period of 30 days after receipt of the Uncollected AR Calculation to present to Orkin in writing any objections and the amounts related thereto (the "AR Objections") which Redd may have with respect to the Uncollected AR Calculation, which AR Objections shall be presented in reasonable detail. At its own expense, Redd and its certified public accountants shall have the opportunity during and following the preparation of the Uncollected AR Calculation to consult the chief financial officer, controller, or any other employee of Orkin engaged in the calculation of the Uncollected AR Calculation,

to observe, review, and examine the work papers, schedules, and other documents prepared or used in connection with the Uncollected AR Calculation, and to review the books and records of Orkin related to such calculation. If no AR Objections are raised by Redd within such 30-day period, the Uncollected AR Calculation shall be deemed accepted and approved by Redd. If, within such 30-day period, Redd raises AR Objections, Orkin and Redd shall attempt in good faith to resolve the matter or matters in dispute and, if resolved, such resolution shall be final, conclusive and binding upon the parties hereto. If the parties fail to reach such resolution within ten (10) days after delivery of the AR objections, the dispute mechanism set forth in Section 2.05(c) of this Agreement shall apply.

If the Uncollected AR Calculation includes Accounts Receivable attributable to the sale of [***] to customers [***], Orkin shall, in good faith, determine the collectibility of the [***] in accordance with the terms thereof. That portion of the [***] that Orkin determines to be collectible in accordance with the terms thereof shall be (i) deemed to be collected for purposes of the Uncollected AR Calculation, and (ii) [***] of the face amount of such Accounts Receivable shall be subtracted from the Uncollected AR Calculation. There shall be no subtraction from the Uncollected AR Calculation for [***] that Orkin does not determine to be collectible in accordance with the terms thereof.

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If the Uncollected AR Calculation (as finally determined) is greater than or equal to the Holdback, the Orkin shall be entitled to retain the Holdback, and Redd shall pay the difference between the Uncollected AR Calculation and the Holdback to Orkin. If the Uncollected AR Calculation (as finally determined) is less than the Holdback, the Orkin shall be entitled to retain only that portion of the Holdback that is equal to the Uncollected AR Calculation, and shall pay the remainder of the Holdback to Redd. No interest shall be due or payable respecting any payments to be made pursuant to this Section 2.08. Any and all payments required to be made by Orkin or Redd as a result of adjustments made pursuant to this Section 2.08 shall be made by wire transfer of immediately available funds within five business days after the Uncollected AR

Calculation is finalized. If Redd fails to pay Orkin any amount due to Orkin under this Section 2.08, Orkin may elect to set-off such amounts against the obligations due under the Promissory Notes.

Between the Closing Date and the date of its presentation of the Uncollected AR Calculation, (i) Orkin shall use its best efforts to collect the Accounts Receivable; (ii) Orkin shall apply any payments received from any customer listed on the Accounts Receivable list in the manner directed by such customer, and, if the customer fails to designate an invoice for payment, then the payment shall be applied against the oldest outstanding invoice for such customer; (iii) Orkin shall have the sole right to collect and to endorse with the name of Redd any checks received on account of any outstanding Accounts Receivable; (iv) Redd shall promptly forward or cause to be forwarded to Orkin any and all Accounts Receivable proceeds received by Redd; and (v) Redd shall cause its chief financial officer, controller, or any other officer of Redd (to the extent not employed by Orkin) to provide such reasonable assistance to Orkin as may be necessary or appropriate to ensure that the Accounts Receivable are collected in a manner consistent with past practice and experience.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF REDD

Redd makes the following representations and warranties to Orkin, all of which shall survive the Closing as herein provided and each of which is acknowledged by Redd to be relied upon by Orkin.

3.01 Organization. Redd is a corporation duly organized, validly existing and in good standing under the laws of the State of Mississippi and has the corporate power and authority to own and use its properties and to conduct its business as currently conducted in all places where it does business.

3.02 Authorization; Effect of Agreement; Consents.

(a) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate and shareholder action of Redd. This Agreement constitutes a valid and binding obligation of Redd, enforceable in accordance with its terms.

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(b) Schedule 3.02(b) to this Agreement lists all approvals and consents required under the Material Contracts (as defined in Section 3.05 below) in order that Redd's rights thereunder may be assigned to Orkin as contemplated hereby (the "Consents").

3.03 Title to Assets. Redd has good and marketable title to all tangible Assets (and a valid and enforceable leasehold interest in all assets subject to Leases which are Material Contracts) free and clear of all claims, security interests, liens and other title encumbrances other than Permitted Encumbrances.

3.04 Condition of Certain Assets. Schedule 1.01(c) includes a true, correct and complete list as of the date hereof of the material tangible personal property assets owned by Redd and used in the Pest Business. Except as disclosed in Schedule 1.01(c), the Fixed Assets and the assets subject to Leases which are Material Contracts are, in good operating condition, ordinary wear and tear excepted.

3.05 Leases, Other Contracts, Customer Contracts and Customer Lists. Schedule 1.01(d) sets forth a true, correct and complete list as of the date hereof of all real property and vehicle leases used by Redd in the conduct of the Pest Business ("Material Contracts"). Schedule 3.05 sets forth the Major Customers who, as of September 30, 1999, are parties to Customer Contracts. Schedule 3.05 sets forth the commencement and initial expiration dates of such Customer Contracts of Major Customers, and the monthly rate and the addresses of such Major Customers. Except as set forth on Schedule 3.05 hereto, there is no condition or development which threatens to have a material adverse effect upon the aggregate Revenues related to such Major Customers. Neither Redd nor any other party to any Material Contract is in breach of, or in default under, such Material Contract and no event has occurred which, but for the lapse of time or the giving of notice, or both, would be such a default. Except as disclosed on Schedule 3.05, as of the date hereof, all Major Customers are active customers of the Pest Business.

3.06 Inventory. Except as noted on Schedule 3.06, the Inventory is not obsolete, damaged or defective, has been stored and maintained in accordance with normal industry practice and is generally suitable for the purposes for which it is used.

3.07 Intellectual Property. Schedule 1.01(g) sets forth a true, correct and complete list as of the date hereof of each patent, copyright (other than copyrighted labels, advertising and promotional materials), logo, service mark or trademark actively used by Redd. Redd has full right, title and interest to each patent, copyright, trademark or trade name actively used in the Pest Business and included in Schedule 1.01(g). There are no pending or threatened claims against Redd alleging that the conduct of Redd infringes or conflicts with the rights of others under patents, trademarks, copyrights and trade secrets. Redd owns or possesses the right to use all the patents, copyrights, trademarks, trade names, service marks, licenses and rights with respect to the foregoing necessary for the operation of Redd as now conducted. Redd is not aware of any violation by a third party of any of Redd's patents, licenses, trademarks, service marks, trade names, copyrights, trade secrets, or other proprietary rights used by Redd.

3.08 Availability of Certain Assets. All of the Fixed Assets (other than vehicles when in use and Fixed Assets leased to customers pursuant to Customer Contracts or in the possession of

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such customers at their locations, in vehicles covered by the Leases or at the residences of sales managers and technicians) and Inventory (other than Inventory when being used) are located at a Redd facility or storage site, or at the residences of sales managers and technicians (and, on reasonable conditions, Redd will make such items available for inspection by Orkin). Redd has generally maintained such items in the ordinary course of its business.

3.09 All Assets. The Assets and all assets subject to Leases, constitute all material properties of any nature with which Redd has conducted the Pest Business for the 12-month period prior to the date hereof, subject to the addition and deletion of assets in the ordinary course of its

business. All facilities currently used by Redd are supplied with utilities reasonably necessary for the operation of such facilities.

3.10 Financial Statements; Books and Records. Redd has delivered to Orkin: (a) the unaudited balance sheet of Redd as of December 31 in each of the years 1997 and 1998, and the related statement of income and cash flow for each of the fiscal years then ended, (b) an unaudited balance sheet of Redd as of September 30, 1999 and the related unaudited statement of income and cash flow for the nine (9) months then ended, including in each case the notes thereto. Such financial statements and notes fairly present the financial condition and the results of operations, and cash flow of Redd as of the respective dates of and for the periods referred to in such financial statements, all in accordance with the income tax method of accounting, subject, in the case of interim financial statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, have a material adverse effect) and the absence of notes (that, if presented, would not differ materially from those included in the 12/31/98 balance sheet), and reflect the consistent application of such accounting principles throughout the periods

involved, except as disclosed in the notes to such financial statements. No financial statements of any person other than Redd are required by Generally Accepted Accounting Principles ("GAAP") to be included in the financial statements of Redd. The books of account and other records of Redd, all of which have been made available to Orkin, are complete and correct and have been maintained in accordance with sound business practices.

3.11 Absence of Material Changes. Except as set forth in Schedule 3.11, from July 31, 1999 through the date of this Agreement there has been, and through the Closing Date there will be: (A) no material adverse change in the assets constituting the Assets of Redd (including any acquisition or purchase, sale, pledge or other transfer, exchange or disposition of any asset except in the ordinary course of business), (B) no increases in the wages and salaries of the officers or employees of Redd other than in the ordinary course of business; and (C) no contracts for the purchase of goods and services by Redd providing for payments in an amount in excess of \$5,000 per month except (x) purchases of inventory in the ordinary course of business, (y) as listed on Schedule 3.11 or (z) as consented to by Orkin.

3.12 Accounts Receivable. Schedule 3.12 hereto sets forth a true, correct and complete list of all Accounts Receivable, in the aggregate, in 30-day aging categories as of September 30, 1999. All Accounts Receivable included in the Assets will have arisen in the ordinary course of the business.

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3.13 No Conflict. The execution and delivery of this Agreement by Redd and the Owner does not, and the performance of this Agreement by Redd and the Owner will not, (i) conflict with or violate any law, regulation, court order, judgment or decree applicable to Redd, the Owner, or by which any of the Assets are bound or affected, (ii) violate or conflict with either the charter or bylaws of Redd, or (iii) except as may result from the failure to obtain any required third-party consent or approval, result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any Material Contract, instrument, permit, license or franchise of which Redd is a party.

3.14 Taxes and Assessments. Redd has filed or will file when and as due all sales, use, payroll, excise, business and license tax returns required by law to be filed by Redd; and Redd has paid or will pay when and as due all federal, state, local or foreign taxes or other governmental charges including interest or penalties imposed to the Closing Date.

3.15 Employees. Redd's employees are not represented by a union or subject to a collective bargaining agreement and Redd has no knowledge of any attempts to organize Redd's employees. There are no strikes, labor disputes, union representation contests, state labor or National Labor Relations Board proceedings or litigation pending, or to the knowledge of Redd, threatened against or affecting the operation of the Pest Business or its relations with its employees, except as set forth on Schedule 3.15. Except for such items which in the aggregate are not materially adverse to Redd, Redd is, to Redd's knowledge, in substantial compliance with all federal, state and local laws, rules and regulations with respect to employment, wages, hours and benefits. Except as set forth on Schedule 3.15, Redd is not engaged in any unfair labor practices nor are any unfair labor practices or other complaints pending against Redd filed with or, to the knowledge of Redd, threatened to be filed with or by the National Labor Relations Board, Equal Employment Opportunity Commission, Department of Labor or any similar agency or instrumentality of any state or local government; and Redd has experienced no strikes or collective work stoppage over the past three years.

3.16 Benefit Plans.

(a) Schedule 3.16 sets forth a true and complete list of each "employee benefit plan" (as defined by Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and any other bonus, profit sharing, pension, compensation, deferred compensation, stock option, stock purchase, fringe benefit, severance, post-retirement, scholarship, disability, sick leave, vacation, individual employment, commission, bonus, payroll practice, retention, or other plan, agreement, policy, trust fund or arrangement (each such plan, agreement, policy, trust fund or arrangement is referred to herein as an "Employee Benefit Plan", and collectively, the "Employee Benefit Plans") that is currently in effect, was maintained since December 31, 1975 or which has been approved before the date hereof but is not yet effective, for the benefit of (i) directors or employees of Redd or any other persons performing services for Redd, (ii) former directors or employees of Redd or any other persons formerly performing services for Redd, and/or (iii) beneficiaries of anyone described in (i) or (ii) (collectively, "Business Employees") or with respect to which Redd or any "ERISA Affiliate" (hereby defined to include any trade or business, whether or not incorporated, other than Redd, which has employees who are or have been at any date of

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determination occurring within the preceding six (6) years, treated pursuant to

Section 4001(a)(14) of ERISA and/or Section 414 of the Code as employees of a single employer which includes Redd) has or has had any obligation on behalf of any Business Employee. Except as disclosed on Schedule 3.16 attached hereto, there are no other benefits to which any Business Employee is entitled, and Redd specifically represents and warrants that it has no severance pay policy.

(b) Redd has delivered to Orkin, with respect to each Employee Benefit Plan, true and complete copies of (i) the documents embodying and relating to each Employee Benefit Plan, including, without limitation, the current plan documents and documents creating any trust maintained pursuant thereto, all amendments, investment management agreements, group annuity contracts, administrative service contracts, insurance contracts, collective bargaining agreements, the most recent summary plan description with each summary of material modification, if any, and employee handbooks, (ii) annual reports including but not limited to Forms 5500, 990 and 1041 for the last three (3) years for the plan or any related trust, (iii) actuarial valuation reports and financial statements for the last three (3) years, (iv) each communication involving the plan or any related trust to or from the Internal Revenue Service ("IRS"), Department of Labor ("DOL"), Pension Benefit Guaranty Corporation ("PBGC") or any other governmental authority including, without limitation, the most recent determination letter received from the IRS pertaining to any Employee Benefit Plan intended to qualify under Sections 401(a) or 501(c)(9) of the Code.

(c) Except as set forth in Schedule 3.16, each Employee Benefit Plan is in compliance with the provisions of ERISA and the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to it. Except as set forth in Schedule 3.16, Redd has not maintained or contributed to any plan subject to the minimum funding standards of Section 302 of ERISA or Section 412 of the Code during its last six (6) fiscal years, and each plan maintained by an ERISA Affiliate which is subject to Title IV of ERISA or Section 412 of the Code is fully accrued and funded in compliance with ERISA and the Code as of the Closing Date, and if any such plan or plans were terminated as of the Closing Date, the termination would satisfy the minimum funding requirements of ERISA and the Code. All Employee Benefit Plans which are "pension plans" as defined in Section 3(2) of ERISA have received favorable determination letters from the Internal Revenue Service as to their tax-qualified status and the tax-exempt status of any related trust under Sections 401(a) and 501 of the Code, respectively, which determinations are currently in effect.

(d) Except as set forth in Schedule 3.16, neither Redd nor any ERISA Affiliate maintains or contributes to, is required to maintain or contribute to, or, since December 31, 1975, has maintained or contributed to, a "multiemployer plan" (as defined by Section 4001(a)(3) of ERISA).

(e) Orkin shall not, as a result of the transactions contemplated by this Agreement (or any employment by Orkin of Business Employees): (i) become liable for any contribution, tax, lien, penalty, cost, interest, claim, loss, action, suit, damage, cost assessment or other similar type of liability or expense of Redd or any ERISA Affiliate (including predecessors thereof) with regard to any Employee Benefit Plan or any Employee Benefit Plan sponsored, maintained or contributed to by an ERISA Affiliate (including predecessors thereof) (assuming a like definition of "Employee

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Benefit Plan" were applicable to ERISA Affiliates as to those same types of agreements, policies, trusts, funds and arrangements sponsored, maintained or contributed to by them) (each such plan for an ERISA Affiliate, an "ERISA Affiliate Employee Benefit Plan"), including, without limitation withdrawal liability arising under Title IV, Subtitle E, Part 1 of ERISA, liabilities to the PBGC, or liabilities under Section 412 of the Code or Section 302(a)(2) of ERISA, or (ii) be or become a party to any Employee Benefit Plan or any ERISA Affiliate Employee Benefit Plan.

(f) No ERISA Affiliate and none of the Assets is subject to any lien arising under ERISA or the Code, including, but not limited to, a lien arising pursuant to Title IV of ERISA or Section 412 of the Code or a lien arising as a result of any tax imposed by Chapter 43 of Subtitle D of the Code. Neither Redd nor any ERISA Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA.

(g) Redd, each ERISA Affiliate, each Employee Benefit Plan and each Employee Benefit Plan "sponsor" or "administrator" (within the meaning of Section 3(16) of ERISA) has complied in all respects with the applicable requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code (such statutory provisions and predecessors thereof are referred to herein collectively as "COBRA"). Schedule 3.16 attached hereto lists the name of each Business Employee who has experienced a "Qualifying Event" (as defined in COBRA) with respect to an Employee Benefit Plan who is eligible for "Continuation Coverage" (as defined in COBRA) and whose maximum period for Continuation Coverage has not expired. Included in such lists are the current address for each such individual, the date and type of each Qualifying Event, whether the individual has already elected Continuation Coverage and, for any individual who has not yet elected Continuation Coverage, the date on which such

individual was notified of his or her rights to elect Continuation Coverage.

3.17 Compliance with Laws; Licenses and Permits. Except as set forth on Schedule 3.17 hereto:

(a) Redd is in substantial compliance with the Federal Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Age Discrimination in Employment Act and Executive Order 11246, and all other applicable laws, orders, rules and regulations enacted or promulgated by the Environmental Protection Agency, the Occupational Health and Safety Administration and by all other governmental bodies and agencies, including state labor boards. Redd has not received notice of any noncompliance with the foregoing.

(b) Redd has all material governmental licenses, permits and approvals necessary for its operations and has not received since December 31, 1996, notice of any violations in respect of any such license, permits or approvals. No proceeding is pending or, to the knowledge of Redd is threatened, which seeks revocation or limitation of any such license, permits or approvals.

3.18 Customers. Redd has a Customer Contract with each of its customers included on the Customer List. All services to such customers have been rendered in material compliance with such Customer Contracts, and have been performed in material compliance with the applicable laws, rules and regulations (including business and professional codes, home solicitation acts, credit

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sales acts, and the Federal Insecticide, Fungicide and Rodenticide Act) of all federal, state and local governmental bodies, agencies and boards, including departments of agriculture except as set forth in Schedule 3.18.

3.19 Litigation. Except as set forth in Schedule 3.19, there is no suit, claim, action or proceeding which is pending or threatened against Redd.

3.20 Fulfillment of Guarantees. All requests or demands for treatment or other service made by customers to fulfill warranties or guarantees made or given by Redd to such customers have been handled in the ordinary course of business.

3.21 Broker's Fees. Redd has incurred no obligation or liability, contingent or otherwise, for any brokerage fee, finder's fee, agent's commission or other like payment in connection with this Agreement or the transactions contemplated hereby.

3.22 Environment, Health and Safety.

(a) Redd has obtained all material permits, licenses, approvals and other authorizations which are required under all Environmental Laws (as defined below) and is in compliance in all material respects with the terms and conditions of all such licenses, approvals and authorizations, and in compliance with all other limitations, restrictions and requirements, including without limitation, the submission of all required reports, notices and other filings, contained in any applicable Environmental Law.

(b) Except as identified on Schedule 3.22(b), there is no pending, threatened, charge, complaint, action, suit, proceeding hearing, investigation, claim, or demand against Redd under any Environmental Law as amended or other laws, rules or regulations of any federal, state or municipal government or agency thereof concerning environmental matters nor has Redd received any notice of any of the foregoing.

(c) Except as identified on Schedule 3.22(c), Redd is not subject to any pending (nor does Redd have knowledge of any threatened) claim, complaint, action, suit, proceeding, hearing, investigation, or demand, from any governmental or private agency, entity or person concerning any intentional or unintentional act or omission by Redd, any predecessor to Redd, or by any other person or entity, with respect to (1) the investigation, remediation, or other activities related to the spillage, clean-up, management, manufacture or processing, or other handling of Hazardous Materials on, under or at any property now or previously owned, leased or operated by Redd, (2) any actual or alleged violation with respect to any Environmental Law or (3) any actual or alleged claim related to any damage to health, safety or the environment caused by Hazardous Materials.

(d) Redd is not subject to any pending (nor does Redd have any knowledge of any threatened) private, governmental or judicial claim, order, decree, or investigation related to the clean-up, management, manufacture or processing, or other handling of Hazardous Materials on, under or at any property now or previously owned, leased or operated by Redd.

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(e) Schedule 3.22(e) sets forth any material past or present enforcement actions, orders, consent decrees or agreements, citations,

violations or notices of violation, or penalties against or paid by Redd in connection with any Environmental Law since December 31, 1996.

(f) Except as disclosed on Schedule 3.22(e), there are no active, inactive or abandoned underground storage tanks ("USTs") for Hazardous Materials on any property leased or operated by Redd. To Redd's knowledge, each such UST identified in Schedule 3.22(e) is in material compliance with all requirements of Environmental Laws.

(g) Except as disclosed on Schedule 3.22(g), there is no presence of any material quantities of PCB or asbestos materials at any property leased or operated by Redd.

(h) Except as disclosed on Schedule 3.22(h), no material quantities of Hazardous Materials have been released, spilled, leaked, pumped, poured, emitted, emptied, discharged, injected, escaped, leached, dumped or disposed of into, on or from any property leased or operated by Redd.

(i) Except as disclosed on Schedule 3.22(i), there are no environmental reports, investigations, studies, audits, tests, reviews or other analyses conducted by, or which are in the possession of, Redd in relation to any Facility (as defined in Section 3.24(a)) which have not been made available to Orkin. Redd has no knowledge of any material omissions or misstatements in any such reports, investigations, studies, audits, tests, reviews or other analyses relating to environmental conditions on or at any Facility.

(j) For purposes hereof, the term "Environmental Laws" shall mean any and all federal, state, local and foreign statutes, laws, regulations, requirements, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions, including without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended ("CERCLA"), the Hazardous Materials Transportation Act, as amended, the Resource Conservation and Recovery Act, as amended, the Clean Water Act, as amended, the Federal Insecticide, Fungicide and Rodenticide Act, as amended, the Toxic Substances Control Act, as amended, and any other federal, state or local law, regulation, requirement, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement, other governmental restriction or any common law based on nuisance, tort or strict liability, relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, hazardous constituents, petroleum, petroleum products, radon gas, and radioactive matter into the environment or otherwise related to the manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, hazardous constituents, petroleum, petroleum products, radon gas and radioactive matter to the extent enacted and in effect on or prior to the Closing Date.

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3.23 Immigration Matters.

(a) With respect to all of Redd's employees, copies of all Forms I-9 (Employment Eligibility Verification Forms) completed pursuant to the Immigration Reform and Control Act of 1986 and all regulations promulgated thereunder ("IRCA") and any and all copies of documentation, records or other papers retained with Forms I-9, have been or, at Orkin's request, will be made available to Orkin prior to the Closing. Redd has complied in all material respects with IRCA with respect to the completion of Forms I-9 for all such employees and the reverification of the employment status of any and all such employees whose employment authorization documents indicated a limited period of employment authorization.

(b) With respect to all former employees of Redd who left Redd's employment within three years prior to the Closing, Redd has complied in all material respects with IRCA with respect to the maintenance of Forms I-9 for at least three years from the date of employment or for one year beyond the date of termination, whichever is later. Copies of all Forms I-9 maintained for such former employees pursuant to IRCA, and any and all copies of documentation, records or other papers retained with Forms I-9, have been or, at Orkin's request, will be made available to Orkin prior to the Closing.

(c) Except as disclosed on Schedule 3.23, Redd has had no material immigration law violations and has only employed individuals authorized to work in the United States. Since December 31, 1994, Redd has not been the subject of any inspection or investigation relating to its compliance with or violation of IRCA, nor has it been warned in writing, fined or otherwise penalized by reason of any failure to comply with IRCA, nor is any such proceeding pending or threatened.

3.24 Matters Relating to the Facilities.

(a) Other than as set forth on Schedule 3.24, there are no encroachments, rights-of-way, easements, or conditions to the knowledge of Redd

which could adversely affect the present use of the field locations leased under the Leases included in the Material Contracts (individually, a "Facility" or collectively, the "Facilities").

(b) There are no condemnation, or eminent domain proceedings pending or contemplated, against any Facility or any part thereof and Redd has received no notice of the intent of any public authority or other entity to take or use any Facility. There are no contemplated real property assessments affecting any Facility or any portion thereof which will adversely affect such Facility.

(c) Redd has received no written notice of any pending, and there is no threatened, action or governmental proceeding relating to, zoning changes which will adversely affect any Facility, nor is there any existing event or condition which would reasonably constitute a basis for any such proceeding. There is no present use of any real property adjacent to any Facility which adversely affects the conduct of the Pest Business.

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(d) Except as set forth in Schedule 3.24 attached hereto, usable public sanitary and storm sewers, public water facilities, and gas and electrical facilities (collectively, the "Public Utilities") as currently used at each Facility as provided in the applicable Lease are of capacity sufficient for the current operation of such Facility.

(e) Each Facility currently has access to and from public streets and roads and there are no facts or conditions that would result in the termination or material impairment of the present access from any Facility to such existing highways and roads.

3.25 Year 2000 Compliance. Redd is currently, or will be, Year 2000 Compliant on or before the Closing Date. As used herein, "Year 2000 Compliant" shall mean that all software, embedded microchips and other processing capabilities utilized by Redd on existing computer hardware resources which are critical to the functioning of the business of Redd will correctly process, sequence, and calculate, without interruption, all date and date related data for all dates to, through and after January 1, 2000, including leap year calculations, and shall recognize, store and transmit date data in a format which clearly indicates the correct century. Provided, however, that notwithstanding the foregoing, Redd makes no representation or warranty of Year 2000 Compliance with respect to its [***] system, its [***] system or its [***] system.

3.26 Complete Copies. The copies of all leases, instruments, agreements, licenses, permits, certificates or other documents which are listed on disclosure schedules attached hereto which have been delivered or made available to Orkin have been or will be complete and correct in all material respects.

3.27 Hart-Scott Rodino Act. Immediately prior to the Closing the "Person" (as defined in the Regulations issued by the Federal Trade Commission under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended) within which Redd is included will have total assets (as shown on its last regularly prepared balance sheet or financial statement) of less than \$10,000,000.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF ORKIN

Orkin hereby makes the following representations and warranties to Redd and the Owner, all of which shall survive the Closing as herein provided and each of which is acknowledged by Orkin to be relied upon by Redd and the Owner:

4.01 Organization. Orkin is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to own and use its properties and to conduct its business as currently conducted in all places where it does business.

4.02 Authorization; Effect of Agreement. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been, or before the Closing will be, duly authorized by all necessary corporate action of Orkin and Rollins, Inc. This Agreement constitutes a valid and binding obligation of Orkin enforceable against Orkin

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in accordance with its terms, and the guaranty is a valid and binding obligation of Rollins, Inc., enforceable against Rollins, Inc. in accordance with its terms.

4.03 No Conflict. The execution and delivery of this Agreement by Orkin does not, and the performance of this Agreement by Orkin will not, (i) conflict with or violate any law, regulation, court order, judgment or decree applicable

to Orkin, (ii) violate or conflict with either the charter or bylaws of Orkin or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any material contract, instrument, permit, license or franchise to which Orkin is a party.

4.04 Broker's Fees. Orkin has not incurred any obligation or liability, contingent or otherwise, for any brokerage fee, finder's fee, agent's commission or other like payment in connection with this Agreement or the transactions contemplated hereby.

ARTICLE V
COVENANTS OF REDD AND ORKIN

5.01 Covenant of Further Assurances.

(a) Each party hereto shall use its best efforts to take all actions and to do all things reasonably necessary in order to consummate and effect the transactions contemplated by this Agreement (subject to the limitations contained in this Agreement). Without further consideration, each party hereto will, at any time and from time to time following the Closing, execute and deliver such further instruments of conveyance and transfer, and take such other action as the other party may reasonably request (subject to the limitations set forth in this Agreement), to consummate the transactions contemplated by this Agreement, including, without limitation, obtaining a release of the personal guaranty of Richard Redd with respect to the Deposit Guaranty Loan and the Motor Vehicle Lease Agreement.

(b) Certain of the Assets may be in the possession of third parties on the Closing Date. Prior to the Closing, except as otherwise provided in this Agreement, Redd and Orkin shall agree on reasonable procedures to transfer possession of the Assets to Orkin as soon as practicable after the Closing Date, and Redd shall provide reasonable assistance to Orkin in connection with the transfer thereof. Each of Redd and Orkin shall bear their own respective out-of-pocket costs incurred in connection with transferring such Assets.

5.02 Consents. Orkin acknowledges that certain consents to the transactions contemplated by this Agreement may be required from parties to the Customer Contracts, Leases and Other Contracts and that such consents have not been obtained. Orkin and Redd agree that they will use their reasonable efforts to jointly seek and obtain prior to Closing the consent of all Major Customers to the transactions contemplated by this Agreement. Redd shall use its reasonable efforts to obtain and deliver to Orkin prior to the Closing the consent of each lessor of the Leases. If any Lessor requires the payment of any fees in order to obtain such consent, the parties shall bear the cost of such fees equally.

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5.03 Employee and Related Matters.

(a) Offers of Employment to Seller's Employees. Prior to or after the Closing, Orkin may offer employment to any Business Employees; provided, however, that notwithstanding anything to the contrary set forth herein, it is understood that there is no obligation on the part of Orkin to make any such offers of employment. Any Business Employee who accepts an offer and is hired by Orkin effective as of the Closing is a "Transferred Employee". With respect to Transferred Employees, Orkin and Redd agree to cooperate fully in the transition of any such persons. Nothing contained in this Section shall be construed to affect or limit any right Orkin or its affiliates may have after the Closing with respect to the terms and conditions of employment of any Business Employees (including but not limited to provision of employee benefits different from those provided through the Employee Benefit Plans) or to terminate the employment of any Transferred Employee at any time.

(b) Limitation. Notwithstanding the provisions of clause (a) of this Section, Orkin shall not be required to offer employment to a person and such person shall not be an "Transferred Employee" if, as of the Closing Date, (i) such person has been determined to be eligible for and actually receiving disability benefits on the Closing Date pursuant to an occurrence prior to the Closing Date, excepting any person who is able to perform the essential functions, with or without reasonable accommodation, of the position which they would have been offered if there had been no disability benefits paid or (ii) such person fails to comply with those Orkin employment criteria described on Schedule 5.03(b) ("Orkin Minimum Employment Criteria").

(c) Accrued Benefits. Redd shall be responsible for vacation pay (resulting from earned vacation days not taken) and sick pay which accrued on or before the Closing Date of all Business Employees who do not become Transferred Employees. With respect to Business Employees who become Transferred Employees, Orkin shall afford such employees the right to take paid vacation and sick time earned prior to the Closing Date and which is included in the Days Off Accruals; provided, however, that if Redd is required, by virtue of collective bargaining agreements or otherwise, to pay such employees for any accrued but unused vacation and sick time, Orkin need not afford such employees the right to

take such vacation and sick time.

(d) Actions by Redd. Redd shall be responsible for providing all notices and other communications to employees which may be required under the Worker Adjustment and Retraining Act (the "WARN" Act) other than those required solely due to actions of Orkin. Redd shall offer, or cause to be offered by one or more of its ERISA Affiliates, and shall be responsible for providing all notices and other communications to, and shall be responsible for, Continuation Coverage to individuals who would be eligible to elect such coverage if the transactions contemplated by this Agreement were treated as a Qualifying Event with respect to all Business Employees as a result of the transactions contemplated by this Agreement. Redd shall provide, or cause to be provided by an ERISA Affiliate, all applicable notifications of any conversion rights or privileges available under any Employee Benefit Plan or ERISA Affiliate Employee Benefit Plan which is an "employee welfare benefit plan" (as that term is defined in Section 3(1) of ERISA)

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which arise as a result of the transactions contemplated by this Agreement. Orkin shall neither assume nor have any obligations or liabilities whatsoever in respect of severance, WARN Act, payroll and/or unemployment tax, pension, profit-sharing, health insurance, COBRA or other employee benefit liabilities in respect of any Business Employee whose employment with Redd terminates on or before the Closing, whether or not employed by Orkin, and Redd shall be liable for any penalties, excise taxes or interest resulting from failure to provide such benefits.

(e) Severance. Redd shall be liable for any compensation (if any) accrued and due for the period of time prior to the Closing, or owed as a result of the transactions contemplated by this Agreement, to any Business Employee of Redd, including any payment due under the WARN Act. Orkin agrees to adopt, effective as of the Closing Date, a [***] for Transferred Employees, which shall provide that any Transferred Employee (other than Transferred Employees who are also Senior Management) who is terminated by Orkin within the [***] period after the Closing for any reason other than for "cause" (as defined in Orkin's employee benefits policy) will be provided [***] notice of termination, or, in the alternative, [***] pay in lieu of notice of termination. After the termination of each such "special severance pay plan", Orkin agrees that Transferred Employees shall be eligible to participate in Orkin's then existing severance pay plan and with respect to such severance pay plan, all Transferred Employees shall be provided [***] for the period that the Transferred Employees were employed by Redd.

(f) Benefit Plans. Effective as of the Closing Date, Transferred Employees shall be eligible to participate in any ERISA qualified or employee welfare programs and/or benefits and any incentive or other compensation program (e.g., pension, retirement, profit sharing, stock option, incentive, vacation, education reimbursement or assistance, deferred compensation, hospitalization, medical, dental, life insurance, sick pay, disability, severance or other plan, program, policy or arrangement) ("Employee Benefits") offered by Orkin, to the same extent that Orkin's similarly-situated employees are eligible to participate in such programs and/or plans. Other than for purposes of calculating any qualified defined benefit retirement benefit or for purposes of determining a Transferred Employee's vested interest in any employer "match" contribution under Orkin's Code Section 401(k) qualified savings plan, Orkin shall grant all Transferred Employees service credit for the period that the Transferred Employees were employed by Redd. Such service credit shall apply for all eligibility and vesting requirements set forth in any Employee Benefits. Redd shall take such actions as may be necessary to allow all Transferred Employees to "roll-over" any moneys held in Redd's Code Section 401(k) qualified savings plan into Orkin's Code Section 401(k) qualified savings plan effective as soon as practicable after the Closing. Redd agrees to fully vest, effective as of the Closing Date, but contingent on the Closing, all Transferred Employees who are participants in the Redd's Code Section 401(K) qualified savings plan.

5.04 Customers.

(a) From and after the date hereof and until the Closing Date, Redd shall use its reasonable efforts to retain its customers, including using its reasonable efforts, in all material respects, to:

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(i) service all customers with the same service personnel used by Redd to service such customers (to the extent reasonably practicable) and with a level of service and quality consistent with Redd's past practices;

(ii) abide by the terms of all existing contracts (including Customer Contracts) relating to the customers and the operation of the Pest Business with respect to such customers;

(iii) abide by the terms of all guarantees associated with Customer Contracts for such customers and perform all necessary work and satisfy all obligations thereunder;

(iv) communicate with and call upon the customers in a manner consistent with Redd's past practices and with the same sales personnel used by Redd to communicate and call upon such customers (to the extent reasonably practicable); and

(v) take such other actions relating to the to provision of Pest Services the customers consistent with Redd's past practices.

(b) From and after the date hereof and until the Closing Date, Redd agrees to use its reasonable efforts to cooperate with Orkin in consummating the transactions contemplated hereby and in effecting an orderly transition all the customers, the Assets and the Assumed Liabilities to Orkin.

5.05 Access. Prior to the Closing, Redd shall grant to Orkin or cause to be granted to Orkin and its representatives, employees (including information technology personnel), counsel and accountants reasonable access, during normal business hours and upon reasonable notice, (i) to the personnel, properties, systems, books and records of Redd relating to the Pest Business, (ii) to the employees employed in the Pest Business for the purpose of facilitating hiring by Orkin and integrating employees into Orkin's operations, (iii) to the books and records of Redd for the purpose of providing Orkin with information demonstrated by Orkin as required to be included in a required filing under Form 8-K promulgated under the Securities Exchange Act of 1934, as amended, and (iv) subject to the consent of the relevant landlord or lessor, to the premises covered by the Leases for the purpose of conducting a Phase I environmental investigation of such premises (it being agreed by the parties hereto that in the event that Orkin, in the process of such investigations, discovers an Environmental Violation at any of such premises which materially and adversely affects such premises, then Orkin must disclose to Redd the results of the Phase I investigation and may refuse to assume, and Redd shall not assign and transfer, the Lease(s); provided however, that all requests for access shall be directed to such person as Redd shall designate from time to time.

5.06 Sales or Transfer Taxes and Other Charges.

(a) Except as otherwise specifically provided in this Agreement, Orkin and Redd shall each be responsible for and shall pay fifty percent (50%) of the cost of all sales, use, value-added, excise, business, goods and services, transfer, stamp, recording, registration, conveyance, or similar taxes or expenses that may be imposed as the result of the sale and transfer

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of the Assets (including without limitation, any duty or other tax chargeable in respect of any instrument transferring property and all filing fees or expenses payable in connection with the sale and transfer of the intellectual property described in Section 1.01(g), but excluding any and all penalties, interest and additions to any of such taxes which shall be paid by the party against whom such penalty, interest or addition was levied), and the parties shall cooperate in timely making all filings, returns, reports, and forms as may be required to comply with the provisions of any applicable tax law. Redd shall be responsible for the preparation and filing of any sales and use tax filings necessitated by the consummation of the transactions contemplated in this Agreement, but shall provide drafts of any such filings to Orkin within a reasonable period of time prior to the due date for filing the same, and shall revise such filings, as appropriate, to take into account any reasonable comments thereto as provided by Orkin. Orkin shall be responsible for the preparation and filing of any transfer tax filings necessitated by the consummation of the transactions contemplated in this Agreement, but shall provide drafts of any such filings to Redd within a reasonable period of time prior to the due date for filing the same, and shall revise such filings, as appropriate, to take into account any reasonable comments thereto as provided by Redd.

(b) The following expense items relating to the Pest Business shall be apportioned at the Closing in an equitable manner (based on actual tax or other relevant bills or, to the extent such bills are not available prior to the Closing, based on the most recently ascertainable tax or other relevant bills). To the extent necessary, the parties shall make appropriate adjustments and payments one to the other after the Closing so that the income and expense items with respect to the period up to the Closing Date shall be for Redd's account and the income and expense items with respect to the period on and after the Closing Date shall be for Orkin's account:

(i) Real estate taxes and payments in lieu of tax with respect to the properties covered by the Leases on the basis of the fiscal year for which assessed.

(ii) Personal property taxes, if any, on the basis of the fiscal year for which assessed.

(iii) Utilities, telephone charges and other apportionments and adjustments on the basis of the fiscal year for which assessed.

5.07 Tax Assistance. After the Closing and upon reasonable written notice, the parties shall furnish or cause to be furnished to each other and their respective representatives, employees, counsel, and accountants access during normal business hours, such information and assistance relating to the Pest Business as is reasonably necessary for financial reporting and accounting matters, the preparation and filing of any tax returns, reports, or forms, or the defense of any tax claim or assessment; provided, however, that this access shall not unreasonably disrupt the normal operations of Orkin or Redd, and the party requesting cooperation shall pay the reasonable out-of-pocket costs incurred by the party furnishing cooperation. This cooperation will continue for a reasonable period from the Closing Date plus any additional time during which a party has been advised (a) that there is an ongoing tax audit with respect to periods before the Closing Date or (b) that the period is open to assessment. Redd shall be responsible for any tax returns and filings attributable to income earned, or fiscal or filing periods ending, before the Closing Date, and Orkin

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shall be responsible for any tax returns and filings attributable to income earned, or fiscal or filing periods ending, on or after the Closing Date.

5.08 Updated Schedules. Prior to the Closing, Redd shall have the right to supplement, modify or update the Schedules hereto to reflect any changes in, or facts, events or circumstances relating to, the Pest Business that occur in the ordinary course of business prior to the Closing; provided, however, that any such supplements, modifications or updates shall be subject to Orkin's rights under Section 6.01 hereof.

5.09 Termite Guarantee Contracts. From and after the Closing, Orkin shall provide services on behalf of Redd under the Termite Guarantee Contracts. Until the earlier of (i) the expiration date of a Termite Guarantee Contract, or (ii) the beginning of a renewal period for which Orkin has assumed such contract, all costs and expenses attributable to services performed pursuant to such contract shall be borne by Redd, and shall be reimbursed by Redd to Orkin within thirty (30) days after the presentation of an invoice therefor. Such costs and expenses shall be equal to direct labor and materials costs attributable to such services, plus an overhead charge equal to [***] of such direct costs. If Redd fails to pay Orkin any amount due to Orkin under this Section 5.09, Orkin shall first treat such amount as an uncollected account receivable and included in the Uncollected AR Calculation under Section 2.08 hereof, if due and payable within the one hundred and eighty (180) day period following the Closing Date, and then with respect to any additional amount set-off such amounts against the obligations due under the Promissory Notes.

ARTICLE VI

CONDITIONS PRECEDENT TO OBLIGATIONS OF ORKIN

The obligation of Orkin to consummate the transactions contemplated by this Agreement is subject to the satisfaction of each of the following conditions unless waived in writing by Orkin:

6.01 Representations and Warranties; Covenants. The representations and warranties of Redd made in this Agreement shall be true and correct in all respects on and as of the Closing Date as though made on and as of the Closing Date and Redd and the Owner, as the case may be, shall have performed or complied with all obligations and covenants required by this Agreement to be performed or complied with by them by the time of the Closing, except to the extent of changes or developments caused or contemplated by the transactions expressly contemplated by this Agreement, for representations and warranties that speak as of a specific date or time (which need only be true and correct as of such date or time) and for breaches of such representations and warranties and covenants that, in the aggregate, together with all supplements, modifications and updates to the Schedules made by Redd as permitted by Section 5.10 above, would not have a material adverse effect on the Pest Business; and Redd and the Owner shall have delivered to Orkin a certificate dated the Closing Date confirming the foregoing.

Notwithstanding the foregoing, the parties hereto acknowledge that all or some portion of the Schedules contemplated by this Agreement may not be attached hereto on the date hereof. Redd covenants and agrees to deliver such Schedules to Orkin as soon as practicable after the date hereof, but in any event no later than five (5) business days prior to the Closing, and further

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acknowledges that such Schedules shall be acceptable to Orkin in its sole discretion in order for Orkin to be obligated to consummate the transactions

contemplated herein.

6.02 No Injunctions, etc. No injunction or order of any court or administrative agency of competent jurisdiction shall be in effect as of the Closing which restrains or prohibits the consummation of the transactions contemplated herein.

6.03 Revenue Validation. Orkin shall be satisfied, in its sole discretion, that the Revenues of Redd for the twelve (12) month period ending August 31, 1999 are no less than \$12,750,000.

6.04 Deliveries. At the Closing, Redd or the Owner, as the case may be, shall have delivered, or cause to be delivered, to Orkin each of the following documents:

(a) a bill of sale and any other appropriate instruments of transfer, assignment and conveyance in form and substance reasonably satisfactory to Orkin, all dated as of the Closing Date, evidencing and effecting the sale and transfer to Orkin of the Assets (it being understood that none of the foregoing shall require Redd or any other person to make any additional representations, warranties or covenants, express or implied, not contained in this Agreement, and any additional statement contained therein shall not constitute a representation or warranty), including assignments of the Intellectual Property included in the Assets in form appropriate for recordation with relevant governmental agencies or authorities responsible for intellectual property.

(b) an opinion of counsel to Redd and the Owner in form reasonably satisfactory to Orkin and its counsel.

(c) the Redd Noncompetition Agreement, the Richard Redd Noncompetition Agreement and the Senior Management Noncompetition Agreements, duly executed by the Redd, Richard Redd, and each of Senior Management, as applicable.

(d) Waivers of Rights Agreement signed by the Senior Management and Richard Redd in the form attached hereto as Exhibit B.

(e) the Senior Management Employment Agreements with Orkin, executed by each member of Senior Management, in the form attached hereto as Exhibit C.

(f) the Copesan Commission and Termination of Deferred Compensation Agreement between Richard Redd and Orkin, duly executed by Richard Redd, in the form attached hereto as Exhibit D.

6.05 Closing of Related Transactions.

(a) That certain [***] by [***]Redd to [***] in the face amount of [***] shall be paid in full or otherwise satisfied.

(b) All other amounts owed by Redd to Richard Redd, or owed by Richard Redd to Redd, shall be paid in full or otherwise satisfied.

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6.06 Board Approval. The transactions contemplated by this Agreement shall have been approved by the Board of Directors of Orkin and Rollins, Inc.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF REDD AND THE OWNER

The obligation of Redd and the Owner to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions unless waived in writing by Redd and the Owner:

7.01 Representations and Warranties; Covenants. The representations and warranties of Orkin made in this Agreement shall be true and correct in all respects on and as of the Closing Date as though made on and as of the Closing Date and Orkin shall have performed or complied with all obligations and covenants required by this Agreement to be performed or complied with by Orkin by the time of the Closing, except to the extent of changes or developments caused or contemplated by the transactions expressly contemplated by this Agreement and for representations and warranties that speak as of a specific date or time (which need only be true and correct as of such date or time), and for breaches of such representations and warranties and covenants that, in the aggregate, would not have a material adverse effect on Orkin or its business taken as a whole; and Orkin shall have delivered to Redd a certificate dated the Closing Date confirming the foregoing.

7.02 No Injunctions, etc. No injunction or order of any court or administrative agency of competent jurisdiction shall be in effect as of the Closing which restrains or prohibits the consummation of the transactions contemplated herein.

7.03 Deliveries. At Closing, Orkin shall have delivered:

- (a) the Closing Cash Payment;
- (b) the Promissory Notes;
- (c) the Redd Noncompetition Agreement, the Richard Redd Noncompetition Agreement, and the Senior Management Noncompetition Agreements, each duly executed by Orkin;
- (d) the Senior Management Employment Agreements with Orkin, executed by Orkin;
- (e) the Copesan Commission and Termination of Deferred Compensation Agreement between Richard Redd and Orkin, duly executed by Orkin;
- (f) a License Agreement between Orkin and Redd in the form attached hereto as Exhibit E, duly executed by Orkin, which License Agreement shall grant Redd a limited license to use the Intellectual Property after the Closing with respect to Redd's obligations as a franchisor under the Redd Franchise Agreements;

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- (g) an assumption agreement in form and substance reasonably satisfactory to Redd and the Owner, evidencing the assumption by Orkin of the Assumed Liabilities, including, but not limited to, that certain Motor Vehicle Lease Agreement between Automotive Rentals, Inc. ("ARI") and Redd (the "Motor Vehicle Lease Agreement");
- (h) a Guaranty executed by Rollins, Inc., Orkin's parent company, in the form attached hereto as Exhibit F;
- (i) an opinion of counsel to Orkin in form reasonably satisfactory to Redd and its counsel; and
- (j) evidence of payment of the Deposit Guaranty Loan.

7.04 Board Approval. The transactions contemplated by this Agreement shall have been approved by the sole shareholder of Redd, and, to the extent required, the Board of Directors of Redd.

ARTICLE VIII INDEMNIFICATION

8.01 Indemnification by Redd. Subject to the provisions of Section 8.04 hereof, Redd shall indemnify and hold harmless Orkin, its officers, directors, employees, affiliates, subsidiaries, agents and permitted assigns, from and against any and all liabilities, obligations, claims, demands, losses, actions and suits at law, administrative proceedings and investigations, or proceedings in equity, damages, judgments, assessments, charges, fines, penalties, costs and expenses, including reasonable attorneys' fees but excluding punitive damages (collectively, "Losses"), arising out of or caused by (i) a breach of any representation or warranty of Redd or the Owner contained in this Agreement, (ii) a breach of any covenant of Redd or the Owner contained in this Agreement and (iii) any liability or obligation of Redd that is not an Assumed Liability, or (iv) any failure to perform before Closing under any Customer Contract, Lease, Purchase Order or Other Contract.

8.02 Indemnification by Orkin. Orkin shall indemnify and hold harmless Redd, its officers, directors, employees, affiliates, subsidiaries, agents and permitted assigns, and the Owner, from and against any and all liabilities, obligations, claims, demands, losses, actions and suits at law, administrative proceedings and investigations, or proceedings in equity, damages, judgments, assessments, charges, fines, penalties, costs and expenses, including reasonable attorneys' fees but excluding punitive damages (collectively, "Losses") arising out of or caused by (i) a breach of any representation or warranty of Orkin contained in this Agreement, (ii) a breach of any covenant of Orkin contained in this Agreement, (iii) any Assumed Liabilities, or (iv) any failure to perform after Closing under any Customer Contract, Lease, Purchase Order or Other Contract.

8.03 Procedures Relating to Indemnification.

(a) In order for a party (the "indemnified party") to be entitled to any indemnification provided for under this Agreement with respect to a claim or demand made by any third party against the indemnified party (a "Third Party Claim"), such indemnified party must

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notify the party from whom indemnification is sought (the "indemnifying party") in writing, and in reasonable detail, of the Third Party Claim as promptly as

reasonably possible after receipt by the indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such notification will not affect the indemnification provided under this Agreement except to the extent the indemnifying party has been actually prejudiced as a result of the failure to provide prompt and reasonably detailed written notice. Thereafter, the indemnified party shall deliver to the indemnifying party, within five business days after the indemnified party's receipt of notice, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

(b) If a Third Party Claim is made against an indemnified party, the indemnifying party will be entitled to participate in the defense of such claim and, if it so chooses and acknowledges its obligation to indemnify the indemnified party therefor, to assume the defense of such claim with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party. Notwithstanding any acknowledgment made pursuant to the immediately preceding sentence, the indemnifying party shall be entitled to continue to assert any limitation on its indemnification responsibility contained in Section 8.01 or in Section 8.02. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party will not be liable to the indemnified party for legal expenses subsequently incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, with the understanding that the indemnifying party shall control the defense thereof. The indemnifying party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the indemnifying party has not assumed defense thereof. If the indemnifying party chooses to defend a Third Party Claim, the parties shall cooperate in the defense or prosecution of the claim. This cooperation will include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party assumes defense of the Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise, or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent will not be unreasonably withheld). If the indemnifying party shall have assumed the defense of the Third Party Claim, the indemnifying party shall not settle such Third Party Claim without the indemnified party's prior written consent (which consent will not be unreasonably withheld).

8.04 Year 2000 Compliance Representation by Redd; Right of Setoff.

(a) Notwithstanding the provisions of Section 8.01(i) above, the obligation of Redd to indemnify Orkin with respect to a breach of Redd's representations and warranties with respect to Year 2000 compliance (as set forth in Section 3.25 hereof) shall apply only if the Losses attributable to a breach of such Section exceed [***] dollars [***], and shall only apply to the extent that such losses exceed [***] dollars [***].

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(b) Without limiting other remedies available to Orkin, Orkin shall have the right to set-off any amounts payable by Redd to Orkin pursuant to the indemnification provisions of this Article VIII against the obligations due under the Promissory Notes.

ARTICLE IX COVENANTS NOT TO COMPETE

9.01 Redd. Redd shall execute and deliver at Closing a Noncompetition Agreement in the form attached as Exhibit G (the "Redd Noncompetition Agreement"). The shall acknowledge in the Noncompetition Agreement that the geographic area and the period and nature of the agreed restrictions set forth therein are necessary and reasonable for the protection of Orkin and shall acknowledge that the restrictions contained therein relate exclusively to the Pest Business.

9.02 Richard Redd. Richard Redd shall execute and deliver at Closing a Noncompetition Agreement in the form attached as Exhibit H (the "Richard Redd Noncompetition Agreement"). Richard Redd shall acknowledge in the Noncompetition Agreement that the geographic area and the period and nature of the agreed restrictions set forth therein are necessary and reasonable for the protection of Orkin and shall acknowledge that the restrictions contained therein relate exclusively to the Pest Business.

9.03 Senior Management. Each member of Senior Management shall execute and deliver at Closing a Noncompetition Agreement in the form attached hereto as Exhibit I (the "Senior Management Noncompetition Agreement"). Each member of Senior Management shall acknowledge in the Noncompetition Agreement that the geographic area and the period and nature of the agreed restrictions set forth therein are necessary and reasonable for the protection of Orkin and shall

acknowledge that the restrictions contained therein relate exclusively to the Pest Business

ARTICLE X
GENERAL

10.01 Notices. All notices, requests, demands, approvals, consents, waivers or other communications hereunder shall be in writing and shall be deemed to have been duly given if (a) delivered personally (including delivery by an express courier service which guarantees next day delivery), (b) mailed by registered or certified mail, return receipt requested, postage prepaid, or (c) sent by telecopy, with written confirmation of receipt and a copy sent by the methods described in (a) or (b), as follows (or to such other address as any party shall specify by notice in writing to all other parties):

If to Redd: c/o Barnes, Broom, Dallas & McLeod, PLLC
1817 Crane Bridge Drive, Suite B
Jackson, Mississippi 39216
Attn: William E. McLeod
Telecopy number: 601-981-6336

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If to Orkin: Orkin Exterminating Company, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324
Attn: President
Telecopy number: 404-888-2279

With a copy to: General Counsel
Rollins, Inc.
P.O. Box 647
Atlanta, Georgia 30301
Telecopy number: 404-888-2731

With a copy to: Jonathan Golden, Esq.
Arnall Golden & Gregory
2800 One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3450
Telecopy number: (404) 873-8701

Any such notice, request, demand, approval, consent, waiver or other communication shall be deemed to have been received (i) if by personal delivery, on the date of delivery if delivered by hand or on the next business day if sent by express courier, (ii) if by mail, on the third business day following the mailing thereof, or (iii) if by telecopy as described above, upon transmission.

10.02 Entire Agreement; Amendments; Waiver. This Agreement (including the disclosure schedules and other documents to be delivered at or prior to Closing) constitutes the entire agreement and understanding of the parties hereto, and supersedes all prior agreements and understandings among the parties hereto, in respect of the subject matter hereof and no amendment or modification of the Agreement may be made except in writing signed by all parties hereto. At any time prior to Closing, either party hereto may (i) extend the time for the performance of any of the obligations or other acts of the other party hereto; (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; or (iii) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby. The failure of either party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

10.03 Expenses. Each of Orkin, on the one hand, and Redd and the Owner, on the other hand, shall pay its or their own expenses incidental to the preparation and negotiation of this Agreement and the consummation of the transactions contemplated hereby, except as otherwise expressly provided herein.

10.04 Bulk Sales Laws. Without implying that such laws apply to the transactions contemplated hereby, the parties shall not comply with the provisions of bulk sales or bulk transfer laws of any states relating to creditors rights. Redd agrees, in addition to the provisions of Section 8.01, to indemnify and hold Orkin harmless from any loss, cost, or expense which arises out of any

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noncompliance with any state bulk sales or bulk transfer law relating to creditor's rights, and Orkin shall have the right to set-off any amounts payable by Redd to Orkin pursuant to this Section 10.04 against the obligations due under the Promissory Notes.

10.05 Confidentiality.

(a) Orkin shall use all reasonable efforts to cause its directors, officers, employees, advisors, and affiliates to keep confidential for a period of three years from the Closing Date all information concerning

Redd, other than information that relates solely to the Assets, the Pest Business or the Assumed Liabilities, and other than any such information that is available to the public on the Closing Date or thereafter becomes available to the public, other than the result of a breach of this Section 10.05(a). Nonetheless, Orkin may disclose any confidential information required by law or legal or administrative process to be disclosed without violating this Section 10.05(a).

(b) Redd and the Owner agree to use all reasonable efforts after the Closing Date to keep, and to cause Redd's directors, officers, employees, advisors and affiliates to keep the Information (as defined below) confidential for a period of three years from the Closing Date, except that any Information required by law or legal or administrative process to be disclosed may be disclosed without violating the provisions of this Section 10.05(b). For purposes hereof, the term "Information" means all information exclusively concerning the Pest Business, the Assets and the Assumed Liabilities, other than any such information that is available to the public on the Closing Date, or that thereafter becomes available to the public other than as a result of a breach of this Section 10.05(b), or that is developed independently by Redd or its affiliates or is obtained from third parties.

10.06 Announcements. Except to the extent required by law, regulations or judicial process or as may be necessary to obtain any Consents or for financial reporting purposes, and except to the extent disclosed to the parties' respective accountants and other representatives as necessary in connection with the ordinary conduct of their respective businesses (so long as the recipients of such information agree to keep the terms of this Agreement confidential), each party agrees not to disclose the existence or terms of this Agreement to any third party without the prior written consent of the other parties, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the parties agree that each party shall have the right to announce publicly the existence and the terms of this Agreement if such party reasonably believes that such disclosure is required by the Securities Exchange Act of 1934 or regulations promulgated thereunder or by the rules and regulations of the New York Stock Exchange, provided that each party shall give reasonable notice to the other before making any such announcement and shall allow the other party reasonable time to comment on such release or announcement in advance of such release or announcement.

10.07 Termination.

(a) This Agreement may be terminated at any time prior to Closing:

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(i) by the mutual written consent of Orkin, on the one hand, and Redd and the Owner, on the other hand; or

(ii) by Orkin, on the one hand, and Redd and the Owner, on the other hand, if the Closing has not occurred by January 1, 2000, provided the terminating party has not, through breach of a representation, warranty or covenant, prevented the Closing from occurring on or before such date.

(b) In the event Orkin on the one hand, and Redd and the Owner, on the other hand, seeks to terminate this Agreement as provided in Section 10.07(a) above, such terminating party shall give the other parties notice thereof, whereupon this Agreement (other than Sections 10.05 and 10.06 and this Section 10.07(b)) shall terminate without any liability of any party hereto, other than (i) any liability for a pre-termination breach of warranty, representation or covenant of any non-terminating party contained herein, and (ii) in the case of Redd and the Owner, an obligation to return to Orkin the Earnest Money Deposit.

10.08 Headings. The headings and captions in this Agreement and in any Exhibit or Schedule hereto are solely for the convenience of the parties and shall be of no force or effect in the construction of the Agreement.

10.09 Governing Law; Arbitration.

(a) This Agreement shall be construed in accordance with the internal laws of the State of Mississippi applicable to agreements made and to be performed entirely within such state, without regard to the conflicts of law principles of such state.

(b) Any controversy, dispute or claim arising out of or relating in any way to this Agreement or the other agreements contemplated hereby shall, except with respect to seeking equitable remedies, be settled exclusively by arbitration in the city of Birmingham, Alabama. Such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with its then prevailing rules (except as otherwise provided herein), by one independent and impartial arbitrator. The fees and expenses of the AAA and the arbitrator shall be shared equally by the parties and advanced by them from time to time as required; provided that at the conclusion of the

arbitration, the arbitrator shall award costs and expenses (including the costs of the arbitration previously advanced and the fees and expenses of attorneys, accountants and other experts) and interest at the prime interest rate to the prevailing party. Pre-arbitration discovery shall be permitted in accordance with the rules of the AAA. The arbitrator shall render his award within 90 days of the conclusion of the arbitration hearing. Notwithstanding anything to the contrary provided in this Section 10.09(b) and without prejudice to the above procedures, either party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitration panel is convened and available to hear such party's request for temporary relief. The award rendered by the arbitrator shall be final and not subject to judicial review and judgment thereon may be entered in any court of competent jurisdiction.

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10.10 Counterparts. This Agreement may be executed in two or more counterparts (including by means of telecopied signature pages), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall become effective when counterparts, which together contain the signatures of all parties hereto, shall have been delivered to Redd and Orkin.

10.11 Assignment. Except as set forth below, this Agreement and any rights and obligations hereunder shall not be assignable or transferable by the parties hereto without the prior written consent of the other parties and any purported assignment without such consent shall be void and without effect; provided that, without the consent of Redd or the Owner, Orkin may assign its right to purchase any of the Assets hereunder to one or more wholly-owned subsidiaries of Orkin upon written notice of such assignment to Redd and the Owner. Provided, however, that no such assignment by Orkin shall limit or otherwise affect Orkin's obligations hereunder, and that Orkin shall execute such documentation as Redd and the Owner shall determine to be necessary or appropriate to evidence its continued obligations to Redd or the Owner after the Closing under any instruments contemplated herein (including, without limitation, the Promissory Notes).

10.12 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto, and their permitted assigns and nothing herein express or implied shall give or be construed to give to any person or entity, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

(Signatures On Next Page)

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first hereinabove set forth, by their representatives thereunto duly authorized.

"ORKIN":
ORKIN EXTERMINATING COMPANY, INC.

By:-----
Title:-----

"REDD":
REDD PEST CONTROL COMPANY, INC.

By:-----
Title:-----

"RICHARD REDD"

Richard L. Redd

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SCHEDULES

Schedule

Title

1.01(c)	Fixed Assets
1.01(d)	Leases
1.01(f)	Other Contracts
1.01(g)	Intellectual Property
1.01(h)	Field Office locations; telephone numbers
1.02(f)	Franchise Agreements
1.02(h)	Excluded Items
1.03(a)(ii)	Deferred Compensation Agreements
1.03(a)(ii)	Acquisition Obligations
2.01(h)	Permitted Encumbrances
3.02(b)	Consents
3.05	Major Customers
3.06	Inventory
3.10	Financial Schedules
3.11	Absence of Material Changes
3.12	Receivables
3.15	Labor Disputes
3.16	Employee Benefit Plans
3.17	Notice of Violations of Governmental Licenses, Permits or Approvals
3.18	Customer Compliance
3.19	Litigation
3.22	Environmental Matters
3.23	Immigration Matters
3.24	Facilities
5.03(b)	Orkin Minimum Employment Criteria

LIST OF EXHIBITS

Exhibit	Title
A	Form of Promissory Note (Section 2.04(b))
B	Form of Waiver of Rights Agreement (Section 6.03(d))
C	Form of Senior Management Employment Agreements (6.03(e))
D	Form of Capesan Commission and Termination of Deferred Compensation Agreement (Section 6.04(f))
E	Form of License Agreement (Section 7.03(f))
F	Form of Guaranty of Rollins, Inc. (Section 7.03(h))
G	Form of Redd Noncompetition Agreement (Article IX)
H	Form of Richard Redd Noncompetition Agreement (Article IX)
I	Form of Senior Management Noncompetition Agreement (Article IX)

Schedule 1.03

Contractual Liabilities to be assumed by Orkin

(i) Deferred Compensation Agreements

1. Deferred Compensation Agreement, dated January 3, 1992, by and between Redd and Bert Marvin Jordan.

2. Deferred Compensation Agreement, dated October 18, 1993, by and between Redd and Clement Lucas Burwell, Jr.

3. Deferred Compensation Agreement, dated January 3, 1992 by and between Redd and Clint Eugene Case.

(ii) Acquisition Obligations

[insert].

CONFIDENTIAL TREATMENT REQUESTED

Confidential Portions of This Agreement Which Have Been Redacted Are Marked With Brackets ("***"). The Omitted Material Has Been Filed Separately With The United States Securities and Exchange Commission.

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This First Amendment to Asset Purchase Agreement (the "Amendment") is entered into as of the 1st day of December, 1999 by and among ORKIN EXTERMINATING COMPANY, INC., a Delaware corporation ("Orkin"), REDD PEST CONTROL COMPANY, INC., a Mississippi corporation ("Redd"), and RICHARD L. REDD, an individual resident of the state of Mississippi ("Richard Redd").

WITNESSETH:

WHEREAS, on October 19, 1999, the parties entered into that certain ASSET PURCHASE AGREEMENT (the "Agreement"; capitalized terms used but not otherwise defined herein shall have the meaning as set forth in the Agreement), whereby Redd agreed to sell all of the Assets owned and used by Redd in connection with the Pest Business and assume certain liabilities of Redd in connection therewith (other than the Excluded Assets); and

WHEREAS, Redd has heretofore transferred certain of its assets to Richard Redd, and

WHEREAS, certain actions which have occurred at or with respect to Redd's pest control operations in [***],[***], and [***]could be construed as having a material adverse change upon the Business, but Orkin desires to waive its right to terminate the Agreement as a result thereof, subject to the agreements as further set forth herein; and

WHEREAS, the parties hereto desire to amend the Agreement in certain other respects as specifically set forth herein; and

WHEREAS, except as specifically set forth herein, the parties hereto desire to affirm the terms and conditions, and their obligations, under the Agreement, and wish to agree that such terms, conditions, and obligations, as amended pursuant to this Amendment, are and shall remain in full force and effect.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The recitals set forth above are true and correct and are incorporated into this Amendment by this reference.

2. The parties acknowledge and agree that the Closing shall occur on Friday, December 3, 1999 at the offices of Barnes, Broom, Dallas and McLeod, PLLC, in Jackson, Mississippi. The Closing shall be effective as of 12:01am local time on December 4, 1999 (or, if the Closing does not occur on December 3, 1999, on such other date as may be mutually acceptable to the parties), which shall be the "Closing Date".

3. Orkin acknowledges that Redd has transferred all of the depreciable assets used in the conduct of the Business to Richard Redd on or before the date hereof (the "Transferred

[***] - CONFIDENTIAL TREATMENT REQUESTED

Assets"), and further acknowledges that such transaction is not a material adverse change upon the Business. Richard Redd agrees to sell and transfer the Transferred Assets to Orkin at the Closing by Bill of Sale, free and clear of all liens and encumbrances other than the Permitted Encumbrances, in exchange for a payment equal to the book value of the Transferred Assets (as set forth on Redd's last financial statement immediately preceding the Closing Date) in immediately available funds. Redd acknowledges and agrees that the Closing Cash Payment shall be reduced by the amount paid to Richard Redd for the Transferred Assets. Redd further acknowledges and agrees that, notwithstanding the transfer of the Transferred Assets to Richard Redd, each and every of its representations and warranties with respect to the Transferred Assets (other than the representation and warranty with respect to title to the Transferred Assets, which is amended to provide that Redd represents and warrants that title to such assets is in Richard Redd, as opposed to Redd) are true, correct, and complete, are being relied upon by Orkin, and a breach thereof shall entitle Orkin to make a claim for indemnification against Redd under the provisions of Section 8.01 of the Agreement.

4. The parties acknowledge and agree that, notwithstanding the Closing Date, Orkin shall be entitled to all revenues generated in the conduct of the Business from and after December 1, 1999 (the "Cutover Date"), and shall be

obligated to pay, or to reimburse Redd for, all ordinary and necessary operational expenses incurred in the operation of the Business by Redd from and after the Cutover Date until the Closing Date. Provided, however, that such expenses shall not include insurance expenses and other comparable overhead expenses incurred by Redd, other than Orkin's obligation to reimburse Redd for [***] of Redd's cost of providing health insurance for Redd's employees for the month of December, 1999, promptly upon presentation of a bill therefor, and also shall not include any lease or other occupancy costs or expenses attributable to any Redd locations other than those locations which are listed on Schedule 1.01(d) of the Agreement. Except as specifically set forth in this paragraph or as expressly set forth in the Agreement, Orkin does not assume any expense, obligation, loss, cost or liability incurred by Redd before the Closing Date, whether incurred before, on, or after the Cutover Date, and Redd shall indemnify Orkin therefor pursuant to the provisions of Section 8.01 of the Agreement. Redd shall establish a separate account into which all revenues attributable to the operation of the Business from and after the Cutover Date shall be deposited, which account shall be delivered to Orkin at the Closing.

5. The parties acknowledge and agree that, notwithstanding the provisions of the Agreement to the contrary, the Closing Cash Payment shall also be reduced by [***] DOLLARS (the [***]). The [***] shall not be delivered to a third party, but shall be retained by Orkin in whole or in part, or shall be paid by Orkin in whole or in part to Redd, pursuant to the further provisions of this paragraph.

Redd represents and warrants that, as of [***], the monthly recurring pest control revenue attributable to the customers serviced by its [***] and [***] branches, and by [***] and [***] in its [***] branch, is equal to or greater than [***]. For purposes hereof, [***] is the "Base Revenue". Redd further represents and warrants that those accounts listed on Attachment 1 hereto are all of the accounts serviced by its [***] and [***] branches, and

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[***] - CONFIDENTIAL TREATMENT REQUESTED

by [***] and [***] in its [***] branch, which generate recurring pest control revenue. The accounts listed on Attachment 1 are the "Target Revenue Accounts" for purposes hereof.

The parties hereto agree that "Target Revenue", for purposes hereof, shall be equal to [***] of the Base Revenue, or [***].

As soon as practicable after [***], Orkin shall determine the monthly recurring pest control revenue attributable to the Target Revenue Accounts for the month of [***] (the "True Up Revenue"). If the True Up Revenue is equal to or greater than the Target Revenue, then Orkin shall promptly deliver the [***], plus simple interest thereon from the Closing Date until the date of payment at an interest rate of [***], to Redd. If the True Up Revenue is less than the Target Revenue (the amount being the "Shortfall"), then Orkin shall be entitled to retain that portion of the Revenue Holdback which shall be equal to the [***] (ie, the [***] multiplied by [***]), multiplied by [***] (the "Orkin Holdback Retention"). If the Orkin Holdback Retention is less than the [***], then Orkin shall promptly deliver the [***], less the Orkin Holdback Retention, plus simple interest thereon from the Closing Date until the date of payment at an interest rate of [***] to Redd.

For example, if Orkin determined that the True Up Revenue is [***], then the [***] will be [***]. If the Shortfall is [***], then the Orkin Holdback Retention will be [***]. Orkin shall be entitled to retain [***] of the [***], and shall be required to deliver [***], plus simple interest thereon from the Closing Date until the date of payment at an interest rate of [***], to Redd, promptly after Orkin has determined the True Up Revenue.

Orkin acknowledges that, subject to the forgoing provisions, to its knowledge, there are no additional issues, conditions or developments with respect to Redd's revenues which Orkin would contend as having a material adverse effect or change upon the Business so as to give Orkin a right to terminate the Agreement pursuant to the provisions of Section 6.01 and/or 10.07 thereof, or which Orkin would claim to be a breach of Redd's representations and warranties set forth in the fourth sentence of Section 3.05, Section 3.11, or Section 6.01 of the Agreement.

6. Redd and Richard Redd shall deliver an indemnity agreement, in form and substance reasonably satisfactory to Orkin, which shall set forth Redd's and Richard Redd's acknowledgement and agreement that Orkin shall not assume and shall be indemnified against any obligations due Richard Redd from Redd. Orkin acknowledges that the delivery of such an instrument shall satisfy the conditions precedent to the Closing set forth in Section 6.05 of the Agreement.

7. The parties hereto acknowledge and agree that the Days Off Accruals, for purposes of determining the adjustment to the Purchase Price as set forth in Section 2.03 of the Agreement, shall not include accrued but unused vacation days for Redd employees, and that therefore such obligation is not an Assumed Liability. Redd covenants and agrees to pay its

employees an amount necessary to satisfy its vacation pay accrual with respect to its employees, and to obtain documentation acknowledging that they have no carryover vacation pay accruals upon the commencement of their employment with Orkin.

8. The Agreement, as amended by this Amendment, contains the entire agreement and understanding between the parties hereto with respect to the subject matters thereof, and no amendment or modification thereto may be made except in writing signed by all parties hereto. This Amendment shall be construed in accordance with the internal laws of the State of Mississippi applicable to agreements made and to be performed entirely within such state, without regard to the conflicts of law principles of such state. Any claim for indemnification for a breach of a representation or warranty as set forth in this Amendment shall be governed by the provisions of Article VIII of the Agreement, and any dispute between the parties with respect to this Amendment shall be settled in the manner set forth in Section 10.09(b) of the Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Amendment as of the date first set forth above.

"ORKIN"

ORKIN EXTERMINATING COMPANY, INC.

By: _____
Title: _____

"REDD"

REDD PEST CONTROL COMPANY, INC.

By: _____
Title: _____

"RICHARD REDD"

Richard L. Redd

ROLLINS, INC.

1994 EMPLOYEE STOCK INCENTIVE PLAN

SECTION 1. Purpose; Definitions.

The purpose of the Rollins, Inc. 1994 Employee Stock Incentive Plan (the "Plan") is to enable Rollins, Inc. (the "Company") to attract, retain and reward directors and key employees of the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such persons and the Company's shareholders, by offering such persons performance-based stock incentives and/or other equity interests or equity-based incentives in the Company, as well as performance-based incentives payable in cash.

For purposes of this Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under this Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 50% of the ownership interests in such entity.

(b) "Board" means the Board of Directors of the Company.

(c) "Book Value" means, at any given date, (i) the consolidated stockholders' equity in the Company and its Subsidiaries, as shown on the Company's consolidated balance sheet as of the end of the immediately preceding fiscal year, subject to such adjustments as the Committee shall in good faith specify at or after grant, divided by (ii) the number of shares of Outstanding Stock as of such year-end date (as adjusted by the Committee for subsequent events).

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(e) "Committee" means the Committee referred to in Section 2 of this Plan. If at any time no Committee shall be in office, then the functions of the Committee specified in this Plan may be exercised by the Board or the Compensation Committee of the Board, as set forth in Section 2 hereof.

(f) "Company" means Rollins, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(g) "Disability" means disability as determined under procedures established by the Committee for purposes of this Plan and shall in all events be consistent with the definition of "disabled" provided in Sections 422(c)(6) and 22(e)(3) of the Code.

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(h) "Disinterested Person" shall have the meaning set forth in Rule 16b-3 as promulgated by the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor definition adopted by the Commission.

(i) "Early Retirement" means retirement with the express written consent of the Committee (given for purposes of this Plan only at or before the time of such retirement) from active employment with the Company and/or any Subsidiary or Affiliate or pursuant to the early retirement provisions of the applicable pension plan of such entity.

(j) "Fair Market Value" means, as of any given date, unless otherwise determined by the Committee in good faith:

(i) if the Stock is listed on an established stock exchange or exchanges, or traded on the NASDAQ National Market System ("NASDAQ/NMS") the highest closing price of the Stock as listed thereon on the applicable day, or if no sale of Stock has been made on any exchange or on NASDAQ/NMS on that date, on the next preceding day on which there was a sale of Stock;

(ii) if the Stock is not listed on an established stock exchange or NASDAQ/NMS but is instead traded over-the-counter, the mean of the dealer "bid" and "ask" prices of the Stock in the over-the-counter market on the applicable day, as reported by the National Association of Securities Dealers, Inc.;

(iii) if the Stock is not listed on any exchange or

traded over-the-counter, the value determined in good faith by the Committee.

(k) "Incentive Stock Option" means any Stock Option designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

(l) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

(m) "Normal Retirement" means retirement from active employment with the Company and/or any Subsidiary or Affiliate on or after age 65.

(n) "Other Stock-Based Award" means an award under Section 7 below that is valued in whole or in part by reference to, or is otherwise based on, Stock.

(o) "Outstanding Stock" shall include all outstanding shares of Common Stock, \$1.00 par value, of the Company as well as the number of shares of Common Stock into which then outstanding shares of capital stock of the Company, of whatever

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class, are convertible as of the year-end immediately preceding the date of calculation thereof (as adjusted by the Committee for certain events).

(p) "Performance-Accelerated Restricted Stock" means Restricted Stock which is subject to restrictions for a stated period of time based on continued employment, with the opportunity for the restriction period to be shortened based on the achievement of predetermined performance goals.

(q) "Performance Stock" means Stock awarded under Section 7 below at the end of a specified performance period, the amount of which is determined by multiplying a performance factor times either (i) the Fair Market Value of the Stock on the last day of the performance period, or (ii) the difference between the Fair Market Value of the Stock on the first and last days of the performance period; provided, however, that at the discretion of the Committee, participants may receive the value of Performance Stock in cash, as determined by reference to the Fair Market Value on the date the amount of the award is determined.

(r) "Performance Unit" means an award pursuant to Section 7 with a starting value and an associated performance period, such that at the end of the performance period participants receive an amount, payable in either cash or Stock, at the discretion of the Committee, equal to (i) the number of units earned based on a predetermined performance schedule times the starting unit value, or (ii) the number of units granted times the ending unit value based on a predetermined performance schedule.

(s) "Plan" means this Rollins, Inc. 1994 Employee Stock Incentive Plan, as hereafter amended from time to time.

(t) "Premium Stock Option" means any Stock Option with an exercise price in excess of the Fair Market Value, as computed on the date of grant of the Stock Option.

(u) "Retirement" means Normal or Early Retirement.

(v) "Restricted Stock" means Stock awarded under Section 7 below which is (i) subject to restrictions for a stated period of time based on continued employment, (ii) subject to restrictions which will only lapse upon the achievement of predetermined performance goals, or (iii) subject to a combination of the restrictions described in (i) and (ii) above.

(w) "Stock" means the Common Stock, \$1.00 par value per share, of the Company.

(x) "Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below to receive an amount in either cash or stock, equal to the difference between the Fair Market Value of the Stock on the date of exercise and the Fair Market Value of the Stock on the date of grant of the right.

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(y) "Stock Option" or "Option" means any option to purchase shares of Stock granted pursuant to Section 5 below.

(z) "Subsidiary" means any corporation (other than the Company) in an

unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 100% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

SECTION 2. Administration.

This Plan shall be administered by a Committee of not less than two Disinterested Persons, who shall be members of the Board and who shall serve at the pleasure of the Board, such Committee to be designated by the Board. The functions of the Committee specified in this Plan may be exercised by the Board or by the Compensation Committee of the Board, however, if and to the extent that no Committee meeting the requirements of this Section 2 has been designated by the Board as having the authority to so administer this Plan and if a resolution to such effect is adopted by the Board after due consideration of the impact of such resolution upon the status of this Plan under Rule 16b-3 promulgated pursuant to the Exchange Act ("Rule 16b-3").

The Committee shall have full authority to grant, pursuant to the terms of this Plan, to directors, officers and other key employees eligible under Section 4: (i) Stock Options, including, without limitation, Incentive Stock Options, Non-Qualified Stock Options and Premium Stock Options, (ii) Stock Appreciation Rights and/or (iii) Other Stock-Based Awards, including, without limitation, Restricted Stock, Performance-Accelerated Restricted Stock, Performance Stock and Performance Units.

In particular, the Committee shall have the authority:

(i) subject to Section 4 hereof, to select the directors, officers and other key employees of the Company or its Subsidiaries and Affiliates to whom Stock Options, Stock Appreciation Rights and/or Other Stock-Based Awards may from time to time be granted hereunder;

(ii) to determine whether and to what extent Stock Options, Stock Appreciation Rights and/or Other Stock-Based Awards, or any combination thereof, are to be granted hereunder to one or more eligible employees;

(iii) to determine the number of shares of Stock to be covered by each such award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting, acceleration or waiver of forfeiture

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restrictions regarding any Stock Option or other award and/or the shares of Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion);

(v) to determine whether and under what circumstances Stock Options, Stock Appreciation Rights, Performance Stock and Performance Units may be settled in cash;

(vi) to determine whether, to what extent and under what circumstances Stock Option grants and/or other awards under this Plan and/or other cash awards made by the Company are to be made, and operate, on a tandem basis vis-a-vis other awards under this Plan and/or cash awards made outside of this Plan, or on an additive basis; and

(vii) to determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period).

The Committee shall have the authority to adopt, alter and repeal such rules, guidelines and practices governing this Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of this Plan and any award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan.

Except as otherwise specifically provided herein, all decisions made by the Committee pursuant to the provisions of this Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and all Plan participants.

SECTION 3. Stock Subject to Plan.

The total number of shares of Stock reserved and available for distribution under this Plan shall be 1,200,000 shares. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares.

Subject to section 6(b)(iv) below, if any shares of Stock that have been optioned hereunder cease to be subject to a Stock Option, or if any such shares of Stock that are subject to any Other Stock-Based Award granted hereunder are forfeited or any such award otherwise terminates without a payment being made to the participant in the form of Stock, such shares shall again be available for distribution in connection with future awards under this Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividends, stock split or other changes in corporate structure affecting the Stock, and subject to Sections 5(k) and 5(m), such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under this Plan, in the number and option price of shares subject to outstanding Options granted under this Plan and in the number of shares subject to other outstanding awards granted under this Plan as may be determined to be appropriate by the

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Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. Such adjusted option price shall be used to determine the amount payable by the Company upon the exercise of any Stock Appreciation Right associated with any Stock Option.

SECTION 4. Eligibility.

Directors, officers and other key employees of the Company or its Subsidiaries and Affiliates (but excluding members of the Committee if a Committee meeting the requirements of Section 2 is designated by the Board) who are responsible for or contribute to the management, growth and/or profitability of the business of the Company and/or its Subsidiaries and Affiliates are eligible to be granted awards under this Plan. Notwithstanding the foregoing, Incentive Stock Options may only be granted to employees of the Company and any of its Subsidiaries or Affiliates that are a "subsidiary corporation" (within the meaning of Section 424(f) of the Code). Furthermore, no director who is not also an employee of the Company shall be eligible to receive Incentive Stock Options.

SECTION 5. Stock Options.

Stock Options may be granted alone, in addition to or in tandem with other awards granted under this Plan and/or cash awards made outside of this Plan. Any Stock Option granted under this Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under this Plan may be of two types: (i) Incentive Stock Options, and (ii) Non-Qualified Stock Options. Incentive Stock Options and Non-Qualified Stock Options may be issued as Premium Stock Options at the discretion of the Board.

Subject to the restrictions contained in Section 4 hereof concerning the grant of Incentive Stock Options, the Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights). To the extent that the Fair Market Value of the shares with respect to which Incentive Stock Options first become exercisable by an optionee during any calendar year (under the Plan and any other plans granting Incentive Stock Options which are established by the Company or its Subsidiaries) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options.

Options granted under this Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall be (i) not less than 100% (or, in the case of an employee who owns stock possessing more than 10 percent of the total combined voting power of all classes of capital stock of the Company or of any of its subsidiary or parent corporations, not less than 110%) of the

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Fair Market Value of the Stock at grant, in the case of Incentive Stock Options, and (ii) not less than 90% of the Fair Market Value of the Stock at grant, in the case of Non-Qualified Stock Options.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercised more than ten

years (or, in the case of an employee who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any of its subsidiary or parent corporations, more than five years) after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercised at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant; provided, however, that, except as provided in Section 5(f), 5(g), or 5(k), unless otherwise determined by the Committee at or after grant, no Stock Option shall be exercisable until at least one year after the granting of the Option. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise provisions or other restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased; provided, however, that if exercised in part, a Stock Option may not be exercised for fewer than 100 shares, unless the remaining balance of the Stock Option is less than 100 shares, in which case the Stock Option may be exercised for the remaining balance.

Such notice shall be accompanied by payment in full of the purchase price, either by cash or such instrument as the Committee may accept. Payment in full or in part may also be made in the form of unrestricted Stock already owned by the optionee for a period of at least six months, based, in each case, on the Fair Market Value of the Stock on the date the option is exercised, unless it shall be determined by the Committee, at or after grant, in its sole discretion, that unrestricted Stock is not a permissible form of payment with respect to any Stock Option or Options.

No shares of Stock shall be issued until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Stock Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 10(a).

(e) Non-Transferability of Options. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

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(f) Termination by Death. Subject to Section 5(k), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised to the extent such option was exercisable at the time of death or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of six months (or such other period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) Termination by Reason of Disability. Subject to Section 5(k), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee or his/her guardian, to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant (or as may be determined in accordance with procedures established by the Committee), for a period of one year (or such other period as the Committee may specify at grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such one-year period (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable only pursuant to Section 5(f). In the event of termination of employment by Disability, if a Stock Option theretofore designated as an Incentive Stock Option is exercised more than one year after such termination of employment, such Stock Option shall be treated as a Non-Qualified Stock Option.

(h) Termination by Reason of Retirement. Subject to Section

5(k), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may be exercised by the optionee, to the extent it was exercisable at the time of such Retirement, for a period of three months, less one day, (or such other period as the Committee may specify at grant) from the date of such termination, or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such three-month, less one day, period (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable only pursuant to Section 5(f). In the event of termination of employment by Retirement, if a Stock Option theretofore designated as an Incentive Stock Option is exercised more than three (3) months after such termination of employment, such Stock Option shall be treated as a Non-Qualified Stock Option.

(i) Other Termination. Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or after grant, if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement, as in the case of voluntary

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resignation of employment by the optionee, the Stock Option shall thereupon terminate and shall be immediately forfeited, regardless of its vesting status.

(j) Buyout Provisions. The Committee may at any time offer to buy out for a payment in cash or Stock a Stock Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(k) Certain Recapitalizations. In general, if the Company is merged into or consolidated with another corporation under circumstances in which the Company is not the surviving corporation, or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation (any such merger, consolidation, etc. being hereinafter referred to as a "Non-Acquiring Transaction") while unexercised Options are outstanding under this Plan, after the effective date of a Non-Acquiring Transaction each holder of an outstanding Option shall be entitled, upon exercise of such Option, to receive such stock or other securities as the holders of the same class of stock as those shares subject to the Option shall be entitled to receive in such Non-Acquiring Transaction based upon the agreed upon conversion ratio or per share distribution. However, in the discretion of the Board of Directors, after giving due consideration to the impact on the optionee, if any, pursuant to Rule 16b-3, any limitations on exercisability of Options may be waived so that all Options, from and after a date prior to the effective date of such Non-Acquiring Transaction shall be exercisable in full. Furthermore, in the discretion of the Board of Directors, the right to exercise may be given to each holder of an Option during a 30-day period preceding the effective date of such Non-Acquiring Transaction. Any outstanding Options not exercised within such 30-day period may be cancelled by the Board of Directors as of the effective date of any such Non-Acquiring Transaction. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Board of Directors, whose determination in that respect shall be final, binding and conclusive. The Committee need not treat all optionees and/or Options in the same manner.

(l) Subdivision or Consolidation. Except as set forth in this Plan, optionees shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spinoff of stock of another corporation, and no issue by the Company of shares of stock of any class shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to the Stock Option. The grant of any Stock Option pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or to transfer all or any part of its business or assets.

(m) Fractional Shares. If any adjustment referred to herein shall result in a fractional share for any optionee under any Stock Option hereunder, such fraction shall

be completely disregarded and the optionee shall only be entitled to the whole number of shares resulting from such adjustment.

(n) Compliance with Section 422. Unless otherwise determined by the Committee with the consent of the optionee, any Option granted hereunder and designated as an Incentive Stock Option shall comply with all relevant provisions of Section 422 of the Code; provided, however, that to the extent that any such Option which is designated as an Incentive Stock Option hereunder fails for any reason to comply with the provisions of Section 422 it shall be treated as a Non-Qualified Stock Option.

SECTION 6. Stock Appreciation Rights.

(a) Grant and Exercise. Stock Appreciation Rights may be granted alone, in addition to or in tandem with all or part of any other award granted under this Plan. In the case of a Non-Qualified Stock Option, such tandem rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such tandem rights may be granted only at the time of the grant of such Stock Option.

A Stock Appreciation Right or applicable portion thereof granted in tandem with a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option.

A Stock Appreciation Right may be exercised by an optionee, subject to Section 6(b), in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options which were issued in tandem with exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of this Plan, as shall be determined from time to time by the Committee, including the following:

(i) Except as set forth below, the term of each Stock Appreciation Right shall be fixed by the Committee, but no such Stock Appreciation Right shall be exercised more than ten years after the date it is granted. Stock Appreciation Rights granted in tandem with Stock Options shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 whenever the Fair Market Value of the Stock exceeds the option price per share specified in the related Stock Option. The foregoing notwithstanding, no Stock Appreciation Right granted hereunder to a Plan participant who is subject to Section 16(b) of the Exchange Act shall be exercisable during the first six months

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of its term, except that, with the exception of Stock Appreciation Rights granted in tandem with Incentive Stock Options, in the discretion of the Committee, after giving due consideration to the impact on the participant, if any, pursuant to Rule 16b-3, this special limitation may be waived in the event of death or Disability of the optionee prior to the expiration of the six-month period. The exercise of Stock Appreciation Rights held by participants who are subject to Section 16(b) of the Exchange Act shall comply with Rule 16b-3(e)(3) thereunder, or any successor provision, to the extent applicable.

(ii) Stock Appreciation Rights shall be exercised at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant; provided, however, that, except as provided in Section 5(f), 5(g), or 5(k), as incorporated herein by Section 6(b)(vi) below, unless otherwise determined by the Committee at or after grant, no Stock Appreciation Right shall be exercisable until at least one year after its date of grant. If the Committee provides, in its sole discretion, that any Stock Appreciation Right is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such

factors as the Committee shall determine, in its sole discretion. Upon the exercise of a Stock Appreciation Right, a participant shall be entitled to receive an amount in cash and/or shares of Stock equal in value to the excess of Fair Market Value of the Stock on the date of exercise over the Fair Market Value of the Stock on the date of grant multiplied by the number of Stock Appreciation Rights exercised, with the Committee having the right to determine the form of payment. Subject to whatever installment exercise provisions or other restrictions apply hereunder, Stock Appreciation Rights may be exercised in whole or in part at any time during the term thereof by giving written notice of exercise to the Company specifying the number of rights to be exercised.

(iii) No Stock Appreciation Right shall be transferable by a participant otherwise than by will or by the laws of descent and distribution, and all Stock Appreciation Rights shall be exercisable, during the participant's lifetime, only by the participant.

(iv) Upon the exercise of a tandem Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of this Plan on the number of shares of Stock to be issued under this Plan, but only to the extent of the number of shares issued under the Stock Appreciation Right at the time of exercise based on the value of the Stock Appreciation Right at such time.

(v) Stock Appreciation Rights issued in tandem with Incentive Stock Options shall contain such terms and conditions as the Committee may determine to be necessary for the qualification of the Incentive Stock Options.

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(vi) Sections 5(f)-(m) hereof shall apply equally to all Stock Appreciation Rights granted pursuant to this Plan, as if each reference therein to a "Stock Option" was instead a reference to a "Stock Appreciation Right."

SECTION 7. Other Stock-Based Awards.

(a) Administration. Other awards of Stock and other awards that are valued in whole or in part by reference to, or are otherwise based on, Stock ("Other Stock-Based Awards"), including, without limitation, Restricted Stock, Performance-Accelerated Restricted Stock, Performance Stock, Performance Units and Stock awards or options valued by reference to Book Value or Subsidiary performance, may be granted either alone or in addition to or in tandem with Stock Options or Stock Appreciation Rights granted under this Plan and/or cash awards made outside of this Plan.

Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such awards shall be made, the number of shares of Stock to be awarded pursuant to such awards, and all other conditions of the awards. The Committee may also provide for the grant of Stock upon the completion of a specified performance period or event.

The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Other Stock-Based Awards made pursuant to this Section 7 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement referred to in Section 7(b)(v) below, Other Stock-Based Awards and shares subject to such awards made under this Section 7 may not be sold, assigned, transferred, pledged or otherwise encumbered, in the case of shares of Stock, prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses, and in all other cases, not at all.

(ii) Subject to the provisions of this Plan and the award agreement and unless otherwise determined by the Committee at grant, the recipient of an award under this Section 7 shall be entitled to receive, currently or on a deferred basis, as determined by the Committee, interest or dividends or interest or dividend equivalents with respect to

the number of shares covered by the award, as determined at the time of the award by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Stock or otherwise reinvested.

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(iii) Any award under this Section 7 and any Stock covered by any such award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee, in its sole discretion.

(iv) In the event of the participant's Retirement, Disability or death, and in other instances, the Committee may, in its sole discretion, waive in whole or in part any or all of the remaining limitations, performance requirements or restrictions imposed (if any) with respect to any or all of an award under this Section 7 and/or accelerate the payment of cash or Stock pursuant to any such award.

(v) Each award under this Section 7 shall be confirmed by, and subject to the terms of, an agreement or other instrument executed by the Company and by the participant.

(vi) Stock (including securities convertible into Stock) issued on a bonus basis under this Section 7 may be issued for no cash consideration.

(vii) Other Stock-Based Awards, to the extent they constitute derivative securities for purposes of Section 16 of the Exchange Act, and are owned by persons who are subject to Section 16(b) of the Exchange Act, shall be transferable only when and to the extent a Stock Option would be transferable under Section 5(e) of this Plan. The Committee may also take into account other provisions contained in the Exchange Act or which are promulgated pursuant thereto.

(viii) Unless otherwise determined by the Committee at or after grant, if a participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death or Disability, a pro rata portion of the restrictions pertaining to continued employment on any Restricted Stock will lapse, based on the number of full months the participant was employed during the restriction period divided by the total number of months in the restriction period. All such pro rata awards will be determined and distributed at such time as awards are paid to other Plan participants.

(ix) Unless otherwise determined by the Committee at or after grant, if a participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Normal Retirement, all of the restrictions pertaining to continued employment on any Restricted Stock will lapse. Any such award will be determined and distributed at such time as awards are paid to other Plan participants.

(x) Unless otherwise determined by the Committee at or after grant, if a participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death or Disability, the estate of the participant or the participant, as applicable, will receive a pro rata portion of the payment or Stock

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the participant would have received for Performance Stock or Performance Units, based on the number of full months in the performance period prior to the participants' death or Disability, divided by the total number of months in the performance period. All such pro rata payments will be determined and distributed at such time as awards are paid to other Plan participants.

(xi) Unless otherwise determined by the Committee at or after grant, if a participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Early Retirement and if such Early Retirement occurs before age 65 and before completion of 10 years of service with the Company and/or a Subsidiary or Affiliate subsequent to the date of grant of Restricted Stock or Performance-Accelerated Restricted Stock, all such Restricted Stock and Performance-Accelerated Restricted Stock will be forfeited by the participant. In addition, in the event of Normal or Early

Retirement before the end of the performance period for Performance Stock or Performance Units, no awards will be paid unless specifically approved by the Committee on a case-by-case basis.

(xii) Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or after grant, if a participant's employment by the Company and/or any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement, as in the case of voluntary resignation of employment by the participant, all Other Stock-Based Awards shall be immediately forfeited.

(xiii) The Committee may at any time offer to buy out for a payment in cash or Stock an Other Stock-Based Award previously granted, based on such terms and conditions as the Committee shall establish and communicate to the participant at the time that such offer is made.

(xiv) Except as set forth in this Plan, participants shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spinoff of stock of another corporation, and no issue by the Company of shares of stock of any class shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to any Other Stock-Based Award. The grant of any Other Stock-Based Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or to transfer all or any part of its business or assets.

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SECTION 8. Amendments and Termination.

The Board may amend, alter, or discontinue this Plan, but, except as otherwise provided herein, no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, Stock Appreciation Right or Other Stock-Based Award theretofore granted, without the optionee's or participant's consent, or which, without the approval of the Company's stockholders, would:

(a) materially increase the benefits accruing to participants under this Plan;

(b) materially increase the number of securities which may be issued under this Plan; or

(c) materially modify the requirements as to eligibility for participation in this Plan.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Stock Options for previously granted Stock Options (on a one for one or other basis), including previously granted Stock Options having higher option exercise prices.

Subject to the above provisions, the Board shall have broad authority to amend this Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

SECTION 9. Unfunded Status of Plan.

This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Company, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Stock or payments in lieu of or with respect to awards hereunder; provided, however, that, unless the Committee otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of this Plan.

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SECTION 10. General Provisions.

(a) The Company shall not be obligated to sell or issue any shares pursuant to any Option unless the shares with respect to which the Option is being exercised are at the time effectively registered or exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The Company shall have no obligation to register pursuant to the 1933 Act any shares of Stock issued pursuant to this Plan. The Committee may require each person purchasing shares pursuant to a Stock Option or other award under this Plan to represent to and agree with the Company in writing that the optionee or participant is acquiring the shares for investment and without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under this Plan shall be subject to such conditions, stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of this Plan shall not confer upon any employee of the Company or of any Subsidiary or Affiliate any right to continued employment with the Company or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includable in the gross income of the participant for federal income tax purposes with respect to the exercise of any Option or Stock Appreciation Right or any award under this Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The actual or deemed reinvestment of dividends or dividend equivalents in additional types of Plan awards at the time of any dividend payment shall only be

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permissible if sufficient shares of Stock are available under Section 3 for such reinvestment, taking into account other Plan awards then outstanding.

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

(g) The value of awards made pursuant to this Plan shall not be included as part of the definition of "cash compensation" in connection with any other benefit offered by the Company.

SECTION 11. Effective Date of Plan.

This Plan shall be effective as of January 25, 1994.

SECTION 12. Term of Plan.

No Stock Option, Stock Appreciation Right or Other Stock-Based Award shall be granted pursuant to this Plan on or after the tenth anniversary of the effective date of this Plan, but awards granted prior to such tenth anniversary may extend beyond that date.

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January 25, 1994

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Exhibit 13

ROLLINS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

(In thousands except per share data)		1999	1998	1997	1996
1995					

OPERATIONS SUMMARY					
<C>	<S>	<C>	<C>	<C>	<C>
\$ 529,788	Revenues	\$ 586,639	\$ 549,136	\$ 538,639	\$ 532,785
38,661	Income (Loss) from Continuing Operations After Income Taxes	7,150	3,177	(104,781)	22,386
616	Income From Discontinued Operations After Income Taxes	-	3,410	106,278	409
39,277	Net Income	7,150	6,587	1,497	22,795
1.08	Earnings (Loss) Per Share Continuing Operations	.24	.10	(3.09)	.63
.02	Discontinued Operations	-	.11	3.13	.01

1.10	Basic and Diluted	.24	.21	.04	.64
.56	Dividends per Share	.20	.50	.60	.58
FINANCIAL POSITION					
\$ 306,111	Total Assets	\$ 312,940	\$ 327,265	\$ 432,680	\$ 296,656
7,422	Noncurrent Capital Lease Obligations	2,450	6,090	9,239	12,163
-	Long-Term Debt	5,328	-	-	-
214,318	Stockholders' Equity	71,790	80,235	145,644	190,290
35,858	Shares Outstanding at Year-End	29,881	30,489	33,279	34,594

</TABLE>

Rollins, Inc. is one of the nation's largest consumer services companies. Through its wholly-owned subsidiary, Orkin Exterminating Company, Inc., the Company provides essential pest control services and protection against termite damage, rodents and insects to approximately 1.7 million residential and commercial customers. Orkin serves customers in the United States, Canada and Mexico from over 400 locations. You can learn more about Orkin by visiting our Web site at www.orkin.com.

QUARTERLY INFORMATION
ROLLINS, INC. AND SUBSIDIARIES

STOCK PRICES AND DIVIDENDS
(Rounded to the nearest 1/16)

<TABLE>
<CAPTION>

Dividends 1999 Paid	Stock Prices		Dividends Paid	1998	Stock Prices	
	High	Low			High	Low

<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
First Quarter	\$17 3/4	\$14 3/4	\$.05	First Quarter	\$21 5/8	\$19 1/2
Second Quarter	17 3/8	15 1/2	.05	Second Quarter	21 1/8	19 1/2
Third Quarter	17 1/8	15 5/16	.05	Third Quarter	20 7/8	16 7/8
Fourth Quarter	16 3/4	14 3/4	.05	Fourth Quarter	17 7/8	15 1/4

</TABLE>

The number of stockholders of record as of December 31, 1999 was 2,759.

<TABLE>

<CAPTION>

PROFIT AND LOSS INFORMATION

(In thousands except per share data)

Fourth First Second Third

<S> <C> <C> <C>

<C>

1999

Revenues \$ 129,886 \$ 162,342 \$ 154,102

\$ 140,309

Income (Loss) from Continuing Operations 467 7,623 1,432

(2,372)

Income from Discontinued Operations - - -

Net Income (Loss) 467 7,623 1,432

(2,372)

Earnings (Loss) per Share

Continuing Operations .02 .25 .05

(.08)

Discontinued Operations - - -

Basic and Diluted .02 .25 .05

(.08)

1998

Revenues \$ 122,965 \$ 155,050 \$ 144,493

\$ 126,628

Income (Loss) from Continuing Operations (1,764) 6,913 880

(2,852)

Income from Discontinued Operations - - -

Net Income (Loss) (1,764) 6,913 880

3,410

Earnings (Loss) per Share

Continuing Operations (.05) .21 .03

(.09)

Discontinued Operations - - -

.11

Basic and Diluted (.05) .21 .03

.02

1997

Revenues \$ 126,951 \$ 154,371 \$ 140,287

\$ 117,030

Income (Loss) from Continuing Operations 5,095 6,219 (11,863)

(104,232)

Income from Discontinued Operations 49 100 9,529

96,600

Net Income (Loss) 5,144 6,319 (2,334)

(7,632)

Earnings (Loss) per Share

Continuing Operations .15 .19 (.36)

(3.07)

Discontinued Operations - - .29

2.84

Basic and Diluted .15 .19 (.07)
 (.23)

</TABLE>

8

Management's Discussion and Analysis
 ROLLINS, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

<TABLE>
 <CAPTION>

	%			
Change From Prior Year				
Increase (Decrease)				
(In thousands)	1999	1998	1997	1999
Revenues	\$ 586,639	\$ 549,136	\$ 538,639	6.8%
Income (Loss) From Continuing Operations After Income Taxes	7,150	3,177	(104,781)	125.1
Income From Discontinued Operations After Income Taxes	-	3,410	106,278	(100.0)
Net Income	7,150	6,587	1,497	8.5

</TABLE>

GENERAL OPERATING COMMENTS

During the year, the Company expanded its presence in the pest and termite control industry through several strategic acquisitions. These acquisitions, along with the Company's continued emphasis on building recurring revenue and a further expansion of its commercial operations, led to an increase in revenues of 6.8%, the highest annual revenue growth in six years. The financial results for the fourth quarter 1999 represent the seventh consecutive quarter-over-quarter improvements in both revenues and income from continuing operations. Income from continuing operations for the year ended December 31, 1999 increased to \$7.2 million, a 125.1% increase over the prior year. This improvement is primarily the result of the success of our new selling and treatment programs and acquisition activity.

The acquisitions of PRISM, the nation's fourth largest commercial pest control company; Redd Pest Control Company, Inc., a premier pest control provider in the Southeastern United States; and PCO Services, Inc. (PCO), Canada's leading pest control company, have clearly established the Company as the largest commercial pest control provider in North America. In addition to strategic acquisitions, the Company and Johnson Wax Professional entered into a joint venture, Acurid Retail Services, L.L.C., created to sell and provide pest elimination services to customers in the retail market.

CONTINUING OPERATIONS - 1999 VERSUS 1998

Revenues from both the Company's pest and termite control operations experienced increases during the year. Factors contributing to the Company's overall 6.8% revenue growth were increases in customer base and average sales price.

The Company's continued efforts to provide services that best fit our customers' needs, along with the positive impact of acquisitions, have led to an increase in our residential and commercial pest control customer base.

The increase in termite control revenue is primarily a result of our new service offering of directed liquid in conjunction with termite baiting. Management believes this new treatment technique also creates the potential for new recurring revenue as a result of the periodic monitoring of the termite baiting stations. Termite baiting was implemented in selected markets during the year, and is scheduled to be offered Company-wide in 2000.

Cost of Services Provided was approximately \$14.1 million higher than the prior year but improved to represent 58.2% of revenues compared to 59.6% for the prior year. This improvement as a percentage of revenues was primarily due to lower termite claim provisions, lower operating insurance costs and lower material and supply costs as well as better leveraging of fixed costs due to higher revenues.

Sales, General and Administrative expenses increased \$9.1 million but decreased as a percent of revenues to 38.1% compared to 39.0% for the prior year. This improvement as a percentage of revenues resulted primarily from better leveraging of our fixed costs due to higher revenues and improved efficiencies in sales, fleet and telephone costs. These cost savings were partially offset by additional costs related to various new service and marketing programs throughout the Company.

Interest Income declined \$5.9 million or 66.1% during the year primarily due to a decrease in invested funds over the prior year. The decrease in invested funds resulted primarily from the conversion of investments to cash to fund acquisitions.

The Company's net tax provision of \$4.4 million, as compared to \$1.9 million in 1998, reflects increased taxable income in 1999.

New programs scheduled for 2000 include expanded customer preferred service alternatives and the continued use of technological advances. Focus, our new centralized computer system, should improve information flow to and from the branches and the home office. The Company also plans to improve the logistics of operations by introducing new routing and scheduling software and a new vehicle tracking software application which will assist the technicians in becoming more efficient, productive and safe.

The Company's financial results for 1999, along with consecutive quarterly improvements and new operational programs, present an encouraging outlook for 2000.

CONTINUING OPERATIONS - 1998 VERSUS 1997

The Company's 1.9% increase in revenues in 1998 was due primarily to growth in recurring pest control revenue resulting from the success of our more consumer-friendly selling and treatment programs and to an increase in termite renewal

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Management's Discussion and Analysis (continued)

ROLLINS, INC. AND SUBSIDIARIES

revenue resulting from higher average renewal prices. Revenue was also impacted positively by the Company's ten pest control acquisitions in 1998, including two companies in Canada. These revenue increases were partially offset by a decline in termite sales revenue caused by placing our emphasis on changing contracts and sales practices that were initiated in response to the capabilities of modern-day termiticides, new building materials and construction practices.

Cost of Services Provided decreased in 1998 on both a dollar and percentage of revenues basis, primarily due to reductions in termite claims experience and operating insurance costs. Sales, General and Administrative expenses also decreased on both a dollar and percentage of revenues basis, primarily due to reduced expenditures related to Year 2000 system modifications and to lower bad debt expense. The Company's net tax provision of \$1.9 million, as compared to a benefit of \$64.2 million in 1997, reflects increased taxable income in 1998.

Key programs implemented in 1998 included improved sales and service programs to meet the changing demands of today's busy customers. We also introduced a premium brand of service for our commercial customers, Acuridism; related activities included the opening of additional commercial branches, improved service technology, expanded guarantees, and new vehicle and uniform identification. As a result of these programs, we achieved strong gains in customer base and revenues in this division.

We implemented aggressive changes in sales policies, treatment standards and guarantees offered in termite control. These internal enhancements, along with extensive reinspection, retreatment and repair programs, in conjunction with the establishment of our national quality control department, allow us to more effectively provide termite control service to all our new and existing customers. These termite remediation expenditures in 1998 were charged against the Accrual for Termite Contracts. We provided an advanced termite training course, developed exclusively by the Company in partnership with Texas A&M, to Orkin employees who have previously completed both in-branch and classroom termite control training. This comprehensive program provides the best termite training in the industry.

DISCONTINUED OPERATIONS

In 1997, the Company estimated its liabilities associated with its divested operations and recorded a Gain on Disposal, net of taxes, of \$106.1 million on the sales of the Orkin Lawn Care and Landscaping businesses and the Rollins Protective Services division. These divestitures were completed as part of the Company's shift towards a single operational focus on its core pest control business. In the fourth quarter of 1998, the Company recorded an additional gain, net of taxes, of \$3.4 million as a result of the reevaluation of the Company's liabilities for costs associated with these discontinued operations.

YEAR 2000 ISSUES

Aware that the Year 2000 (Y2K) information technology programming issue could have a significant potential impact on its future operations and financial reporting, the Company began its assessment and remediation processes in 1997 regarding its primary financial and operating systems. The Company's assessment activities included (1) identifying all software and operating systems - both information technology (IT) systems and non-IT systems with embedded technology which are critical to operations and/or financial reporting, (2) testing of such software and systems for Y2K compliance, and (3) obtaining assurances from the

Company's vendors and its large commercial customers. The Company's remediation activities included replacing certain software and operating systems, followed by testing to ensure the Y2K compliancy of the replacements.

As of February 16, 2000, the Company has not experienced any material adverse effects as a result of Y2K related problems. Although the Company has not endured any material adverse Y2K effects and does not anticipate any such problems, it is possible that certain Y2K problems may exist but have not yet materialized. The total amount of Y2K expenditures as of December 31, 1999 was approximately \$19.5 million. Any additional Y2K expenditures are not expected to have a material impact on the Company's results of operations, cash flows or financial position.

MARKET RISK

The Company maintains an investment portfolio, comprised of U.S. government and corporate debt securities, which is subject to interest rate risk exposure. This risk is managed through conservative policies to invest in high-quality obligations. The Company has performed an interest rate sensitivity analysis using a duration model over the near term with a 10% change in interest rates. The Company's portfolio is not subject to material interest rate risk exposure based on this analysis, and no material changes in market risk exposures or how those risks are managed are expected.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In second quarter 1999, the Financial Accounting Standards Board voted to delay the effective date of this standard to fiscal years beginning after June 15, 2000. The adoption of this standard, effective for the Company as of January 1, 2001, is not expected to materially impact the results of operations or financial condition of the Company.

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Management's Discussion and Analysis (continued) ROLLINS, INC. AND SUBSIDIARIES

Financial Condition

<TABLE>

<CAPTION>

				%
Change From Prior Year				
Increase (Decrease)				-----
(Dollars in thousands)	1999	1998	1997	1999
1998				
<S>	<C>	<C>	<C>	<C>
<C>				
Cash and Short-Term Investments	\$ 5,689	\$ 1,244	\$ 125,842	
Marketable Securities	12,967	110,229	75,037	
	18,656	111,473	200,879	(83.3)%
(44.5)%				
Current Ratio	1.0	1.7	2.3	(41.2)
(26.1)				
Total Assets	312,940	327,265	432,680	(4.4)
(24.4)				

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

The Company believes its current cash balances, future cash flows from operating activities and line of credit will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company experienced positive cash flow from operating activities during the year in the amount of \$8.2 million. This increase in cash flow is an improvement over cash flow used in operating activities of \$679,000 in 1998 and cash flow provided by operating activities of \$5.7 million in 1997. The 1999 increase resulted from favorable changes in working capital related primarily to differences in the timing of accrued expenses and higher income from continuing operations in 1999, adjusted for non-cash items.

The Company invested \$79.8 million in acquisitions and capital expenditures in 1999 and expects to invest between \$25.0 and \$30.0 million in 2000, inclusive of improvements to its management information systems. Acquisition expenditures consisted primarily of the acquisitions of PCO Services, Inc. and the commercial pest elimination business operations of PRISM, both subsidiaries of Johnson Wax Professional, and the acquisition of the pest control business operations of Redd Pest Control Company, Inc. See Note 3 to the accompanying consolidated

financial statements for further discussion. Capital expenditures in 1999 consisted primarily of equipment replacements and upgrades and improvements to the Company's management information systems.

A total of \$6.1 million was paid in cash dividends in 1999. During the year, a total of \$11.8 million was paid for repurchases of 718,900 shares, or 2.4% of the Company's Common Stock. These repurchased shares were retired in 1999; an additional 881,100 shares may be repurchased under the current authorization. The capital expenditures, acquisitions, cash dividends and stock repurchases were primarily funded through existing cash balances, marketable securities and operating activities. The Company maintains a \$40.0 million line of credit, which is available for future acquisitions and growth, if needed.

In 1997 and 1998, Orkin and other pest control industry companies received letters from the Federal Trade Commission (FTC) advising of its investigation of the pest control industry - more specifically, the termite and moisture control practices of the industry - and requesting certain information voluntarily from the Company. Orkin has voluntarily provided the information requested and has advised the FTC of the Company's intention to continue to cooperate fully with this investigation. At this point in time, management does not believe this investigation will have a material effect upon its results of operations or financial condition. In addition, the Company is aggressively defending a class action lawsuit filed in Dothan, Alabama. For further discussion, see Note 9 to the accompanying consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected impact of the outcome of litigation arising in the ordinary course of business and the outcome of the Helen Cutler and Mary Lewin v. Orkin Exterminating Company., Inc., et al. ("Cutler") litigation on the Company's financial condition, results of operations and liquidity; the Company's potential for recurring revenue; and the Company's projected 2000 performance. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, the possibility of a court ruling against the Company in litigation or in the Cutler 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; the failure of the Company or its major suppliers or customers to adequately address the Year 2000 programming issue; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

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consolidated statements of financial position ROLLINS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

At December 31, (In thousands except share data)	1999	1998
<S>	<C>	<C>
ASSETS		
Cash and Short-Term Investments	\$ 5,689	\$ 1,244
Marketable Securities	12,967	110,229
Trade Receivables, Net	44,878	42,353
Materials and Supplies	13,429	13,335
Deferred Income Taxes	19,644	20,083
Other Current Assets	11,142	11,864
	-----	-----
Current Assets	107,749	199,108
Equipment and Property, Net	46,245	35,466
Goodwill and Other Intangible Assets	112,024	47,092
Deferred Income Taxes	45,015	44,369
Other Assets	1,907	1,230
	-----	-----
Total Assets	\$ 312,940	\$ 327,265
LIABILITIES		
Capital Lease Obligations	\$ 3,638	\$ 3,419
Accounts Payable	15,275	10,890
Accrued Insurance	11,165	18,348
Accrued Payroll	23,100	18,400
Accrued Pension	6,523	5,635
Unearned Revenue	20,441	15,210

State Income Taxes Payable	6,295	7,188
Accrual for Termite Contracts	15,000	25,800
Other Expenses	10,004	10,203

Current Liabilities	111,441	115,093
Capital Lease Obligations	2,450	6,090
Accrued Insurance	43,745	38,975
Accrual for Termite Contracts	54,352	66,350
Long-Term Accrued Liabilities	29,162	20,522

Total Liabilities	241,150	247,030

Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value \$1 per share; 99,500,000 shares authorized; 29,881,402 and 30,488,741 shares issued	29,881	30,489
Earnings Retained	41,909	49,746

Total Stockholders' Equity	71,790	80,235

Total Liabilities and Stockholders' Equity	\$ 312,940	\$ 327,265

</TABLE>

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

12

consolidated statements of income
ROLLINS, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

Years Ended December 31, (In thousands except per share data) 1997	1999	1998

<S>	<C>	<C>
REVENUES		<C>
Customer Services	\$ 586,639	\$ 549,136
538,639		\$

COSTS AND EXPENSES		
Cost of Services Provided	341,487	327,353
362,161		
Depreciation and Amortization	13,433	11,458
10,712		
Provision for Termite Contracts	-	-
117,000		
Sales, General and Administrative	223,235	214,182
225,356		
Interest Income	(3,048)	(8,981)
(7,588)		

707,641	575,107	544,012

INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	11,532	5,124
(169,002)		

PROVISION (BENEFIT) FOR INCOME TAXES		
Current	(2,694)	(4,937)
6,021		
Deferred	7,076	6,884
(70,242)		

(64,221)	4,382	1,947

INCOME (LOSS) FROM CONTINUING OPERATIONS	7,150	3,177
(104,781)		

DISCONTINUED OPERATIONS

Operating Income, Less Income Tax Expense of \$119 192	-	-	
Gain on Disposal, Less Income Tax Expense of \$2,090 and \$70,214 in 1998 and 1997, Respectively 106,086	-	3,410	

INCOME FROM DISCONTINUED OPERATIONS 106,278	-	3,410	

NET INCOME 1,497	\$ 7,150	\$ 6,587	\$
=====			
EARNINGS (LOSS) PER SHARE			
Continuing Operations (3.09)	\$.24	\$.10	\$
Discontinued Operations 3.13	-	.11	

EARNINGS PER SHARE - BASIC AND DILUTED .04	\$.24	\$.21	\$

</TABLE>			

consolidated statements of earnings retained
ROLLINS, INC. AND SUBSIDIARIES<TABLE>
<CAPTION>

Years Ended December 31, (In thousands except per share data) 1997	1999	1998	

<S>	<C>	<C>	<C>
Balance at Beginning of Year 155,696	\$ 49,746	\$ 112,365	\$
Net Income 1,497	7,150	6,587	
Cash Dividends (20,360)	(6,076)	(16,064)	
Common Stock Purchased and Retired (24,733)	(11,076)	(53,429)	
Common Stock Issued for Acquisition of Companies -	1,892	-	
Other 265	273	287	

Balance at End of Year 112,365	\$ 41,909	\$ 49,746	\$
=====			
DIVIDENDS PER SHARE .60	\$.20	\$.50	\$

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

13

consolidated statements of cash flows
ROLLINS, INC. AND SUBSIDIARIES<TABLE>
<CAPTION>

Years Ended December 31, (In thousands) 1997	1999	1998	

<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net Income 1,497	\$ 7,150	\$ 6,587	\$
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			

117,000	Provision for Termite Contracts	-	-
15,000	Provision for Self-Insurance Reserves	-	-
8,000	Provision for Bad Debts	-	-
10,712	Depreciation and Amortization	13,433	11,458
(69,228)	Provision (Benefit) for Deferred Income Taxes	7,076	8,974
(106,278)	Discontinued Operations, Net of Taxes	-	(3,410)
7,169	Other, Net	1,471	5,121
	(Increase) Decrease in Assets:		
7,505	Trade Receivables	2,243	7,087
(3,388)	Materials and Supplies	1,310	1,719
(2,034)	Other Current Assets	(759)	1,638
(2,330)	Other Non-Current Assets	(6,611)	520
	Increase (Decrease) in Liabilities:		
11,608	Accounts Payable and Accrued Expenses	(1,186)	(15,167)
2,154	Unearned Revenue	5,134	1,379
9,629	Accrued Insurance	(2,413)	5,220
-	Accrual for Termite Contracts	(22,798)	(24,850)
(1,336)	Long-Term Accrued Liabilities	4,112	(6,955)

5,680	Net Cash Provided by (Used in) Operating Activities	8,162	(679)
	=====		
	INVESTING ACTIVITIES		
(8,956)	Purchases of Equipment and Property	(18,818)	(10,402)
(1,440)	Net Cash Used for Acquisition of Companies	(60,964)	(3,517)
156,469	Net Proceeds from Sale of Discontinued Operations, Net of Current Taxes Paid	-	-
9,846	Marketable Securities, Net	97,145	(35,033)

155,919	Net Cash Provided by (Used in) Investing Activities	17,363	(48,952)
	=====		
	FINANCING ACTIVITIES		
(20,360)	Dividends Paid	(6,076)	(16,064)
(26,083)	Common Stock Purchased and Retired	(11,795)	(56,195)
(2,521)	Payments on Capital Leases	(3,421)	(2,868)
300	Other	212	160

(48,664)	Net Cash Used in Financing Activities	(21,080)	(74,967)
	=====		
757	NET CASH PROVIDED BY DISCONTINUED OPERATIONS	-	-

113,692	Net Increase (Decrease) in Cash and Short-Term Investments	4,445	(124,598)
12,150	Cash and Short-Term Investments at Beginning of Year	1,244	125,842

125,842	Cash and Short-Term Investments at End of Year	\$ 5,689	\$ 1,244
			\$

</TABLE>

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

14

notes to consolidated financial statements

Years Ended December 31, 1999, 1998 and 1997 ROLLINS, INC. AND SUBSIDIARIES

1. SIGNIFICANT ACCOUNTING POLICIES

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

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." As the Company has only one reportable segment - its pest and termite control business - the majority of the disclosures required by SFAS 131 do not apply to the Company. In regard to the general disclosures required by SFAS 131, the Company's results of operations and its financial condition are not significantly reliant upon any single customer or the Company's foreign operations.

Principles of Consolidation - The consolidated financial statements of the Company include the accounts of Rollins, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Estimates Used in the Preparation of Consolidated Financial Statements - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues - Revenue is recognized at the time services are performed.

Cash and Short-Term Investments - The Company considers all investments with a maturity of three months or less to be cash equivalents. Short-term investments are stated at cost which approximates fair market value. Marketable Securities - The Company's marketable securities are classified as "available for sale" and have been recorded at current market value with an offsetting adjustment to stockholders' equity.

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

Equipment and Property - Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation are computed using the following asset lives: buildings, ten to forty years; and furniture, fixtures, and operating equipment, three to ten years. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred.

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. These estimated outstanding claims have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrued Insurance.

Advertising - Advertising expenses are charged to income during the year in which they are incurred. The total advertising costs were approximately \$28.3 million in 1999 and \$27.5 million for each of the years 1998 and 1997.

Income Taxes - The Company follows the practice of providing for income taxes based on SFAS 109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns.

Earnings Per Share - In 1997, the Company adopted SFAS 128, "Earnings Per Share" (EPS), which requires companies to present basic EPS and diluted EPS.

Basic EPS is computed on the basis of weighted-average shares outstanding. Diluted EPS is computed on the basis of weighted-average shares outstanding plus common stock options outstanding during the year which, if exercised, would have a dilutive effect on EPS. Basic and diluted EPS are the same for all years reported.

A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

(In thousands)	1999	1998	1997
Basic EPS	30,325	31,973	33,896
Effect of Dilutive Stock Options	7	30	28
Diluted EPS	30,332	32,003	33,924

Stock-Based Compensation - As permitted by SFAS 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." See Note 10 to the consolidated financial statements for additional information.

Comprehensive Income - In 1997, the Financial Accounting Standards Board issued SFAS 130, "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. For the years ended December 31, 1999, 1998 and 1997, comprehensive income is not materially different from net

notes to consolidated financial statements (continued)
Years Ended December 31, 1999, 1998 and 1997 ROLLINS, INC. AND SUBSIDIARIES

income and, as a result, the impact of SFAS 130 is not reflected in the Company's consolidated financial statements.

Reclassifications - Certain amounts for previous years have been reclassified to conform with the 1999 consolidated financial statement presentation.

2. CHANGES IN ACCOUNTING ESTIMATES

In the fourth quarter of 1997, the Company made certain changes in accounting estimates totaling \$23.0 million due to 1997 events and new information becoming available. The Company's provision for its self-insurance program for automobile, workers' compensation, and general liability was increased by \$15.0 million. This provision has been reflected in the Consolidated Statements of Income in the line item entitled Cost of Services Provided. The provision for bad debts was also increased by \$8.0 million and has been reflected in the Consolidated Statements of Income in the line item entitled Sales, General and Administrative.

In the fourth quarter of 1997, a provision for termite contracts of \$117.0 million was recorded related to the estimated costs of reinspections, reapplications, repair claims and associated labor, chemicals, and other costs incurred relative to termite work performed prior to December 31, 1997. These anticipated costs reflected the Company's response to current trends in the termite treatment area of its operations and the pest control industry. The provision was reflected in the 1997 Consolidated Statements of Income in the line item entitled Provision for Termite Contracts. The related liabilities at December 31, 1999 and 1998, reflecting the estimated costs incurred but as yet unpaid related to termite work performed prior to these dates, have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrual for Termite Contracts.

3. ACQUISITIONS AND JOINT VENTURE

On April 30, 1999, the Company and Johnson Wax Professional entered into a joint venture, Acurid Retail Services, L.L.C. (Acurid Retail), created to sell and provide pest elimination services to customers in the retail market and jointly contributed existing customers to the joint venture. The Company owns 50% of the joint venture, which is accounted for using the equity method. In addition, on April 30, 1999, the Company's wholly-owned subsidiary, Orkin Exterminating Company, Inc. (Orkin), acquired the remaining pest elimination business operations of PRISM, a subsidiary of Johnson Wax Professional, for approximately twenty-four million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately sixteen million dollars which are being amortized over a life of twenty years using the straight-line method.

On October 29, 1999, Orkin acquired PCO Services, Inc. (PCO), a subsidiary of Johnson Wax Professional. Orkin acquired all the shares of capital stock of PCO for approximately twenty-five million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included

from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately five hundred thousand dollars which are being amortized over a life of twenty years using the straight-line method.

On December 3, 1999, Orkin acquired the pest control business operations of Redd Pest Control Company, Inc. (Redd) for approximately thirteen million dollars, of which approximately seven million was paid in cash. Under the terms of the agreement, Orkin acquired all the pest control customers of Redd, together with certain assets. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately eight million dollars which are being amortized over a life of twenty years using the straight-line method.

4. DISCONTINUED OPERATIONS

In October 1997, the Company sold its Rollins Protective Services (RPS) business segment for approximately \$200.0 million in cash. In July 1997, the Company sold its Lawn Care and Landscaping divisions for approximately \$37.0 million in cash. In 1997, the Company estimated its liabilities associated with these divested operations and recorded a gain from the sales of RPS and the Lawn Care and Landscaping divisions of \$106.1 million, net of taxes. In the fourth quarter of 1998, the Company reevaluated its liabilities associated with these divested operations and recorded an additional gain of \$3.4 million, net of taxes.

The Company's results of operations for the year ended December 31, 1997 have been restated for the divestitures of the RPS business segment and the Lawn Care and Landscaping divisions. The results of operations of these divested operations and the gains on their disposal have been reflected in the Consolidated Statements of Income in the section entitled Discontinued Operations.

Summarized financial information for the discontinued operations is as follows:

<TABLE>
<CAPTION>

(In thousands)	1997

<S>	<C>
Revenues	\$ 64,721
Income Before Income Taxes	311
Net Income	192
Assets	-
Liabilities	-
Net Assets of Discontinued Operations	\$ -

</TABLE>

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notes to consolidated financial statements (continued)

Years Ended December 31, 1999, 1998 and 1997 ROLLINS, INC. AND SUBSIDIARIES

5. TRADE RECEIVABLES

Trade receivables, net, at December 31, 1999, totaling \$44.9 million and at December 31, 1998, totaling \$42.4 million are net of allowances for doubtful accounts of \$4.9 million and \$5.3 million, respectively. Trade receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates. These amounts were approximately \$6.7 million and \$9.0 million at the end of 1999 and 1998, respectively. The carrying amount of installment receivables approximates fair value because the interest rates approximate market rates.

6. EQUIPMENT AND PROPERTY

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

<TABLE>
<CAPTION>

(In thousands)	1999	1998

<S>	<C>	<C>
Buildings	\$ 10,158	\$ 9,759
Operating Equipment	56,445	44,805
Furniture and Fixtures	10,186	8,542
Computer Equipment Under Capital Leases	7,787	8,736
	-----	-----
	84,576	71,842

Less - Accumulated Depreciation	41,912	39,704
	-----	-----
	42,664	32,138
Land	3,581	3,328
	-----	-----
	\$ 46,245	\$ 35,466

</TABLE>

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over net assets of businesses acquired and is stated at cost less accumulated amortization. Goodwill which arose from acquisitions prior to November 1970 is not being amortized for financial statement purposes, since, in the opinion of Management, there has been no decrease in the value of the acquired businesses. Goodwill arising from acquisitions since November 1970 is being amortized from fifteen to forty years.

Other intangible assets include trademarks, customer contracts and non-compete agreements and are being amortized from three to twenty years.

8. INCOME TAXES

A reconciliation between taxes computed at the statutory rate on the Income (Loss) From Continuing Operations Before Income Taxes and the Provision (Benefit) for Income Taxes is as follows:

(In thousands)	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Federal Income Taxes at Statutory Rate	\$ 4,036	\$ 1,595	\$ (64,680)
State Income Taxes (Net of Federal Benefit)	697	367	268
Other	(351)	(15)	191
	-----	-----	-----
	\$ 4,382	\$ 1,947	\$ (64,221)

</TABLE>

The Provision (Benefit) for Income Taxes was based on a 38.0% estimated effective income tax rate on Income (Loss) From Continuing Operations Before Income Taxes for the years ended December 31, 1999, 1998 and 1997. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state income taxes.

During 1999, the Company paid income taxes of \$662,000, net of refunds received. For 1998, the Company received a refund of income taxes of \$2.4 million, net of payments. Income taxes remitted, related to both continuing and discontinued operations, were \$85.2 million for the year ended December 31, 1997.

Components of the net deferred income tax assets (liabilities) at December 31, 1999 and 1998 include:

(In thousands)	1999	1998
	-----	-----
<S>	<C>	<C>
Termite Accrual	\$ 34,322	\$ 40,125
Insurance Reserves	35,035	31,909
Safe Harbor Lease	(9,847)	(11,449)
Other	5,149	3,867
	-----	-----
	\$ 64,659	\$ 64,452

</TABLE>

9. COMMITMENTS AND CONTINGENCIES

The Company has capitalized lease obligations and several operating leases. The minimum lease payments under the capital leases and non-cancelable operating leases with terms in excess of one year, in effect at December 31, 1999, are summarized as follows:

(In thousands)	Capitalized Leases	Operating Leases
	-----	-----
<S>	<C>	<C>

2000	\$ 3,918	\$ 22,618
2001	2,231	19,837
2002	307	14,239
2003	-	9,682
2004	-	6,751
Thereafter	-	34,390
	-----	-----
	\$ 6,456	\$107,517
		=====
Amount Representing Interest	(368)	

Present Value of Obligations	6,088	
Portion Due Within One Year	(3,638)	

Long-Term Obligations	\$ 2,450	

</TABLE>

Total rental expense under operating leases charged to operations was \$25.6 million, \$25.4 million and \$23.5 million for the years ended December 31, 1999, 1998 and 1997, respectively.

The Company is aggressively defending a lawsuit filed in Dothan, Alabama, in which the plaintiffs seek compensatory damages for alleged breach of contract arising out of alleged missed or inadequate reinspections. The attorneys for the plaintiffs contend that the case is suitable for a class action and the court has ruled that the plaintiffs would be permitted to pursue a class action lawsuit against Orkin. The Company believes this

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notes to consolidated financial statements (continued)
Years Ended December 31, 1999, 1998 and 1997 ROLLINS, INC. AND SUBSIDIARIES

case to be without merit and intends to defend itself vigorously at trial. At this time, the final outcome of the litigation cannot be determined. However, it is the opinion of Management that the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

The Company is involved in other litigation matters incidental to its business. With respect to such other suits, Management does not believe the litigation in which it is involved will have a material effect upon its results of operations or financial condition.

10. EMPLOYEE BENEFIT PLANS

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

The funded status of the Plan and the resulting accrued benefit liability are summarized as follows at December 31:

<TABLE>

<CAPTION>

(In thousands)	1999	1998
	-----	-----
<S>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION		
Benefit Obligation at Beginning of Year	\$ 77,288	\$ 66,908
Service Cost	4,379	3,611
Interest Cost	5,694	5,182
Actuarial (Gain) Loss	(8,263)	4,258
Benefits Paid	(3,672)	(2,671)
	-----	-----
Benefit Obligation at End of Year	75,426	77,288
CHANGE IN PLAN ASSETS		
Fair Value of Plan Assets at		
Beginning of Year	63,258	59,741
Actual Return on Plan Assets	2,928	6,188
Employer Contribution	4,000	-
Benefits Paid	(3,672)	(2,671)
	-----	-----
Fair Value of Plan Assets at End of Year	66,514	63,258
	-----	-----
Funded Status	(8,912)	(14,030)
Unrecognized Net Actuarial Loss	2,546	8,621

Unrecognized Prior Service Cost	(157)	(226)
Accrued Benefit Liability	\$ (6,523)	\$ (5,635)

</TABLE>

Accrued benefit liabilities at December 31, 1999 and 1998 of \$6.5 million and \$5.6 million, respectively, have been reflected in the Consolidated Statements of Financial Position in the line item entitled Accrued Pension.

The weighted-average assumptions as of December 31 were as follows:

<TABLE>
<CAPTION>

(In thousands)	1999	1998	1997
Discount Rate	8.0%	7.0%	7.5%
Expected Return on Plan Assets	9.5%	9.5%	9.5%
Rate of Compensation Increase	5.0%	4.0%	4.5%

</TABLE>

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

<TABLE>
<CAPTION>

(In thousands)	1999	1998	1997
Service Cost	\$ 4,379	\$ 3,611	\$ 3,221
Interest Cost	5,694	5,182	4,437
Expected Return on Plan Assets	(5,751)	(5,269)	(5,007)
Net Amortizations:			
Amortization of Net Asset	-	-	(575)
Amortization of Net Loss	634	203	-
Amortization of Net Prior Service Cost	(69)	(36)	(31)
Net Periodic Benefit Cost	\$ 4,887	\$ 3,691	\$ 2,045

</TABLE>

In 1998, the Company adopted SFAS 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits." The 1997 amounts shown in the tables above have been restated in accordance with the disclosures required by SFAS 132.

At December 31, 1999, the Plan's assets were comprised of listed common stocks and U.S. government and corporate securities. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of \$4.5 million.

The Company sponsors a deferred compensation 401(k) plan that is available to substantially all employees with six months of service. The charges to expense for the Company match were approximately \$2.2 million in 1999, \$1.5 million in 1998 and \$1.7 million in 1997.

The Company has two Employee Incentive Stock Option Plans, the first adopted in January 1994 (1994 Plan) and the second adopted in April 1998 (1998 Plan) as a supplement to the 1994 Plan. An aggregate of 3.0 million shares of Common Stock may be granted under various stock incentive programs sponsored by these plans, at a price not less than the market value of the underlying stock on the date of grant. Options may be issued under the 1994 Plan and the 1998 Plan through January 2004 and April 2008, respectively, and expire ten years from the date of grant, if not exercised.

Options are also outstanding under a prior Employee Incentive Stock Option Plan (1984 Plan). Under this plan, 1.2 million shares of Common Stock were subject to options granted during the ten-year period ended October 1994. The options were granted at the fair market value of the shares on the date of grant and expire ten years from the date of grant, if not exercised. No additional options will be granted under the 1984 Plan.

Option transactions during the last three years for the 1998, 1994 and 1984 Plans are summarized as follows:

<TABLE>
<CAPTION>

(In thousands)	1999	1998	1997
----------------	------	------	------

<S>	<C>	<C>	<C>
Number of Shares Under Stock Options:			
Outstanding at Beginning of Year	1,144,620	359,785	300,132
Granted	874,000	890,000	197,600
Exercised	(246)	(3,550)	(7,657)
Cancelled	(252,200)	(101,615)	(130,290)
Outstanding at End of Year	1,766,174	1,144,620	359,785
Exercisable at End of Year	263,834	106,960	80,405
Weighted-Average Exercise Price:			
Granted	\$ 16.31	\$ 19.69	\$ 19.25
Exercised	13.25	13.18	12.47
Cancelled	18.53	20.77	22.57
Outstanding at End of Year	18.66	20.42	22.29
Exercisable at End of Year	21.29	23.40	23.31

</TABLE>

Information with respect to options outstanding and options exercisable at December 31, 1999 is as follows:

Exercise Price	Number Outstanding	Average Remaining Contractual Life	Number Exercisable
\$12.25	3,180	0.08 years	3,180
13.25	11,494	1.08	11,494
19.08	4,200	2.08	4,200
25.50	2,900	3.08	2,900
28.38	78,900	4.08	57,900
24.25	4,000	5.08	1,920
20.88	40,000	6.08	9,360
19.25	117,000	7.08	36,880
19.69	715,000	8.33	136,000
16.31	789,500	9.08	-
	1,766,174		263,834

The Company applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock options and, accordingly, no compensation cost has been recognized for stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options granted in 1999, 1998 and 1997 under SFAS 123 (See Note 1 to the consolidated financial statements), the Company's net income, as disclosed on the Consolidated Statements of Income, would have been reduced by approximately \$1.2 million in 1999, \$578,000 in 1998 and \$103,000 in 1997. Earnings per share would have been reduced by \$.04 in 1999 and \$.02 in 1998, with no earnings per share effect in 1997.

The per share weighted-average fair value of stock options granted during 1999, 1998 and 1997 was \$4.30, \$6.07 and \$5.34, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Risk-Free Interest Rate	5.12%	6.04%	5.69%
Expected Life, in Years	8	8	8
Expected Volatility	21.30%	23.22%	18.55%
Expected Dividend Yield	2.49%	2.37%	2.17%

</TABLE>

REPORT OF MANAGEMENT
To the Stockholders of Rollins, Inc.:

We have prepared the accompanying financial statements and related information included herein for the years ended December 31, 1999, 1998 and 1997. The opinion of Arthur Andersen LLP, the Company's independent public accountants, on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles, appropriate in the circumstances, based on our

best estimates and judgments and giving due consideration to materiality.

Rollins, Inc. maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent public accountants. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such a system should not exceed the benefit to be derived. We believe the Company's system provides this appropriate balance.

The Board of Directors pursues its review and oversight role for these financial statements through an Audit Committee composed of three outside directors. The Audit Committee's duties include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of Rollins, Inc. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal auditors and independent public accountants and reviews the work of each to insure that their respective responsibilities are being carried out and to discuss related matters. Both the internal auditors and independent public accountants have direct access to the Audit Committee.

/s/ R. Randall Rollins

R. Randall Rollins
Chairman of the Board and
Chief Executive Officer

Atlanta, Georgia
February 16, 2000

/s/ Harry J. Cynkus

Harry J. Cynkus
Chief Financial Officer
and Treasurer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Directors and Stockholders of Rollins, Inc.:

We have audited the accompanying statements of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 1999 and 1998 and the related statements of income, earnings retained and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rollins, Inc. and subsidiaries as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Atlanta, Georgia
February 16, 2000

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directors, officers and stockholders' information

DIRECTORS

John W. Rollins
Chairman of the Board and Chief Executive Officer of
Rollins Truck Leasing Corp. (vehicle leasing and trans-
portation), Chairman of the Board of Dover Downs
Entertainment, Inc. (entertainment complex)

Henry B. Tippie +
Chairman of the Board and Chief Executive Officer of
Tippie Services, Inc. (management services)

R. Randall Rollins *
Chairman of the Board and Chief Executive Officer of
Rollins, Inc., Chairman of the Board and Chief Executive
Officer of RPC, Inc. (oil and gas field services, and boat

manufacturing)

Wilton Looney +
Honorary Chairman of the Board of Genuine Parts Company
(automotive parts distributor)

James B. Williams +
Chairman of the Executive Committee of SunTrust Banks,
Inc. (bank holding company)

Gary W. Rollins *
President and Chief Operating Officer of Rollins, Inc.

Bill J. Dismuke
Retired President of Edwards Baking Company

* Member of the Executive Committee
+ Member of the Audit and Compensation Committees

OFFICERS

R. Randall Rollins
Chairman of the Board and Chief Executive Officer

Gary W. Rollins
President and Chief Operating Officer

Harry J. Cynkus
Chief Financial Officer and Treasurer

Michael W. Knottek
Vice President and Secretary

STOCKHOLDERS' INFORMATION

Annual Meeting

The Annual Meeting of the Stockholders will be held
at 9:30 a.m. Tuesday, April 25, 2000, at the Company's
corporate offices in Atlanta, Georgia.

Transfer Agent and Registrar

For inquiries related to stock certificates, including
changes in address, lost certificates, dividends and tax
forms, please contact:

SunTrust Bank
Stock Transfer Department
P.O. Box 4625
Atlanta, GA 30302
Telephone:1-800-568-3476

Stock Exchange Information

The Common Stock of the Company is listed on the
New York and Pacific Stock Exchanges and traded on
the Philadelphia, Chicago and Boston Exchanges under
the symbol ROL.

Dividend Reinvestment Plan

This Plan provides a simple, convenient and inexpensive
way for stockholders to invest cash dividends in additional
Rollins, Inc. shares. For further information, contact
SunTrust Bank, at the above address.

Form 10-K

The Company's annual report on form 10-K to the
Securities and Exchange Commission provides certain
additional information. Stockholders may obtain a copy by
contacting the Chief Financial Officer at the Company's
mailing address.

Corporate Offices

Rollins, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324

Mailing Address

Rollins, Inc.
P.O. Box 647
Atlanta, Georgia 30301

Telephone

(404) 888-2000

Design: Critt Graham + Associates, Atlanta/Boston

Printing: Corporate Printers, Cumming, GA

Exhibit 21

List of Subsidiaries
Rollins, Inc.

The following list sets forth the subsidiaries of Rollins, Inc. as of February 29, 2000. Each corporation whose name is indented is a wholly-owned subsidiary of the corporation next above which is not indented.

<TABLE>
<CAPTION>

Incorporation	Corporation Name	State/Country of
<S>	Orkin Exterminating Company, Inc.	<C> Delaware
	Orkin Systems, Inc.	Delaware
	Dettlebach Pesticide Corporation	Georgia
	Kinro Advertising Company	Delaware
	Orkin Expansion, Inc.	Delaware
	Orkin S.A. de C.V.	Mexico
	Orkin International, Inc.	Delaware
	PCO Services, Inc.	Canada
	Rollins Continental, Inc.	New York
	Rollins Expansion, Inc.	Delaware
	Red Diamond Insurance Co.	Vermont
	Rollins Supply, Inc.	Delaware
	Red Diamond Insurance Co.	Vermont

</TABLE>

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports, included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement (No. 33-06404), Form S-8 Registration Statement (No. 33-26056), Form S-8 Registration Statement (No. 33-52355), and Form S-8 Registration Statement (No. 33-47528).

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 15, 2000

POWER OF ATTORNEY

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this day of , 2000.

/s/ James B. Williams

James B. Williams, Director

Witness:

POWER OF ATTORNEY

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this day of , 2000.

/s/ John W. Rollins

John W. Rollins, Director

Witness:

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this day of , 2000.

/s/ Henry B. Tippie

Henry B. Tippie, Director

Witness:

POWER OF ATTORNEY

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this day of , 2000.

/s/ Wilton Looney

Wilton Looney, Director

Witness:

POWER OF ATTORNEY

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this day of , 2000.

/s/ Bill J. Dismuke

Bill J. Dismuke, Director

Witness:

<TABLE> <S> <C>

5

<ARTICLE>

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 1999, 1998 AND 1997 AND STATEMENTS OF INCOME AND EARNINGS RETAINED FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997.

</LEGEND>

<RESTATED>

<MULTIPLIER>

1,000

<S>

<C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 1999, 1998 AND 1997 AND STATEMENTS OF INCOME AND EARNINGS RETAINED FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997.

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