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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

Commission File Number 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

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

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

30324
(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ROL	NYSE

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Rollins, Inc. had 327,749,009 shares of its $1 par value Common Stock outstanding as of October 16, 2020.

PART 1 FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020, AND DECEMBER 31, 2019
(in thousands except share data)
(Unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ **95,440**	$ 94,276
Trade receivables, net of allowance for doubtful accounts of $15,973 and $16,699, respectively	**138,392**	122,766
Financed receivables, short-term, net of allowance for doubtful accounts of $1,279 and $1,675, respectively	**24,091**	22,267
Materials and supplies	**30,386**	19,476
Other current assets	**43,527**	51,002
Total current assets	**331,836**	309,787
Equipment and property, net	**186,825**	195,533
Goodwill	**619,656**	572,847
Customer contracts, net	**275,366**	273,720
Trademarks & tradenames, net	**104,610**	102,539
Other intangible assets, net	**9,966**	10,525
Operating lease, right-of-use assets	**211,345**	200,727
Financed receivables, long-term, net of allowance for doubtful accounts of $1,857 and $1,284, respectively	**37,430**	30,792
Benefit plan assets	**1,198**	21,565
Deferred income taxes	**2,165**	2,180
Other assets	**25,669**	24,161
Total assets	$ **1,806,066**	$ 1,744,376
LIABILITIES		
Accounts payable	$ **56,393**	$ 35,234
Accrued insurance	**31,756**	30,441
Accrued compensation and related liabilities	**88,566**	81,943
Unearned revenues	**139,734**	122,825
Operating lease liabilities - current	**72,197**	66,117
Current portion of long-term debt	**15,625**	12,500
Other current liabilities	**64,868**	60,975
Total current liabilities	**469,139**	410,035
Accrued insurance, less current portion	**36,164**	34,920
Operating lease liabilities, less current portion	**140,795**	135,651
Long-term debt	**154,375**	279,000
Deferred income tax liabilities	**15,244**	9,927
Long-term accrued liabilities	**57,633**	59,093
Total liabilities	**873,350**	928,626
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, without par value; 500,000 shares authorized, zero shares issued	—	—
Common stock, par value $1 per share; 550,000,000 shares authorized, 327,749,009 and 327,430,846 shares issued and outstanding, respectively	**327,749**	327,431
Paid in capital	**99,161**	89,413
Accumulated other comprehensive loss	**(23,153)**	(21,109)
Retained earnings	**528,959**	420,015
Total stockholders' equity	**932,716**	815,750
Total liabilities and stockholders' equity	$ **1,806,066**	$ 1,744,376

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

ROLLINS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
REVENUES				
Customer services	**$ 583,698**	$ 556,466	**$ 1,624,928**	$ 1,509,492
COSTS AND EXPENSES				
Cost of services provided	**275,474**	268,718	**782,248**	739,309
Depreciation and amortization	**22,404**	21,690	**65,926**	58,505
Sales, general and administrative	**168,006**	167,168	**497,121**	468,584
Accelerated stock vesting expense	**6,691**	—	**6,691**	—
Pension settlement loss	—	49,898	—	49,898
Gain on sale of assets, net	**1,355**	27	**629**	(406)
Interest expense, net	**866**	2,826	**4,491**	4,451
INCOME BEFORE INCOME TAXES	**108,902**	46,139	**267,822**	189,151
PROVISION FOR INCOME TAXES	**29,323**	2,078	**69,617**	36,569
NET INCOME	**$ 79,579**	$ 44,061	**$ 198,205**	$ 152,582
NET INCOME PER SHARE - BASIC AND DILUTED	**$ 0.24**	$ 0.13	**$ 0.60**	$ 0.47
DIVIDENDS PAID PER SHARE	**$ 0.08**	$ 0.11	**$ 0.28**	$ 0.32
Weighted average shares outstanding - basic and diluted	**327,754**	327,459	**327,733**	327,490

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

ROLLINS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands)
(unaudited)

	(In thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
NET INCOME	**$ 79,579**	$ 44,061	**$ 198,205**	$ 152,582
Other comprehensive earnings / (loss)				
Pension Settlement	**—**	45,990	**—**	45,990
Foreign currency translation adjustments	**5,758**	(4,110)	**(1,732)**	(1,283)
Change in derivatives	**252**	(118)	**(312)**	(375)
Other comprehensive earnings / (loss)	**6,010**	41,762	**(2,044)**	44,332
Comprehensive earnings	**$ 85,589**	$ 85,823	**$ 196,161**	$ 196,914

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

ROLLINS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands)
(unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income/ (Loss)	Retained Earnings	Total
Balance at June 30, 2019	**327,486**	**$ 327,486**	**$ 82,960**	**$ (68,508)**	**$ 410,326**	**$ 752,264**
Net Income	—	—	—	—	44,061	44,061
Other comprehensive income, net of tax						
Pension Settlement	—	—	—	45,990	—	45,990
Change in derivatives	—	—	—	(118)	—	(118)
Foreign currency translation adjustments	—	—	—	(4,110)	—	(4,110)
Cash dividends	—	—	—	—	(34,394)	(34,394)
Stock compensation	(42)	(42)	3,347	—	—	3,305
Employee stock buybacks	(2)	(2)	(99)	—	—	(101)
Balance at September 30, 2019	**327,442**	**$ 327,442**	**$ 86,208**	**$ (26,746)**	**$ 419,993**	**$ 806,897**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income/ (Loss)	Retained Earnings	Total
Balance at December 31, 2018	**327,308**	**$ 327,308**	**$ 85,386**	**$ (71,078)**	**$ 370,292**	**$ 711,908**
Impact of adoption of ASC 842	—	—	—	—	212	212
Net Income	—	—	—	—	152,582	152,582
Other comprehensive income, net of tax						
Pension Settlement	—	—	—	45,990	—	45,990
Change in derivatives	—	—	—	(375)	—	(375)
Foreign currency translation adjustments	—	—	—	(1,283)	—	(1,283)
Cash dividends	—	—	—	—	(103,093)	(103,093)
Stock compensation	395	395	10,496	—	—	10,891
Employee stock buybacks	(261)	(261)	(9,674)	—	—	(9,935)
Balance at September 30, 2019	**327,442**	**$ 327,442**	**$ 86,208**	**$ (26,746)**	**$ 419,993**	**$ 806,897**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income/ (Loss)	Retained Earnings	Total
Balance at June 30, 2020	**327,759**	**$ 327,759**	**$ 88,640**	**$ (29,163)**	**$ 475,594**	**$ 862,830**
Net Income	—	—	—	—	79,579	79,579
Other comprehensive income, net of tax						
Foreign currency translation adjustments	—	—	—	5,758	—	5,758
Change in derivatives	—	—	—	252	—	252
Cash dividends	—	—	—	—	(26,214)	(26,214)
Stock compensation	(10)	(10)	10,521	—	—	10,511
Balance at September 30, 2020	**327,749**	**$ 327,749**	**$ 99,161**	**$ (23,153)**	**$ 528,959**	**$ 932,716**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income/ (Loss)	Retained Earnings	Total
Balance at December 31, 2019	**327,431**	**$ 327,431**	**$ 89,413**	**$ (21,109)**	**$ 420,015**	**$ 815,750**
Impact of adoption of ASC 326	—	—	—	—	2,484	2,484
Net Income	—	—	—	—	198,205	198,205
Other comprehensive income, net of tax						
Foreign currency translation adjustments	—	—	—	(1,732)	—	(1,732)
Change in derivatives	—	—	—	(312)	—	(312)
Cash dividends	—	—	—	—	(91,745)	(91,745)
Stock compensation	539	539	17,612	—	—	18,151
Employee stock buybacks	(221)	(221)	(7,864)	—	—	(8,085)
Balance at September 30, 2020	**327,749**	**$ 327,749**	**$ 99,161**	**$ (23,153)**	**$ 528,959**	**$ 932,716**

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

ROLLINS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
OPERATING ACTIVITIES		
Net income	**$ 198,205**	$ 152,582
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**65,926**	58,505
Provision for deferred income taxes	**3,701**	(6,972)
Provision for bad debts	**12,820**	10,216
Stock-based compensation expense	**18,151**	10,891
Other, net	**2,052**	(951)
Changes in operating assets and liabilities	**39,752**	19,619
Net cash provided by operating activities	**340,607**	243,890
INVESTING ACTIVITIES		
Cash used for acquisitions of companies, net of cash acquired	**(79,880)**	(431,249)
Purchases of equipment and property	**(17,690)**	(18,701)
Proceeds from sales of franchises	**430**	612
Other	**2,609**	1,370
Net cash used in investing activities	**(94,531)**	(447,968)
FINANCING ACTIVITIES		
Payment of contingent consideration	**(24,168)**	(13,572)
Repayment of term loan	**(20,000)**	(27,000)
Repayment on revolving commitment	**(169,500)**	(45,000)
Borrowings on term loan	—	250,000
Borrowings on revolving commitment	**68,000**	148,000
Cash paid for common stock purchased	**(8,085)**	(9,935)
Dividends paid	**(91,745)**	(103,093)
Net cash (used in)/provided by financing activities	**(245,498)**	199,400
Effect of exchange rate changes on cash	**586**	(6,445)
Net increase/(decrease) in cash and cash equivalents	**1,164**	(11,143)
Cash and cash equivalents at beginning of period	**94,276**	115,485
Cash and cash equivalents at end of period	**$ 95,440**	$ 104,342
Supplemental disclosure of cash flow information:		
Non-cash additions to operating lease right-of-use assets	**$ 67,877**	$ 54,657

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

NOTE 1. BASIS OF PREPARATION AND OTHER

Basis of Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. There has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Rollins, Inc. (the "Company") for the year ended December 31, 2019 other than updates related to Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments as noted below. Accordingly, the quarterly condensed consolidated financial statements and related disclosures herein should be read in conjunction with the 2019 Annual Report on Form 10-K.

The preparation of interim financial statements requires management to make estimates and assumptions for the amounts reported in the condensed consolidated financial statements. Specifically, the Company makes estimates in its interim condensed consolidated financial statements for the termite accrual, which includes future costs including termiticide life expectancy and government regulations, the insurance accrual, which includes self-insurance and worker's compensation, inventory adjustments, discounts and volume incentives earned, among others.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which continues to spread throughout the U.S. and the world. This has resulted in authorities implementing numerous measures to contain the virus, including, but not limited to, travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. The pest control industry was designated as "essential" by the Department of Homeland Security and the Company has been able to remain operational in every part of the world in which it operates. The Company's consolidated financial statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements. The Company considered the impact of COVID-19 on the assumptions and estimates used in preparing the condensed consolidated financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the Company's financial results for the quarter have been made. These adjustments are of a normal recurring nature but complicated by the uncertainty surrounding the global economic impact of the COVID-19 pandemic. The results of operations for the nine months ended September 30, 2020 are not necessarily indicative of results for the entire year. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, our accounting estimates and assumptions may change over time in response to COVID-19 and may change materially in future periods.

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

The Company reclassified certain prior period amounts in the Statement of Cash Flows from Operating Activities to Financing Activities for payment of contingent consideration to conform to the current period presentation.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting standards

In June of 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments." The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The Company adopted ASU 2016-13 effective January 1, 2020 and recognized the decrease in the allowance for doubtful accounts, net of tax, as a $2.5 million increase to beginning retained earnings.

The Company is exposed to credit losses primarily related to accounts receivables and financed receivables derived from customer services revenue. To reduce credit risk for residential pest control accounts receivable, we promote enrollment in our auto-pay programs. In general, we may suspend future services for customers with past due balances. The Company's credit risk is generally low with a large number of entities comprising Rollins' customer base and dispersion across many different geographical regions.

The Company manages its financing receivables on an aggregate basis when assessing and monitoring credit risks. The Company's established credit evaluation and monitoring procedures seek to minimize the amount of business we conduct with higher risk customers. The credit quality of a potential obligor is evaluated at the loan origination based on an assessment of the individual's Beacon/credit bureau score. Rollins requires a potential obligor to have good credit worthiness with low risk before entering into a contract. Depending upon the individual's credit score, the Company may accept with 100% financing or require a significant down payment or turn down the contract. Delinquencies of accounts are monitored each month. Financing receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates.

The Company's allowances for credit losses for trade accounts receivable and financed receivables are developed using historical collection experience, current economic and market conditions, reasonable and supportable forecasts, and a review of the current status of customers' receivables. The Company's receivable pools are classified between residential customers, commercial customers, large commercial customers, and financed receivables. Accounts are written-off against the allowance for doubtful accounts when the Company determines that amounts are uncollectible, and recoveries of amounts previously written off are recorded when collected. Below is a roll forward of the Company's allowance for credit losses for the nine months ended September 30, 2020.

	(in thousands)		
	Allowance for Doubtful Accounts		
	Trade Receivables	Financed Receivables	Total Receivables
Balance at January 1, 2020	$ 16,699	$ 2,959	$ 19,658
Adoption of ASC 326	(3,330)	—	(3,330)
Adjusted balance at January 1, 2020	13,369	2,959	16,328
Provision for expected credit losses	10,843	1,977	12,820
Write-offs charged against the allowance	(11,735)	(1,800)	(13,535)
Recoveries collected	4,154	—	4,154
Currency Conversion	(658)	—	(658)
Balance at September 30, 2020	$ 15,973	$ 3,136	$ 19,109

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment, which eliminated the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities would record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on the current Step 1). The Company adopted ASU 2017-04 effective January 1, 2020. The adoption of this standard had no material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (ASC 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The updated accounting guidance modified the disclosure requirements on fair value measurements by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements. The Company adopted ASU 2018-13 effective January 1, 2020 and the adoption did not materially impact its financial statement disclosures.

Recently issued accounting standards to be adopted in 2021 or later

In December, 2019, the FASB issued ASU No. 2019-12 Income Taxes (topic 740): Simplifying the Accounting for Income Taxes. The standard eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intraperiod tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The ASU also is designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The standard in this update is effective for the Company's financial statements issued for fiscal years beginning in 2021. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3. REVENUE

The following tables present our revenues disaggregated by revenue source (in thousands).

Sales and usage-based taxes are excluded from revenues. No sales to an individual customer or in a country other than the United States accounted for more than 10% of the sales for the periods listed on the following table. Revenue, classified by the major geographic areas in which our customers are located, was as follows:

	(In thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
United States	**$ 540,763**	$ 516,022	**$ 1,510,684**	$ 1,395,189
Other countries	**42,935**	40,444	**114,244**	114,303
Total Revenues	**$ 583,698**	$ 556,466	**$ 1,624,928**	$ 1,509,492

Revenue from external customers, classified by significant product and service offerings, was as follows:

	(In thousands)			
	Three Months Ending September 30,		Nine Months Ending September 30,	
	2020	2019	**2020**	2019
Residential revenue	**$ 275,581**	$ 249,227	**$ 738,159**	$ 646,420
Commercial revenue	**199,561**	204,595	**562,777**	565,720
Termite completions, bait monitoring, & renewals	**102,144**	96,145	**306,188**	278,746
Franchise revenues	**3,852**	3,433	**10,791**	10,136
Other revenues	**2,560**	3,066	**7,013**	8,470
Total Revenues	**$ 583,698**	$ 556,466	**$ 1,624,928**	$ 1,509,492

NOTE 4. EARNINGS PER SHARE

The Company follows ASC 260, *Earnings Per Share* (ASC 260) that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to participating common stockholders by the weighted average number of participating common shares outstanding for the period.

Basic and diluted earnings per share attributable to common and restricted shares of common stock for the period were as follows:

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2020	2019	**2020**	2019
Basic and diluted earnings per share				
Common stock	**$ 0.24**	$ 0.13	**$ 0.60**	$ 0.47
Restricted shares of common stock	**$ 0.24**	$ 0.14	**$ 0.59**	$ 0.43

NOTE 5. CONTINGENCIES

In the normal course of business, certain of the Company's subsidiaries are defendants in a number of lawsuits, claims, arbitrations, regulatory actions or investigations which allege that the subsidiaries' services caused damage or in evaluating the Company's practices. In addition, the Company defends employment-related cases and claims from time to time. We are involved in certain environmental matters primarily arising in the normal course of business. We are actively contesting each of these matters.

Management does not believe that any pending claim, proceeding, litigation, regulatory action or investigation, either alone or in the aggregate will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual quarter or year.

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade receivables, notes receivable, accounts payable and other short-term liabilities. The carrying amounts of these financial instruments approximate their respective fair values.

At September 30, 2020 and 2019, the Company had $33.8 million and $51.8 million of acquisition holdback and earnout liabilities with the former owners of acquired companies. The earnout liabilities were discounted to reflect the expected probability of payout, and both earnout and holdback liabilities were discounted to their net present value on the Company's books and are considered level 3 liabilities. The table below presents a summary of the changes in fair value for these liabilities.

	Three Months Ending September 30,		Nine Months Ending September 30,	
(in thousands)	**2020**	2019	**2020**	2019
Beginning	**$ 47,085**	$ 54,685	**$ 49,131**	$ 30,926
New acquisitions and revaluations	**3,160**	5,161	**8,703**	34,611
Payouts	**(16,306)**	(8,339)	**(24,168)**	(13,572)
Interest on outstanding contingencies	**386**	715	**1,534**	1,437
Charge offset, forfeit and other	**(554)**	(387)	**(1,429)**	(1,567)
Ending balance	**$ 33,771**	$ 51,835	**$ 33,771**	$ 51,835

NOTE 7. UNEARNED REVENUE

The Company records unearned revenue when we have either received payment or contractually have the right to bill for services in advance of the services or performance obligations being performed. Deferred revenue recognized in the three and nine months ended September 30, 2020 and 2019 were $43.3 million and $42.0 million, respectively and $129.4 million and $122.5 million, respectively. Changes in unearned revenue were as follows:

For the period ended (in thousands)	**September 30, 2020**	December 31, 2019	September 30, 2019
Balance at beginning of year	**$ 136,507**	$ 127,075	$ 127,075
Deferral of unearned revenue	**150,510**	174,404	141,867
Recognition of unearned revenue	**(129,377)**	(164,972)	(122,465)
Balance at end of period	**$ 157,640**	$ 136,507	$ 146,477

The Company had no material contracted, but not recognized, revenue as of September 30, 2020 or December 31, 2019.

At September 30, 2020 and December 31, 2019, the Company had long-term unearned revenue of $17.9 million and $13.7 million, respectively. Unearned short-term revenue is recognized over the next 12-month period. The majority of unearned long-term revenue is recognized over a period of five years or less with immaterial amounts recognized through 2029.

NOTE 8. LEASES

The Company leases certain buildings, vehicles, and equipment in order to reduce the risk associated with ownership. The Company elected the practical expedient approach permitted under ASC 842 not to include short-term leases with a duration of 12 months or less on the balance sheet. As of September 30, 2020, and December 31, 2019, all leases were classified as operating leases. Building leases generally carry terms of 5 to 10 years with annual rent escalations at fixed amounts per the lease. Vehicle leases generally carry a fixed term of one year with renewal options to extend the lease on a monthly basis resulting in lease terms up to 7 years depending on the class of vehicle. The exercise of renewal options is at the Company's sole discretion. It is reasonably certain that the Company will exercise the renewal options on its vehicle leases. The measurement of right-of-use assets and liabilities for vehicle leases includes the fixed payments associated with such renewal periods. We separate lease and non-lease components of contracts. Our lease agreements do not contain any material variable payments, residual value guarantees, early termination penalties or restrictive covenants.

The Company uses the rate implicit in the lease when available; however, most of our leases do not provide a readily determinable implicit rate. Accordingly, we estimate our incremental borrowing rate based on information available at lease commencement.

(in thousands)

Lease Classification	Financial Statement Classification	Nine Months Ended September 30, 2020
Short-term lease cost	Cost of services provided, Sales, general, and administrative expenses	$ 153
Operating lease cost	Cost of services provided, Sales, general, and administrative expenses	63,538
Total lease expense		$ 63,691
Other Information		
Weighted-average remaining lease term - operating leases		3.70
Weighted-average discount rate - operating leases		3.94
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases		$ 62,928

Lease Commitments

Future minimum lease payments, including assumed exercise of renewal options at September 30, 2020 were as follows:

(in thousands)	Operating Leases
2020 (excluding the nine months ended September 30, 2020)	$ 21,071
2021	76,012
2022	58,214
2023	37,926
2024	16,321
2025	8,685
Thereafter	13,148
Total Future Minimum Lease Payments	231,377
Less: Amount representing interest	(18,386)
Total future minimum lease payments, net of interest	$ 212,991

Future commitments presented in the table above exclude lease payments in renewal periods for which it is reasonably certain that the Company will exercise the renewal option. Total future minimum lease payments for operating leases, including the amount representing interest, are comprised of $93.9 million for building leases and $137.5 million for vehicle leases. As of September 30, 2020, the Company had additional future obligations of $3.7 million for leases that had not yet commenced.

NOTE 9. DEBT

On April 30, 2019, the Company entered into a Revolving Credit Agreement with SunTrust Bank N.A., now known as Truist Bank N.A., and Bank of America, N.A. (the "Credit Agreement") for an unsecured revolving commitment of up to $175.0 million, which includes a $75.0 million letter of credit subfacility and a $25.0 million swingline subfacility (the "Revolving Commitment"), and an unsecured variable rate $250.0 million term loan with SunTrust Bank N.A., now known as Truist Bank, N.A., and Bank of America, N.A (the "Term Loan"). Both the Revolving Commitment and the Term Loan have five-year terms commencing on April 29, 2019. In addition, the Credit Agreement has provisions to extend the term of the Revolving Commitment beyond April 29, 2024, as well as the right at any time and from time to time to prepay any borrowing under the Credit Agreement, in whole or in part, without premium or penalty. As of September 30, 2020, the Revolving Commitment had no outstanding borrowings and the Term Loan had outstanding borrowings of $170.0 million. As of December 31, 2019, the Revolving Commitment had outstanding borrowings of $101.5 million and the Term Loan had outstanding borrowings of $190.0 million. The Credit Agreement includes a debt covenant that requires the Company's leverage ratio to be no greater than 3.00:1.00. The Leverage Ratio is calculated as of the last day of the fiscal quarter most recently ended. The Company remained in compliance with applicable debt covenants through the date of this filing and expects to maintain compliance throughout 2020.

NOTE 10. STOCKHOLDERS' EQUITY

During the nine months ended September 30, 2020, the Company paid $91.7 million, or $0.28 per share, in cash dividends compared to $103.1 million, or $0.315 per share, during the same period in 2019.

During the third quarter ended September 30, 2020 and during the same period in 2019, the Company did not repurchase shares on the open market.

The Company repurchases shares from employees for the payment of their taxes on restricted shares that have vested. The Company repurchased $0.0 million and $0.1 million for the quarter ended September 30, 2020 and 2019, respectively and $8.1 million and $9.9 million of common stock during the nine-month period ended September 30, 2020 and 2019, respectively.

As more fully discussed in Note 17 of the Company's notes to the consolidated financial statements in its 2019 Annual Report on Form 10-K, time-lapse restricted shares and restricted stock units have been issued to officers and other management employees under the Company's Employee Stock Incentive Plans. The Company issues new shares from its authorized but unissued share pool. At September 30, 2020, approximately 4.9 million shares of the Company's common stock were reserved for issuance.

Time Lapse Restricted Shares

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2020**	2019	**2020**	2019
Time lapse restricted stock:				
Pre-tax compensation expense	**$ 10,511**	$ 3,305	**$ 18,151**	$ 10,891
Tax benefit	**(1,180)**	(982)	**(3,117)**	(2,728)
Restricted stock expense, net of tax	**$ 9,331**	$ 2,323	**$ 15,034**	$ 8,163

According to the Employee Stock Incentive Plan, restricted shares automatically vest upon the death of an employee holding the unvested shares. The increase in pre-tax compensation expense for the quarter and nine months ended September 30, 2020 was the result of the accelerated vesting of unvested restricted shares held by the Company's Chairman of the Board, R. Randall Rollins, who passed away in August, 2020.

The following table summarizes information on unvested restricted stock outstandingas of September 30, 2020:

(number of shares in thousands)	Number of Shares	Average Grant-Date Fair Value
Unvested Restricted Stock at December 31, 2019	2,310	$ 25.84
Forfeited	(33)	24.44
Vested	(923)	22.89
Granted	572	36.73
Unvested Restricted Stock at September 30, 2020	1,926	$ 30.51

At September 30, 2020 and December 31, 2019, the Company had $43.3 million and $41.3 million of total unrecognized compensation cost, respectively, related to time-lapse restricted shares that are expected to be recognized over a weighted average period of approximately 4.0 years.

NOTE 11. PENSION AND POST RETIREMENT BENEFIT PLAN

In September 2019, the Company settled its fully-funded pension plan. At December 31, 2019, $21.6 million of pension assets remained available to fund other employee benefits. The Company used $5.8 million and $18.0 million to fund its 401(k)-match obligation during the quarter and nine months ended September 30, 2020, respectively. The Company plans to fund any remaining 2020 benefit plan obligations, with reversion of any remaining pension assets to the Company per ERISA regulations before year end. As of September 30, 2020, the Company had approximately $1.2 million remaining of benefit plan assets before discounting for the 45% tax to be paid upon reversion.

Components of Net Pension Benefit Loss / (Gain)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2020**	2019	**2020**	2019
Interest and service cost	**$ 26**	$ 1,762	**$ 79**	$ 3,524
Expected return on plan assets	**(29)**	(2,640)	**(88)**	(5,280)
Amortization of net loss	**25**	878	**75**	1,756
Pension settlement loss	—	49,898	—	49,898
Net periodic benefit	**$ 22**	$ 49,898	**$ 66**	$ 49,898

During the nine months ended September 30, 2020, and the same period in 2019, the Company made no contributions to its defined benefit retirement plans (the “Plans”). The Company made no contributions for the year ended December 31, 2019.

NOTE 12. BUSINESS COMBINATIONS

The Company made 18 acquisitions during the nine-month period ended September 30, 2020, and30 acquisitions for the year ended December 31, 2019, some of which have been disclosed in various press releases and related Current Reports on Form 8-K. For the 18 acquisitions completed so far in 2020, the preliminary values of major classes of assets acquired and liabilities assumed recorded at the date of acquisition, as adjusted during the valuation period, are included in the reconciliation of the total consideration as follows (in thousands):

		September 30, 2020
Accounts receivable, net	$	2,344
Materials & supplies		280
Equipment and property		4,424
Goodwill		44,585
Customer contracts		37,995
Other intangible assets		3,149
Other assets and liabilities, net		5,319
Current liabilities		(10,199)
Total purchase price		87,897
Less: Contingent consideration liability		(8,017)
Total cash purchase price	$	79,880

Goodwill from acquisitions represents the excess of the purchase price over the fair value of net assets of businesses acquired. For the period ended September 30, 2020, $44.6 million of goodwill was added related to the 18 acquisitions noted above. The cumulative carrying amount of goodwill was $619.7 million and $572.8 million at September 30, 2020 and December 31, 2019, respectively. Goodwill generally changes due to the timing of acquisitions, finalization of allocation of purchase prices of previous acquisitions and foreign currency translations. The carrying amount of goodwill in foreign countries was $74.3 million at September 30, 2020 and $55.8 million at December 31, 2019.

The Company completed its most recent annual impairment analysis as of September 30, 2020. Based upon the results of this analysis, the Company has concluded that no impairment of its goodwill or other intangible assets was indicated.

The carrying amount of customer contracts was $275.4 million and $273.7 million at September 30, 2020, and December 31, 2019, respectively. The carrying amount of trademarks and tradenames was $104.6 million and $102.5 million at September 30, 2020 and December 31, 2019, respectively. The carrying amount of other intangible assets was $10.0 million and $10.5 million at September 30, 2020 and December 31, 2019, respectively. The carrying amount of customer contracts in foreign countries was $42.2 million and $33.5 million at September 30, 2020 and December 31, 2019, respectively. The carrying amount of trademarks and tradenames in foreign countries was $3.2 million and $3.4 million at September 30, 2020 and December 31, 2019, respectively. The carrying amount of other intangible assets in foreign countries was $1.0 million and $1.2 million at September 30, 2020 and December 31, 2019, respectively.

Customer contracts and other amortizable intangible assets are amortized on a straight-line basis over their economic useful lives. The following table sets forth thecomponents of intangible assets as of September 30, 2020 (in thousands):

Intangible Asset	Carrying Value	Useful Life in Years
Customer contracts	$ 275,366	3-12
Trademarks and tradenames	104,610	N/A-20
Non-compete agreements	4,156	3-20
Internet domains	2,227	N/A
Patents	1,454	3-15
Other assets	2,129	10
Total customer contracts and other intangible assets	$ 389,942	

NOTE 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain interest rate risks on our outstanding debt and foreign currency risks arising from our international business operations and global economic conditions. The Company enters into certain derivative financial instruments to lock in certain interest rates, as well as to protect the value or fix the amount of certain obligations in terms of its functional currency, the U.S. dollar.

Cash Flow Hedges of Interest Rate Risk

The Company uses interest rate swap arrangements to manage or hedge its interest rate risk. Notwithstanding the terms of the swaps, the Company is ultimately obligated for all amounts due and payable under the Revolving Commitment and the Term Loan ("Credit Facility"). The Company does not use such instruments for speculative or trading purposes.

On June 19, 2019, the Company entered into a floating-to-fixed interest rate swap for an aggregate notional amount of $100.0 million in order to hedge a portion of the Company's floating rate indebtedness under the Credit Facility. The Company designated the swap as a cash flow hedge. The swap requires us to pay a fixed rate of 1.94% per annum on the notional amount. The cash flows from the swap began June 30, 2019 and ends on December 31, 2021. As of December 31, 2019, $0.3 million had been recorded as an Accumulated Loss in Other Comprehensive Income ("AOCI"). An additional loss of $0.3 million was recorded in AOCI in the nine months ended September 30, 2020. Realized gains and losses in connection with each required interest payment are reclassified from AOCI to interest expense during the period of the cash flows. During the quarter and nine months ended September 30, 2020, the Company reclassified into interest expense $0.3 million and $0.5 million, respectively. The fair value of the Company's interest rate swaps was recorded as $0.7 million in Other Current Liabilities at September 30, 2020. The fair value of the Company's interest rate swaps was recorded as $0.2 million in Other Current Liabilities and $0.1 in Long-Term Liabilities for a combined obligation of $0.3 million at December 31, 2019. On a quarterly basis, management evaluates any swap agreement to determine its effectiveness or ineffectiveness and records the change in fair value as an adjustment to AOCI. Management intends that the swap remains effective.

Hedges of Foreign Exchange Risk

The Company is exposed to fluctuations in various foreign currencies against its functional currency, the US dollar. We use foreign currency derivatives, specifically vanilla foreign currency forward contracts ("FX Forwards"), to manage our exposure to fluctuations in the USD-CAD and AUD-USD exchange rates. FX Forwards involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The FX Forwards are typically settled in US dollars for their fair value at or close to their settlement date. We do not currently designate any of these FX Forwards under hedge accounting, but rather reflect the changes in fair value immediately in earnings. We do not use such instruments for speculative or trading purposes, but rather use them to manage our exposure to foreign exchange rates. Changes in the fair value of FX Forwards were recorded in other income/expense and were equal to a net loss of $0.1 million and a net gain of $0.1 million for the quarter ended September 30, 2020 and 2019, respectively and a net loss of $0.4 million and a net loss of $12 thousand for the nine months ended September 30, 2020 and 2019, respectively. The fair value of the Company's FX Forwards was recorded as $0.1 million in Other Current Liabilities at September 30, 2020 and was a net obligation of $0.2 million in Other Current Liabilities at December 31, 2019.

As of September 30, 2020, the Company had the following outstanding FX Forwards (in thousands except for number of instruments):

Non-Designated Derivative Summary

FX Forward Contracts	Number of Instruments	Sell Notional		Buy Notional	
Sell AUD/Buy USD Fwd Contract	14	$	2,300	$	1,619
Sell CAD/Buy USD Fwd Contract	15	$	14,500	$	10,804
Total	29			$	12,423

The financial statement impact related to these derivative instruments was insignificant for the nine months ended September 30, 2020 and year ended December 31, 2019.

NOTE 14. SUBSEQUENT EVENTS

On October 27, 2020, the Company announced that the Board of Directors approved a three-for-two stock split of the Company's common shares.The split will be affected by using one additional share of common stock for every two shares of common stock held. The additional shares will be distributed on December 10, 2020 to stockholders of record at the close of business on November 10, 2020. Fractional share amounts resulting from the split will be paid to shareholders in cash.

In addition, the Company declared a regular quarterly cash dividend on its common stock of $0.08 per share plus a special year-end dividend of $0.13 per share, both payable on December 10, 2020 to stockholders of record at the close of business on November 10, 2020. Dividends will be paid on pre-split shares.

On October 27, 2020, the Company announced that the Board of Directors elected Mr. Jerry Nix as a director of the Company, effective October 27, 2020. Mr. Bill J. Dismuke, who has served as a director of the Company for 36 years is retiring as a director effective October 27, 2020. At the time of his resignation, Mr. Dismuke served as a member of the Audit Committee. Mr. Dismuke will not receive any compensation in connection with his resignation, other than compensation owed to him for services rendered as a director and member of the Audit Committee through the date of his resignation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On October 28, 2020, the Company reported third quarter revenues of $583.7 million, an increase of 4.9% over the prior year's third quarter revenue of $556.5 million. Rollins' net income increased 80.6% to $79.6 million, or $0.24 per diluted share for the third quarter ended September 30, 2020, compared with $44.1 million, or $0.13 per diluted share for the same period in 2019. The quarter ended September 30, 2020 was impacted by the one-time non-cash accelerated stock vesting of $6.7 million. The quarter ending September 30, 2019 was impacted by the after-tax pension settlement loss of $26.6 million.

Results of Operations:

THREE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2019

COVID-19 Pandemic Impact

Going into the quarter ended September 30, 2020, we had already made numerous operational adjustments to address the economic, health and safety challenges from the COVID-19 pandemic. These included new COVID-related procedures, modified customer service and related protocols, daily health screenings before entering shared offices, and a transition to remote work locations to reduce concentrations of personnel in offices where appropriate. Cost containment efforts included furloughs, layoffs, elimination of non-essential travel, postponing capital expenditures, and temporary salary reductions for upper management, among other actions.

Customer retention during the pandemic is less predictable, and of greater immediate concern. Our residential pest control business has remained consistent with seasonal trends, especially as temperatures rise across the U.S. and pest activity increases. Through the date of this filing, our commercial pest control business has been more adversely impacted, as it crosses multiple industries such as healthcare, food processing, logistics, grocery, retail and hospitality. Each of these industries is being impacted differently by the pandemic. Many of our commercial customers continue to operate as "essential" businesses; however, unfortunately there are a notable number of others forced to temporarily close their doors. We expect this impact will persist for the remainder of 2020 and beyond, and that the degree of the impact will depend on the extent and duration of the economic contraction.

While we have a substantial amount of intangible assets on our balance sheet, based on our third quarter revenues, we do not anticipate any significant long-term loss in revenues or cash flows that would approach a level for impairment of intangible assets.

All of our critical supply-chain vendors have remained operational, and we have engaged additional new sources to supplement our existing suppliers, especially for critical PPE and other COVID-19 related items. Fleet suppliers and support vendors continue to serve our needs.

Revenue

Revenues for the third quarter ended September 30, 2020 increased $27.2 million, or 4.9%, to $583.7 million compared to $556.5 million for the third quarter ended September 30, 2019. Approximately 1.4 percentage points of the 4.9% increase in revenues came from acquisitions, while growth in customers and pricing made up the remaining 3.5 percentage points.

The Company has three primary service offerings: commercial pest control, residential pest control and termite, including ancillary services. During the third quarter ended September 30, 2020, commercial pest control revenue approximated 34% of the Company's revenues, residential pest control approximated 47% of the Company's revenues, and termite and ancillary service revenue approximated 18% of the Company's revenues.

Our commercial customers' operations were most heavily impacted by the various governmental shelter-in-place mandates and their negative effect on small to medium size businesses. As a result, when comparing the third quarter of 2020 to the third quarter of 2019, the Company's commercial pest control revenue decreased 2.5%. However, the Company believes the launch of its VitalClean sanitation services helped some of its commercial customers reopen and protect their employees and customers. By contrast, demand for our residential pest control service offerings grew significantly during the third quarter of 2020. For example, mosquito sales grew more than 30% compared to the third quarter of 2019. The Company believes with many people working from or confined to their homes, the awareness of unwanted pests has helped contribute to our growth in residential service revenues. Comparing the third quarter of 2020 to the third quarter of 2019, residential pest control revenue grew 10.6%. Termite and ancillary services revenue grew 6.2%. Foreign operations accounted for approximately 7% of total revenues during the third quarters of each of 2020 and 2019.

Revenues are impacted by the seasonal nature of the Company's pest and termite control services. The increase in pest activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the change in seasons), has historically resulted in an increase in the Company's revenues as evidenced by the following chart:

	Consolidated Net Revenues (in thousands)		
First Quarter	**$ 487,901**	$ 429,069	$ 408,742
Second Quarter	**553,329**	523,957	480,461
Third Quarter	**583,698**	556,466	487,739
Fourth Quarter	**—**	505,985	444,623
Year ended December 31,	**$ 1,624,928**	$ 2,015,477	$ 1,821,565

Revenues are also impacted by the Company's acquisitions. For the third quarters of 2020, 2019, and 2018, acquisitions increased revenues by $7.6 million, $37.4 million, and $14.2 million, respectively.

Cost of Services Provided

Cost of Services provided for the third quarter ended September 30, 2020 increased $6.8 million, or 2.5%, to $275.5 million, compared to $268.7 million for the third quarter of the prior year. Gross Margin for the third quarter of 2020 was 52.8%, up 1.1 percentage points from 51.7% for the third quarter of 2019. During the quarter, the Company's margin improvement was driven by expense reductions in the following areas:

- Service salary and benefit savings as a percentage of revenues; and
- Lower fuel prices and improved routing and scheduling efficiencies, which reduced fleet expenses.

Depreciation and Amortization

Depreciation and amortization expense for the third quarter ended September 30, 2020 increased $0.7 million to $22.4 million, an increase of 3.3% from the same period in the prior year. Depreciation increased $1.0 million due to acquisitions and equipment purchases, while amortization of intangible assets decreased $0.3 million due to the amortization of customer contracts being completed for certain acquisitions.

Sales, General and Administrative

Sales, general and administrative expenses for the third quarter ended September 30, 2020 decreased to 28.8% of revenues, increasing $0.8 million, or 0.5%, to $168.0 million, compared to $167.2 million or 30.0% of revenues for the third quarter ended September 30, 2019. The following factors contributed to the control of Company spending:

- Administrative salary and benefit savings as a percentage of revenues;
- Lower fuel prices reduced sales and administrative fleet expenses;
- Elimination of other non-essential spending reduced meeting, travel and office supply expense; and
- Reduced acquisition activity compared to 2019 resulted in lower professional services expense.

Interest Expense, Net

Net interest expense for the third quarter ended September 30, 2020 was $0.9 million compared to $2.8 million for the same period last year. The change was driven primarily by the lower average debt balance in 2020 compared to the same quarter in 2019.

Income Taxes

The effective tax rate was 26.9% for the third quarter ended September 30, 2020 compared to 4.5% for the third quarter ended September 30, 2019 which was low as a result of the Company's pension settlement tax benefit. Additional increases in the effective tax rate for third quarter ended September 30, 2020 were primarily due to reductions in certain beneficial deductions.

NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2019

Revenue

Revenues for the nine months ended September 30, 2020 increased $115.4 million or 7.6% to $1.625 billion compared to $1.509 billion for the nine months ended September 30, 2019. Approximately 4.0 percentage points of the 7.6% increase in revenues came from acquisitions, while growth in customers and pricing made up the remaining 3.6 percentage points.

During the nine months ended September 30, 2020, commercial pest control revenue approximated 35% of the Company's revenues, residential pest control approximated 45% of the Company's revenues, and termite and ancillary service revenue approximated 19% of the Company's revenues. Comparing the first nine months of 2020 to the first nine months of 2019, the Company's commercial pest control revenue decreased 0.5%, residential pest control revenue grew 14.2%, and termite and ancillary services revenue grew 9.8%. Foreign operations accounted for approximately 7% and 8% of total revenues during the first nine months of 2020 and 2019, respectively.

Cost of Services Provided

Cost of Services provided for the nine months ended September 30, 2020 increased $42.9 million, or 5.8%, to $782.2 million, compared to $739.3 million for the nine months ended September 30, 2019. Gross Margin for the first nine months of 2020 was 51.9%, up 0.9 percentage points from 51.0% for the first nine months of 2019. Margin improvement was driven by the following:

- Furloughs and layoffs, which resulted in a reduction of service salaries as a percentage of revenues; and
- Lower fuel prices and improved routing and scheduling efficiencies, which reduced fleet expenses.

Depreciation and Amortization

Depreciation and amortization expense for the nine months ended September 30, 2020 increased $7.4 million to $65.9 million, an increase of 12.7% from the same period in the prior year. Depreciation increased $4.0 million due to acquisitions and equipment purchases while amortization of intangible assets increased $3.4 million due to the amortization of customer contracts from several acquisitions.

Sales, General and Administrative

Sales, General and Administrative Expenses for the nine months ended September 30, 2020 decreased to 30.6% of revenues, increasing $28.5 million, or 6.1%, to $497.1 million, compared to $468.6 million or 31.0% of revenues for the nine months ended September 30, 2019. The following factors contributed to the control of Company spending:

- Administrative salary and benefit savings as a percentage of revenues;
- Lower fuel prices reduced sales and administrative fleet expenses;
- Elimination of other non-essential spending reduced meeting, travel and office supply expense; and
- Reduced acquisition activity compared to 2019 resulted in lower professional services expense.

Interest Expense, Net

Net interest expense for the first nine months ended September 30, 2020 was $4.5 million, which was roughly equal the same period last year. The expense was driven from new financing borrowed in April 2019 to fund acquisition growth.

Income Taxes

The effective tax rate was 26.0% for the nine months ended September 30, 2020 compared to 19.3% for the nine months ended September 30, 2019 which was low as a result of the Company's pension settlement tax benefit. Additional increases to the effective tax rate for nine months ended September 30, 2020 were primarily due to reductions in certain beneficial deductions.

Liquidity and Capital Resources

The Company believes its current cash and cash equivalents balances, future cash flows expected to be generated from operating activities and available borrowings under its $175.0 million revolving credit facility and $250.0 million term loan facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company's operating activities generated net cash of $340.6 million and $243.9 million for the nine months ended September 30, 2020 and 2019, respectively. The Company made no contributions to its sole remaining defined benefit retirement plan during the nine months ended September 30, 2020 and 2019, respectively, and had approximately $1.2 million of benefit plan assets remaining as of September 30, 2020.

The Company invested approximately $17.7 million in capital expenditures, exclusive of expenditures for business acquisitions, during the nine months ended on September 30, 2020, compared to $18.7 million during the same period in 2019. Non-essential capital expenditures for 2020 have been cancelled in response to the pandemic crisis. Capital expenditures for the nine months ended on September 30, 2020 consisted primarily of the purchase of operating equipment replacements and technology-related projects. During the nine months ended September 30, 2020, the Company made expenditures for acquisitions totaling $79.9 million, compared to $431.2 million during the same period in 2019. A total of $91.7 million was paid in cash dividends (an aggregate of $0.28 per share) during the nine month period ended September 30, 2020, compared to $103.1 million paid in cash dividends (an aggregate of $0.315 per share) during the same period in 2019.

On October 27, 2020, the Company announced that the Board of Directors approved a three-for-two stock split of the Company's common shares. The split will be affected by using one additional share of common stock for every two shares of common stock held. The additional shares will be distributed on December 10, 2020 to stockholders of record at the close of business on November 10, 2020. Fractional share amounts resulting from the split will be paid to shareholders in cash. In addition, the Company declared a regular quarterly cash dividend on its common stock of $0.08 per share plus a special year-end dividend of $0.13 per share both payable on December 10, 2020 to stockholders of record at the close of business November 10, 2020, to be funded with existing cash balances and available credit facilities. Dividends will be paid on pre-split shares. The Company expects to continue to pay cash dividends to common stockholders, subject to the earnings and financial condition of the Company and other relevant factors.

The Company did not repurchase shares of its common stock on the open market during the first nine months of 2020 or during the same period in 2019. The Company has had a buyback program in place for a number of years and has routinely purchased shares when it felt the opportunity was desirable. The Board authorized the purchase of 11.25 million additional shares of the Company's common stock in July 2012. These authorizations enable the Company to continue the purchase of Company common stock when appropriate, which is an important benefit resulting from the Company's strong cash flows. The stock buy-back program has no expiration date. In total, 7.6 million additional shares may be purchased under the share repurchase program. The Company repurchased $8.1 million and $9.9 million of common stock for the first nine months ended September 30, 2020 and 2019, respectively, from employees for the payment of taxes on vesting restricted shares. The acquisitions, capital expenditures, share repurchases and cash dividends were funded through existing cash balances, borrowings on our line of credit, a term loan, and operating activities.

The Company's balance sheet as of September 30, 2020 and December 31, 2019 includes short-term unearned revenues of $139.7 million and $122.8 million, respectively, representing approximately 6% of its annual revenue as of each balance sheet date. This represents cash paid to the Company by its customers in advance of services that will be recognized over the next twelve months. The Company's total cash and cash equivalents of $95.4 million at September 30, 2020 is held at various banking institutions. Approximately $62.9 million is held in cash accounts at foreign bank institutions and the remaining balance is primarily held in non-interest-bearing accounts at various domestic banks. The Company's international business is expanding, and we intend to continue to grow the business in foreign markets in the future through acquisitions of unrelated companies, reinvestment of foreign deposits and future earnings. Repatriation of cash from the Company's foreign subsidiaries is not a part of the Company's current business plan. The Company maintains a large cash position in the United States. The Company maintains adequate liquidity and capital resources that are directed to finance domestic operations and obligations and to fund expansion of its domestic business for the foreseeable future without regard to its foreign deposits.

Litigation

In the normal course of business, certain of the Company's subsidiaries are defendants in a number of lawsuits, claims or arbitrations which allege that the subsidiaries' services caused damage or regulatory actions or investigations evaluating the Company's practices. In addition, the Company defends employment-related cases and claims from time to time. We are involved in certain environmental matters primarily arising in the normal course of business. We are actively contesting each of these matters.

Management does not believe that any pending claim, proceeding, litigation, regulatory action or investigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual quarter or year.

Critical Accounting Policies

There have been no changes to the Company's critical accounting policies since the filing of its Form 10-K for the year ended December 31, 2019, other than ASC 326.

New Accounting Standards

See Note 2 of the Notes to Condensed Consolidated Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, the Company's belief that its accounting estimates and assumptions may change over time in response to the COVID-19 pandemic and may change materially in future periods; the Company's expectation that the adverse impact of the COVID-19 pandemic on its commercial pest control business will persist for the remainder of 2020 and beyond, and that the degree of the impact will depend on the extent and duration of the economic contraction; the Company's belief that with many people working from or confined to their homes, the awareness of unwanted pests has helped contribute to its growth in residential service revenues; the Company's belief that fleet suppliers and support vendors will continue to serve its needs; the Company's belief that it will not experience any significant long-term loss in revenues or cash flows related to the COVID-19 pandemic that would approach a level of impairment for intangible assets; the Company's belief that the launch of its VitalClean sanitation services helped some of its commercial customers reopen and protect their employees and customers; the Company's suspension of future services for customers with past due balances; statements that management does not believe that any pending claim, proceeding, litigation, regulatory action or investigation, either alone or in the aggregate, will have a material effect on the Company's financial position, results of operations or liquidity and management's belief that it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual quarter or year; the results of the SEC's investigation of the Company, including its belief of the primary focus on the establishment of accruals and reserves at period-ends and the impact of those accruals and reserves on reported earnings, its inability to predict the outcome of such investigation which could include fines, penalties or expenditure of significant costs to defend such action, and the potential for litigation from third parties related to matters under review by the SEC; the Company's intention that its floating-to-fixed interest rate swap for an aggregate notional amount of $100.0 million in order to hedge a portion of the Company's floating rate indebtedness under the Credit Facility remains effective; the Company's reasonable certainty that it will exercise the renewal options on its operating leases; the Company's belief that its current cash and cash equivalent balances, future cash flows expected to be generated from operating activities and available borrowings under its $175.0 million revolving credit facility and $250.0 million term loan facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future; the Company's expectation that it will remain in compliance with applicable debt covenants under the Credit Facility through 2020; the Company's expectation that it will continue to pay cash dividends to common stockholders, subject to the earnings and financial condition of the Company and other relevant factors; the Company's intention to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies and that repatriation of cash from the company's foreign subsidiaries is not a part of the Company's current business plan; the Company's plan to fund any remaining 2020 benefit plan obligations with reversion of any remaining pension assets to the Company in compliance with ERISA regulations before year end; the Company's expectation that total unrecognized compensation cost related to time-lapse restricted shares will be recognized over a weighted average period of approximately 4 years; the Company's expectation that it will forego non-essential capital expenditures for the remainder of 2020; the Company's expectation that it will maintain compliance with debt covenants and the Company's belief that foreign exchange rate risk will not have a material effect on the Company's results of operations going forward; the Company's belief that it maintains adequate liquidity and capital resources that are directed to finance domestic operations and obligations and to fund expansion of its domestic business for the foreseeable future without regard to its foreign deposits; and the Company's estimation regarding the reclassification of accumulated other comprehensive income related to derivatives. 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 impact of the extent and duration of economic contraction related to COVID-19 on general economic activity for the remainder of 2020 and beyond; the impact of future developments related to the COVID-19 pandemic on the Company's business, results of operations, accounting assumptions and estimates and financial condition; the possibility of an adverse ruling against the Company in pending litigation, regulatory action or investigation; general economic conditions; actions taken by our franchisees, subcontractors or vendors that may harm our business; market risk; changes in industry practices or technologies; a breach of data security; the degree of success of the Company's termite process and pest control selling and treatment methods; damage to our brands or reputation; our ability to protect our intellectual property and other proprietary rights; the Company's ability to identify and successfully integrate potential acquisitions; climate and weather conditions; competitive factors and pricing practices; our ability to attract and retain skilled workers, and potential increases in labor costs; changes in various government laws and regulations, including environmental regulations; and the existence of certain anti-takeover provisions in our governance documents, which could make a tender offer, change in control or takeover attempt that is opposed by the Company's Board of Directors more difficult or expensive. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements. A more detailed discussion of potential risks facing the Company can be found in Part II, Item 1A. of each of the Company's Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission for the quarters ended March 31, 2020 and June 30, 2020, respectively, and in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2019. The Company does not undertake to update its forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2020, the Company maintained an investment portfolio (included in cash and cash equivalents) subject to short-term interest rate risk exposure. The Company is subject to interest rate risk exposure through borrowings on its $175.0 million revolving credit facility and $250.0 million term loan facility. The Company is also exposed to market risks arising from changes in foreign exchange rates. See Note 13 to Part I, Item 1 for a discussion of the Company's investments in derivative financial instruments to manage risks of fluctuations in foreign exchange rates. The Company believes that this foreign exchange rate risk will not have a material impact upon the Company's results of operations going forward.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 30, 2020 (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the Evaluation Date to ensure that the information required to be included in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

In addition, management's quarterly evaluation identified no changes in our internal control over financial reporting during the third quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Securities and Exchange Commission ("SEC") is conducting an investigation, which the Company believes is primarily focused on how it established accruals and reserves at period-ends and the impact of those accruals and reserves on reported earnings. The investigation relates to period-ends for periods beginning January 1, 2015. The Company is fully cooperating with the SEC's investigation. The Company cannot predict the outcome of this investigation. The Company's Audit Committee retained independent counsel to conduct an internal investigation into matters related to the SEC investigation and, in particular, the Company's processes for establishing reserves for each quarter in the relevant periods. The investigation was concluded in October 2020. The Company, after consultation with the Audit Committee and the independent counsel, believes that its financial statements filed with the SEC on forms 10-K and 10-Q for the relevant periods fairly present in all material respects its financial condition, results of operations and cash flows as of their respective balance sheet dates and for the periods then ended.

See Note 5 to Part I, Item 1 for discussion of certain litigation.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission for the quarters ended March 31, 2020 and June 30, 2020, respectively, and in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2019.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Shares repurchased by Rollins and affiliated purchases during the third quarter ended September 30, 2020 were as follows:

Period	Total number of shares Purchased (1)	Weighted-Average price paid per share	Total number of shares purchased as part of publicly announced repurchases (2)	Maximum number of shares that may yet be purchased under repurchase plan
July 1 to 31, 2020	—	$ —	—	7,610,416
August 1 to 31, 2020	—	—	—	7,610,416
September 1 to 30, 2020	—	—	—	7,610,416
Total	—	$ —	—	7,610,416

(1) Includes repurchases from employees for the payment of taxes on vesting of restricted shares in the following amounts: July 2020: 0; August 2020: 0 and September 2020: 0.

(2) The Company has a share repurchase plan, adopted in 2012, to repurchase up to 11.25 million shares of the Company's common stock. The plan has no expiration date.

Item 5. Exhibits.

(a) Exhibits

(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, incorporated herein by reference to Exhibit (3)(i)(A) as filed with the Registrant's Form 10-Q filed August 1, 2005.
	(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit 3(i)(B) filed with the Registrant's 10-K filed March 11, 2005.
	(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, incorporated herein by reference to Exhibit (3)(i)(C) filed with the Registrant's Form 10-Q filed August 1, 2005.
	(D) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 25, 2006, incorporated herein by reference to Exhibit 3(i)(D) filed with the Registrant's 10-Q filed October 31, 2006.
	(E) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 26, 2011, incorporated herein by reference to Exhibit 3(i)(E) filed with the Registrant's 10-K filed February 25, 2015.
	(F) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 28, 2015, incorporated herein by reference to Exhibit 3(i)(F) filed with the Registrant's 10-Q filed on July 29, 2015.
	(G) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 23, 2019, incorporated herein by reference to Exhibit 3(i)(G) filed with the Registrant's 10-Q filed on April 26, 2019.
(ii)	Amended and Restated By-Laws of Rollins, Inc., incorporated herein by reference to Exhibit 3.1 filed with the Registrant's 8-K filed on August 28, 2020.
(4)(a)	Form of Common Stock Certificate of Rollins, Inc., incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(31.1)	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	Inline XBRL Instance Document
(101.SCH)	Inline XBRL Schema Document
(101.CAL)	Inline XBRL Calculation Linkbase Document
(101.DEF)	Inline XBRL Definition Linkbase Document
(101.LAB)	Inline XBRL Label Linkbase Document
(101.PRE)	Inline XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)
+	Portions of this exhibit (indicated by asterisks) have been omitted.

ROLLINS, INC. AND SUBSIDIARIES

SIGNATURES

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

ROLLINS, INC.
(Registrant)

Date: October 28, 2020	By:	/s/ Gary W. Rollins Gary W. Rollins Chairman and Chief Executive Officer (Principal Executive Officer)
Date: October 28, 2020	By:	/s/ Paul E. Northen Paul E. Northen Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Exhibit 31.1

I, Gary W. Rollins, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: October 28, 2020

/s/ Gary W. Rollins
Gary W. Rollins,
Chairman and Chief Executive Officer
(Principle Executive Officer)

Exhibit 31.2

I, Paul E. Northen, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: October 28, 2020

/s/ Paul E. Northen
Paul E. Northen
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Rollins, Inc., a Delaware corporation (the “Company”), on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 28, 2020	By:	/s/ Gary W. Rollins Gary W. Rollins Chairman and Chief Executive Officer (Principle Executive Officer)
Date: October 28, 2020	By:	/s/ Paul E. Northen Paul E. Northen Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.