

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 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 number 1-4422

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ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware 51-0068479  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) 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)

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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

Rollins, Inc. had 30,542,389 shares of its \$1 Par Value  
Common Stock outstanding as of April 30, 1999.

ROLLINS, INC. AND SUBSIDIARIES

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PART I -- FINANCIAL INFORMATION  
Item 1. Consolidated Financial Statements  
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ROLLINS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousands except share data)

<CAPTION>

	(Unaudited) March 31, 1999	December 31, 1998
<S>	<C>	<C>
<b>ASSETS</b>		
Cash and Short-Term Investments .....	\$ 646	\$ 1,244
Marketable Securities .....	109,296	110,229
Trade Receivables, Net .....	38,523	42,353
Materials and Supplies .....	14,193	13,335
Deferred Income Taxes .....	19,452	20,083
Other Current Assets .....	14,026	11,864
	-----	-----
Current Assets .....	196,136	199,108
Equipment and Property, Net .....	36,431	35,466
Intangible Assets .....	40,566	40,602
Deferred Income Taxes .....	43,344	44,369
Other Assets .....	7,885	7,720
	-----	-----
Total Assets .....	\$ 324,362	\$ 327,265
	=====	=====
<b>LIABILITIES</b>		
Capital Lease Obligations .....	\$ 3,473	\$ 3,419
Accounts Payable .....	16,243	10,890
Accrued Insurance .....	16,971	18,348
Accrued Payroll .....	17,661	18,400
Unearned Revenue .....	17,827	15,210
Other Expenses .....	46,280	48,826
	-----	-----
Current Liabilities .....	118,455	115,093
Capital Lease Obligations .....	5,201	6,090
Accrued Insurance .....	37,945	38,975
Accrual for Termite Contracts .....	61,144	66,350
Long-Term Accrued Liabilities .....	22,716	20,522
	-----	-----
Total Liabilities .....	245,461	247,030
	-----	-----
Commitments and Contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, par value \$1 per share; 99,500,000 shares authorized; 30,475,841 and 30,488,741 shares issued at March 31, 1999 and December 31, 1998, respectively .....	30,476	30,489
Earnings Retained .....	48,425	49,746
	-----	-----
Total Stockholders' Equity .....	78,901	80,235
	-----	-----
Total Liabilities and Stockholders' Equity .....	\$ 324,362	\$ 327,265
	=====	=====

<FN>

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

</FN>

</TABLE>

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<TABLE>

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

<CAPTION>

Quarters Ended  
March 31,

-----

	1999	1998
<S>	<C>	<C>
<b>REVENUES</b>		
Customer Services .....	\$ 129,886	\$ 122,965
<b>COSTS AND EXPENSES</b>		
Cost of Services Provided .....	76,857	76,909
Depreciation and Amortization .....	2,405	2,092
Sales, General and Administrative .....	50,998	49,431
Interest Income .....	(1,125)	(2,622)
	129,135	125,810
<b>INCOME (LOSS) BEFORE INCOME TAXES .....</b>	<b>751</b>	<b>(2,845)</b>
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>		
Current .....	(1,395)	(3,311)
Deferred .....	1,679	2,230
	284	(1,081)
<b>NET INCOME (LOSS) .....</b>	<b>\$ 467</b>	<b>\$ (1,764)</b>
<b>EARNINGS RETAINED</b>		
Balance at Beginning of Period .....	49,746	112,365
Cash Dividends .....	(1,524)	(4,988)
Common Stock Purchased and Retired .....	(134)	(1,596)
Other .....	(130)	13
<b>BALANCE AT END OF PERIOD .....</b>	<b>\$ 48,425</b>	<b>\$ 104,030</b>
<b>EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED .....</b>	<b>\$ 0.02</b>	<b>\$ (0.05)</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC .....</b>	<b>30,486,038</b>	<b>33,269,785</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED .....</b>	<b>30,493,701</b>	<b>33,284,705</b>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

<CAPTION>

	Quarters Ended March 31,	
<S>	1999	1998
<C>	<C>	<C>
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss) .....	\$ 467	\$ (1,764)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization .....	2,405	2,092
Provision for Deferred Income Taxes .....	1,679	2,230
Other, Net .....	(133)	106
(Increase) Decrease in Assets:		
Trade Receivables .....	3,839	5,014
Materials and Supplies .....	(856)	(1,437)
Other Current Assets .....	(2,162)	(2,826)
Other Non-Current Assets .....	64	192
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses .....	2,068	(5,749)
Unearned Revenue .....	2,617	1,521
Accrued Insurance .....	(2,407)	(966)
Accrual for Termite Contracts .....	(5,206)	(3,660)
Long-Term Accrued Liabilities .....	2,194	1,472
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b>4,569</b>	<b>(3,775)</b>

INVESTING ACTIVITIES		
Purchases of Equipment and Property .....	(3,208)	(3,516)
Net Cash Used for Acquisition of Companies .....	(169)	(210)
Marketable Securities, Net .....	684	85
	-----	-----
Net Cash Used in Investing Activities .....	(2,693)	(3,641)
	-----	-----
FINANCING ACTIVITIES		
Dividends Paid .....	(1,524)	(4,988)
Common Stock Purchased and Retired .....	(143)	(1,678)
Payments on Capital Leases .....	(835)	(766)
Other .....	28	41
	-----	-----
Net Cash Used in Financing Activities .....	(2,474)	(7,391)
	-----	-----
Net Decrease in Cash and Short-Term		
Investments .....	(598)	(14,807)
Cash and Short-Term Investments		
at Beginning of Period .....	1,244	125,842
	-----	-----
Cash and Short-Term Investments		
at End of Period .....	\$ 646	\$ 111,035
	=====	=====

<FN>

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

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ROLLINS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PREPARATION

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company's annual report on Form 10-K for the year ended December 31, 1998.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Company as of March 31, 1999 and December 31, 1998, and the results of operations and cash flows for the quarters ended March 31, 1999 and 1998. Operating results for the quarter ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. For the quarters ended March 31, 1999 and 1998, comprehensive income is not materially different from net income and, as a result, the impact of SFAS 130 is not reflected in the Company's consolidated financial statements included herein.

Certain amounts for prior periods have been reclassified to conform with the current period consolidated financial statement presentation. Such reclassifications had no effect on previously reported net income.

NOTE 2. PROVISION FOR INCOME TAXES

The book provision for income taxes includes the liability for state income taxes, net of the federal income tax benefit. The deferred provision for income taxes arises from the changes during the year in the Company's net deferred tax asset or liability.

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NOTE 3. EARNINGS PER SHARE

Pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," the number of weighted average shares used in computing basic and diluted earnings per share (EPS) are as follows (in thousands):

<TABLE>  
<CAPTION>

<S>	Quarters Ended March 31	
	1999	1998
	<C>	<C>
	-----	-----
Basic EPS .....	30,486	33,270
Effect of Dilutive Stock Options ...	8	15
	-----	-----
Diluted EPS .....	30,494	33,285
	=====	=====

</TABLE>

NOTE 4. SUBSEQUENT EVENT

On April 30, 1999, the Company's wholly-owned subsidiary, Orkin Exterminating Company, Inc. (Orkin), acquired the pest elimination business operations of PRISM, a subsidiary of SC Johnson Professional. The acquisition will be accounted for as a purchase.

In addition, on April 30, 1999, the Company and SC Johnson Professional entered into a joint venture, Acurid Retail Services, L.L.C. (Acurid Retail), created to provide pest elimination services to customers in the retail market and will jointly contribute existing customers to the joint venture. The Company owns 50% of the joint venture.

PRISM's commercial pest control operations recorded revenues of approximately \$25.0 million during the company's most recent fiscal year. The Company does not expect the above-mentioned transactions to have a material impact on the Company's financial statements.

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

The Company reported net income of \$467,000 or \$0.02 per share for the quarter compared to a net loss of \$1.8 million or \$0.05 per share for the comparable quarter in 1998. Revenues for the first quarter ended March 31, 1999 increased 5.6% to \$129.9 million.

The improvement in earnings for the quarter resulted primarily from quarter-over-quarter increases in both pest and termite control revenue and a decrease in Cost of Services Provided on both a dollar and percentage of revenues basis. The improvements in revenue and Cost of Services Provided were partially offset by a decrease in Interest Income and a \$1.4 million increase in Provision (Benefit) for Income Taxes.

The Company's revenue improvement for the fourth consecutive quarter continued the positive momentum initiated in 1998. The Company believes the improvements in revenue and net income resulted from the strategic programs initiated in 1998 and 1997 to build recurring revenue, expand the Company's commercial pest control business and contain termite claims costs.

On May 3, 1999, the Company announced a major achievement in its strategic plan to accelerate the growth of its commercial business. The Company closed, on April 30, 1999, on two strategic business transactions with SC Johnson Professional - the acquisition of the commercial pest elimination business operations of PRISM, a subsidiary of SC Johnson Professional, and the creation of the Acurid Retail joint venture. For further discussion regarding these transactions, see Note 4 to the accompanying consolidated financial statements.

Results of Operations

Revenues increased to \$129.9 million for first quarter 1999 from \$123.0 million for the same period of 1998, primarily as a result of increases in pest control customer base and in average termite completion and annual renewal prices. The Company believes the increase in pest control customer base resulted from the success of its more consumer-friendly selling and treatment programs.

Cost of Services Provided was approximately \$52,000 lower than the prior year quarter and improved to represent 59.2% of revenues compared with 62.5% for the same quarter of the prior year. The improvement was primarily attributable to reductions in termite claims experience and operating insurance costs, partially offset by increased pest and termite service salaries resulting from increased revenue and headcount.

Selling, General and Administrative increased \$1.6 million or 3.2% but decreased

as a percentage of revenues to 39.3% compared with 40.2% for the same quarter of the prior year. The improvement as a percentage of revenues was primarily due to reduced administrative staffing, partially offset by increases in average wages and training costs, and to reductions in telephone and postage resulting from cost savings initiatives implemented during the quarter.

Interest Income decreased \$1.5 million or 57.1% primarily due to lower invested funds over the same period of the prior year.

The Company's net tax provision of \$284,000 for the quarter reflects increased taxable income, as compared to a benefit of \$1.1 million for the same quarter in 1998.

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<TABLE>  
<CAPTION>

Financial Condition		
(In thousands)	March 31, 1999	December 31, 1998
<S>	<C>	<C>
Cash and Short-Term Investments ..	\$ 646	\$ 1,244
Marketable Securities .....	109,296	110,229
	-----	-----
	109,942	111,473
Working Capital .....	77,681	84,015
Current Ratio .....	1.7	1.7

</TABLE>

The Company's financial position remains solid. The Company believes its current cash balances and future cash flows from operating activities will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company's cash flow provided by operating activities was \$4.6 million in first quarter 1999 compared with cash used in operating activities of \$3.8 million in the same period of 1998. This increase resulted primarily from favorable changes in working capital related primarily to differences in the timing of accounts payable and higher net income from operations in 1999, adjusted for non-cash items.

Net trade receivables decreased \$3.8 million in first quarter 1999 due primarily to decreased financed termite sales. Trade receivables include amounts due subsequent to one year from the balance sheet date, approximating \$ 7.3 million and \$11.0 million at March 31, 1999 and 1998, respectively.

The Company invested approximately \$3.4 million in capital expenditures and acquisitions in first quarter 1999, and expects to invest between \$40 and \$50 million in 1999, inclusive of improvements to its management information systems. Capital expenditures in first quarter 1999 consisted primarily of equipment replacements and upgrades. During the quarter, \$1.5 million was paid in cash dividends and \$143,000 was paid for repurchases of 9,100 shares of the Company's Common Stock. These repurchased shares were retired during the quarter. The capital expenditures, acquisitions, cash dividends and stock repurchases were primarily funded through existing cash balances and operating activities. The Company maintains a \$40.0 million unused line of credit, which is available for future acquisitions and growth, if needed.

In 1997 and 1998, Orkin 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 of the Company's intention to continue to cooperate fully with this investigation. At this point in time, it is too early to determine the impact, if any, of this investigation.

#### 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 have 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 compliancy, (3) obtaining assurances from the Company's vendors and its large commercial customers, and (4) assigning a manager for Y2K compliance and establishing a monthly readiness reporting process to ensure that top management will be aware of each area and step remaining to be done in order for the Company to become fully Y2K compliant. The Company's remediation activities have included replacing certain software and operating systems, followed by testing to ensure the Y2K compliancy of the replacements.

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Based on its assessment and remediation activities to date, the Company believes that its critical internal software and operating systems are Y2K compliant with the exception of its bad debt collection system, its branch personal computers (PCs), and its commercial division's national accounts system. The Company's bad debt collection system is currently being updated and is expected to be Y2K

compliant by the end of third quarter 1999, and the branch PCs are expected to be replaced by the end of third quarter 1999. The Company has formulated an information technology plan for its national accounts system, and necessary remediation efforts are expected to be concluded by the end of third quarter 1999. The total cost of Y2K expenditures to date as of March 31, 1999 was approximately \$19.1 million; the remaining Y2K remediation costs are anticipated to be approximately \$1.0 million.

Based on assurances from the majority of its vendors and large commercial customers to date, the Company does not anticipate any material Y2K impact on its operations or financial reporting at this time. The Company believes that the worst case scenario will be some minor nuisances experienced by a small number of its branches in January 2000.

The Company expects to have contingency plans in place by the end of 1999 that address potential short-term business disruptions resulting from losses of electricity and system malfunctions related to the ordering and delivering of operating supplies and the printing of sales orders.

#### 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." The adoption of this standard, effective as of January 1, 2000, is not expected to materially impact the results of operations or financial condition of the Company.

#### Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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, general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms; climate and weather trends; competitive factors and pricing practices; the Year 2000 programming issue; potential increases in labor costs; uncertainties of litigation; 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 3. Quantitative and Qualitative Disclosures About 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 is expected.

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#### PART II -- OTHER INFORMATION

#### Item 2. Changes in Securities and Use of Proceeds.

On March 16, 1999, the Company acquired the pest elimination business of Ramco Exterminating Company, Inc. in exchange for 82,548 shares of the Company's Common Stock. The market value of the Common Stock issued was approximately \$1.4 million, which the Company believes approximates the fair value of the net assets acquired. Since the issuance of these shares was not a public issuance, these shares of Common Stock were exempt from registration under the Securities Act of 1933, as amended, Section 4, Paragraph 2.

#### Item 6. Exhibits and Reports on Form 8-K.

##### (a) Exhibits.

- (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.
- (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.
- (27) Financial Data Schedule (For Commission Use Only)

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during first quarter 1999.

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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: May 10, 1999

By: /s/ Gary W. Rollins  
-----  
Gary W. Rollins  
President and Chief Operating Officer  
(Member of the Board of Directors)

Date: May 10, 1999

By: /s/ Harry J. Cynkus  
-----  
Harry J. Cynkus  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting  
Officer)

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REVISED BY-LAWS  
OF  
ROLLINS, INC.  
(JULY 26, 1988)

OFFICES

FIRST: The registered office of the corporation shall be located at 2170 Piedmont Road, N.E., in the City of Atlanta, Georgia, and the registered agent in charge of said office shall be C T Corporation.

CORPORATE SEAL

SECOND: The corporate seal shall have inscribed thereon the name of the corporation, the year of its incorporation and the words "Incorporated Delaware."

MEETINGS OF STOCKHOLDERS

THIRD: The annual meeting of stockholders for the election of directors shall be held on the fourth Tuesday of April at such office of the corporation as may be designated by the Board of Directors and included in the notice of such meeting, in each year, or if that day be a legal holiday, on the next succeeding day not a legal holiday, at which meeting they shall elect by ballot, by plurality vote, a board of directors and may transact such other business as may come before the meeting.

Special meetings of the stockholders may be called at any time by the chairman and shall be called by the chairman or secretary on the request in writing or by vote of a majority of the directors or at the request in writing of stockholders of record owning a majority in amount of the capital stock outstanding and entitled to vote.

All such meetings of the stockholders shall be held at such place or places, within or without the State of Delaware, as may from time to time be fixed by the board of directors or as shall be specified and fixed by the respective notices or waivers of notice thereof.

Each stockholder entitled to vote shall, at every meeting of the stockholders, be entitled to one vote in person or by proxy, signed by him, for each share of voting stock held by him, but no proxy shall be voted on after the meeting of stockholders for which such proxy was solicited and which has been adjourned sine die. Such right to vote shall be subject to the right of the board of directors to close the transfer books or to fix a record date for voting stockholders as hereinafter provided and if the directors shall not have exercised such right, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next preceding such election.

Notice of all meetings shall be mailed by the secretary to each stockholder of record entitled to vote, at his or her last known post office address, not less than ten days before any annual or special meeting.

The holders of a majority of the stock outstanding and entitled to vote shall constitute a quorum, but the holders of a smaller amount may adjourn from time to time without further notice until a quorum is secured.

DIRECTORS

FOURTH: The property and business of this Corporation shall be managed by a Board of up to nine Directors. The Directors shall be divided into three classes. The first class (Class I) shall consist of two (2) Directors and the term of office of such class shall expire at the next Annual Meeting of Stockholders in 1978. The second class (Class II) shall consist of two (2) Directors and the term of office of such class shall expire at the Annual Meeting of Stockholders in 1979. The third class (Class III) shall consist of two (2) Directors and the term of office of such third class shall expire at the Annual Meeting of Stockholders in 1980. Should the number of Directors be increased or decreased in the future, no class of Directors shall have more than one Director more than any other class of Directors. At each annual election commencing at

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the Annual Meeting of Stockholders in 1978, the successors to the class of Directors whose term expires at that time shall be elected to hold office for the term of three years to succeed those whose term expires, so that the term of office of one class of Directors shall expire in each year. Each Director shall hold office for the term for which he is elected or appointed or until his successor shall be elected and qualified, or until his death or until he shall resign.

POWERS OF DIRECTORS

FIFTH: The board of directors shall have, in addition to such powers as are hereinafter expressly conferred on it, all such powers as may be exercised by the corporation, subject to the provisions of the statute, the certificate of incorporation and the by-laws.

The board of directors shall have power:

To purchase or otherwise acquire property, rights or privileges for the corporation, which the corporation has power to take, at such prices and on such terms as the board of directors may deem proper.

To pay for such property, rights or privileges in whole or in part with money, stock, bonds, debentures or other securities of the corporation, or by the delivery of other property to the corporation.

To create, make and issue mortgages, bonds, deeds of trust, trust agreements and negotiable or transferable instruments and securities, secured by mortgages or otherwise, and to do every other act and thing necessary to effectuate the same.

To appoint agents, clerks, assistants, factors, employees and trustees, and to dismiss them at its discretion, to fix their duties and emoluments and to change them from time to time and to require security as it may deem proper. Any employee appointed by the board may be given such designation or title as the board shall determine; however, any such designation or title given any such employee shall not be deemed to constitute such employee a corporate officer under Article EIGHTH of these by-laws.

To confer on any officer of the corporation the power of selecting, discharging or suspending such employees.

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To determine by whom and in what manner the corporation's bills, notes, receipts, acceptances, endorsements, checks, releases, contracts or other documents shall be signed.

#### MEETING OF DIRECTORS

SIXTH: After such annual election of directors, the newly elected directors may meet for the purpose of organization, the election of officers and the transaction of other business, at such place and time as shall be fixed by the stockholders at the annual meeting, and, if a majority of the directors be present at such place and time as shall be fixed by the stockholders at the annual meeting, and, if a majority of the directors be present at such place and time, no prior notice of such meeting shall be required to be given to the directors. The place and time of such meeting may also be fixed by written consent of the directors.

Regular meetings of the directors shall be held annually following the stockholders meeting on the fourth Tuesday of April and quarterly on the fourth Tuesdays of July, October and January of each year at the executive office of the corporation in Atlanta, Georgia, or elsewhere and at other times as may be fixed by resolution of the board.

Special meetings of the directors may be called by the chairman on two days' notice in writing or on one day's notice by telegraph to each director and shall be called by the chairman in like manner on the written request of two directors.

Special meetings of the directors may be held within or without the State of Delaware at such places as is indicated in the notice or waiver of notice thereof.

A majority of the directors shall constitute a quorum, but a smaller number may adjourn from time to time, without further notice, until a quorum is secured.

#### COMPENSATION OF DIRECTORS AND MEMBERS OF COMMITTEES

SEVENTH: Directors and members of standing committees shall receive such compensation for

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attendance at each regular or special meeting as the board shall from time to time prescribe.

#### OFFICERS OF THE CORPORATION

EIGHTH: The officers of the corporation shall be a chairman, a president, a secretary, a treasurer and such other officers as may from time to time be chosen by the board of directors. The chairman and the president shall be chosen from among the directors.

One person may hold more than one office.

The officers of the corporation shall hold office until their successors are chosen and qualify in their stead. Any officer chosen or appointed by the board of directors may be removed either with or without cause at any time by the affirmative vote of a majority of the whole board of directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the affirmative vote of a majority of the whole board of directors.

#### DUTIES OF THE CHAIRMAN

NINTH: The chairman shall be the chief executive officer of the corporation. It shall be his duty to preside at all meetings of stockholders and directors; to have general and active management of the business of the corporation; and to see that all orders and resolutions of the board of directors are carried into effect. The chairman shall be vested with all the powers and be required to perform all the duties of the president in his absence or disability.

#### DUTIES OF THE PRESIDENT

TENTH: The president shall be the chief operating officer of the corporation. It shall be his duty to execute all contracts, agreements, deeds, bonds, mortgages and other obligations and instruments, in the name of the corporation, and to affix the corporate seal thereto when authorized by the board.

He shall have the general supervision and direction of the other officers of the corporation and shall

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see that their duties are properly performed.

The president shall be vested with all the powers and be required to perform all the duties of the chairman in his absence or disability.

#### CHAIRMAN PRO TEM

ELEVENTH: In the absence or disability of the chairman and the president, the board may appoint from their own number a chairman.

#### SECRETARY

TWELFTH: The secretary shall attend all meetings of the corporation, the board of directors, the executive committee and standing committees. He shall act as clerk thereof and shall record all of the proceedings of such meetings in a book kept for that purpose. He shall give proper notice of meetings of stockholders and directors and shall perform such other duties as shall be assigned to him by the president or the chairman of the board of directors.

#### TREASURER

THIRTEENTH: The treasurer shall have custody of the funds and securities of the corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

He shall keep an account of stock registered and transferred in such manner and subject to such regulations as the board of directors may prescribe.

He shall give the corporation a bond, if required by the board of directors, in such sum and in form and with security satisfactory to the board of directors for the faithful performance of the duties of his office and the restoration to the corporation, in case of his death, resignation or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession, belonging to the corporation. He shall perform such other duties as the board of directors may from time to time prescribe or require.

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#### DUTIES OF OFFICERS MAY BE DELEGATED

FOURTEENTH: In case of the absence or disability of any officer of the corporation or for any other reason deemed sufficient by a majority of the board, the board of directors may delegate his powers or duties to any other officer or to any director for the time being.

#### CERTIFICATES OF STOCK

FIFTEENTH: Certificates of stock shall be signed by the chairman or the president and either the treasurer, assistant treasurer, secretary or assistant secretary. If a certificate of stock be lost or destroyed, another may be issued in its stead upon proof of such loss or destruction and the giving of a

satisfactory bond of indemnity, in an amount sufficient to indemnify the corporation against any claim. A new certificate may be issued without requiring bond when, in the judgment of the directors, it is proper to do so. Certificates may be signed by facsimile signature if so ordered by the board of directors.

#### TRANSFER OF STOCK

SIXTEENTH: All transfers of stock of the corporation shall be made upon its books by the holder of the shares in person or by his lawfully constituted representative, upon surrender of certificates of stock for cancellation.

The corporation shall have authority to appoint transfer agents and registrars by resolution of the board of directors.

#### CLOSING OF TRANSFER BOOKS

SEVENTEENTH: The board of directors shall have power to close the stock transfer books of the corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not exceeding sixty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the by-laws may fix or authorize the board of directors to fix in

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advance a date, not exceeding sixty days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

#### STOCKHOLDERS OF RECORD

EIGHTEENTH: The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

#### FISCAL YEAR

NINETEENTH: The fiscal year of the corporation shall begin on the first day of January in each year.

#### DIVIDENDS

TWENTIETH: Dividends upon the capital stock may be declared by the board of directors at any regular or special meeting and may be paid in cash or in property or in shares of the capital stock. Before paying any dividend or making any distribution of profits, the directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may alter or abolish any such reserve or reserves.

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#### CHECKS FOR MONEY

TWENTY-FIRST: All checks, drafts or orders for the payment of money shall be signed by the treasurer or by such other officer or officers as the board of directors may from time to time designate. No check shall be signed in blank. The board of directors also from time to time may authorize specified employees to sign checks on the corporation's accounts.

#### BOOKS AND RECORDS

TWENTY-SECOND: The books, accounts and records of the corporation except as otherwise required by the laws of the State of Delaware, may be kept within or without the State of Delaware, at such place or places as may from time to time be designated by the by-laws or by resolution of the directors.

#### NOTICES

TWENTY-THIRD: Notice required to be given under the provisions of these by-laws to any director, officer or stockholder shall not be construed to mean personal notice, but may be given in writing by depositing the same in a post office or letter-box, in a postpaid sealed wrapper, addressed to such stockholder, officer or director at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the

same shall be thus mailed. Any stockholder, officer or director may waive, in writing, any notice, required to be given under these by-laws whether before or after the time stated therein.

#### AMENDMENTS OF BY-LAWS

TWENTY-FOURTH: These by-laws may be amended, altered, repealed, or added to at any regular meeting of the stockholders or board of directors or at any special meeting called for that purpose, by affirmative vote of a majority of the stock issued and outstanding and entitled to vote or of a majority of the directors in office, as the case may be.

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#### INDEMNIFICATION OF DIRECTORS OFFICERS AND EMPLOYEES

TWENTY-FIFTH: Indemnification. The Corporation shall indemnify, in the manner and to the fullest extent now or hereafter permitted by the General Corporation Law of the State of Delaware, any person (or the estate of any person) who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of the Corporation, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is or was a director, officer or General Counsel of the Corporation, or is or was serving at the request of the Corporation as a director, officer of General Counsel of another corporation, partnership, joint venture, trust or other enterprise. The indemnification provided herein shall be made if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, has not reasonable cause to believe his conduct was unlawful; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been determined to be liable for gross negligence or willful misconduct in the performance of his duty to the Corporation. Such determination may be made by a majority of a committee composed of the directors not involved in the matter in controversy (whether or not a quorum). To the full extent permitted by law, the indemnification provided herein shall include expenses (including attorneys' fees), judgements, fines and amounts paid in settlement, and, in the manner provided by law, any such expenses may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding. The indemnification provided herein shall not be deemed to limit the right of the Corporation to indemnify any other employee for any such expenses to the full extent provided by the law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the Corporation may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to act in another capacity while holding such office. The Corporation may, to

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the full extent permitted by law, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against him.

#### RESTRICTIONS ON STOCK OWNERSHIP

TWENTY-SIXTH: Not more than one-fifth of the shares of stock of this corporation outstanding at any time shall be owned (of record) or voted by or for the account of aliens or their representatives or by or for the account of a foreign government or representatives thereof or by or for the account of any corporation organized under the laws of a foreign country. The company or its transfer agent reserves the right to require any person or corporation tendering shares for transfer on its books to exhibit evidence of citizenship and no shares of the corporation will be transferred should the recording of such transfer result in more than twenty percent (20%) of the outstanding and issued stock of the corporation being registered in the name of an alien or representative of an alien.

No person shall be elected an officer or director of the company who is not at the time of his election a citizen of the United States of America.

At the discretion of the board of directors or its officers to whom the board delegates authority in connection with the printing of stock certificates to be issued by the corporation, a legend may be placed on such certificates, reading as follows:

"Federal law restricts the ownership of shares in the issuing corporation to aliens within certain limits. No certificate will be received and transferred if the result thereof will be to cause more than twenty percent (20%) of the issued and outstanding stock of the corporation to be registered in the name or for the account of aliens (including foreign governments or subdivisions thereof) or their representative."

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This schedule contains summary financial information extracted from the Registrant's unaudited financial statements contained in its report on Form 10-Q for the quarterly period ended March 31, 1999 and is qualified in its entirety by reference to such financial statements.

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