ON THE MOVE 2000

ROLLINS®

TABLE OF CONTENTS

Rollins, Inc. is one of the nation's largest consumer services companies. Through its wholly-owned subsidiary, Orkin Exterminating Company, Inc., the Company provides essential pest control services and protection against termite damage, rodents and insects to approximately 1.6 million residential and commercial customers. Orkin serves customers in the United States, Canada and Mexico from over 400 locations. You can learn more about Orkin by visiting our Web site at www.orkin.com.

LETTER TO THE STOCKHOLDERS

Since 1997, Rollins, Inc. has taken steps to focus attention on its core business, Orkin Exterminating Company, divesting businesses less central to our new direction, launching new sales and service programs and taking other initiatives designed to promote pest control growth while making our operations more efficient. We are pleased that our efforts are paying off, as evidenced in part by our improved market share and financial results. The Company continues to concentrate on enhancing stockholder value by building recurring revenue, with emphasis on Orkin's commercial pest control business and containment of termite claims costs.

The Company suffered a great loss in April of 2000, with the passing away of John W. Rollins, Sr. John was one of the Company's co-founders and longest-tenured Directors, serving since 1948. We will miss his substantial guidance and leadership.

2000 at a Glance Fiscal Year 2000 was an excellent year in many respects. Among the highlights were:

- Revenues grew by 10.7%, the highest annual growth since 1993.
- Net Income improved 33.6% over prior year.
- Basic and Diluted Earnings Per Share increased by $0.08 or 33.3% over 1999.

These improvements in Revenues, Net Income and Earnings Per Share are primarily attributable to the successful integration of the Company's alternate pest control service offering, our new Directed-Liquid Termite Baiting Program and the contribution of our strategic acquisitions completed in 1999 and 2000.

The efficiency and productivity of our core operations were also strengthened in 2000 by continuing improvements in our application of information technology. FOCUS, our new proprietary branch computer system, was introduced in selected branches in 2000 and is scheduled to be introduced Company-wide in 2001. One of the many potential benefits of FOCUS is that it will allow Orkin to identify customer trends enabling us to adopt and refine new strategies and business practices. Another technological advancement, that we expect to increase efficiency and productivity, is our new routing and scheduling software. This new management tool works in conjunction with FOCUS, and is scheduled to be implemented Company-wide in the upcoming year.

Moving Forward While we acknowledge that Fiscal Year 2000 was a success, we also recognize there is much opportunity for continued improvements. We remain optimistic that our financial results will continue to get better as our new sales and service programs mature.

Adapting to a changing customer and business environment is not new to our Company. As Orkin Exterminating Company, Inc. enters its 100th YEAR OF SERVICE, it has certainly seen significant changes in the ways in which it competes today versus in the past. As we move forward into the 21st Century, the Company is continually seeking to implement new practices and methods which will enhance the efficiency of our operations so that we can continue to provide our customers with superior service while at the same time providing appreciating value to our stockholders.

R. Randall Rollins
Chairman of the Board and Chief Executive Officer

Gary W. Rollins
President and Chief Operating Officer

February 16, 2001

COMMERCIAL SERVICES

For almost 100 years, Orkin has led the industry in commercial pest control. In 1998, Orkin raised the bar by introducing its premium brand of pest elimination service, Acurid[SM]. Since then, Orkin has continued to expand its commercial division, increasing the number of dedicated commercial branches to 49 during 2000. These specialized branches offer insect control, fly control, rodent control, stored product pest control, and odor control to thousands of commercial customers throughout the United States. By offering these comprehensive services to our customers, we are able to provide a service program to locally-owned businesses as well as national chains, in such industries as fast food, home improvement, and discount and grocery retail.

Our stringent training programs for commercial technicians and our Commercial National Quality Control Department ensure that our commercial customers receive safe and highly effective treatments. These programs were co-developed with leading universities such as Purdue and conform to the standards of the American Institute of Baking. Each technician must complete our Orkin field training as well as these additional courses before the Company can certify them as industrial, commercial or institutional specialists. Technician thoroughness is then confirmed by our National Quality Control Department's audits.

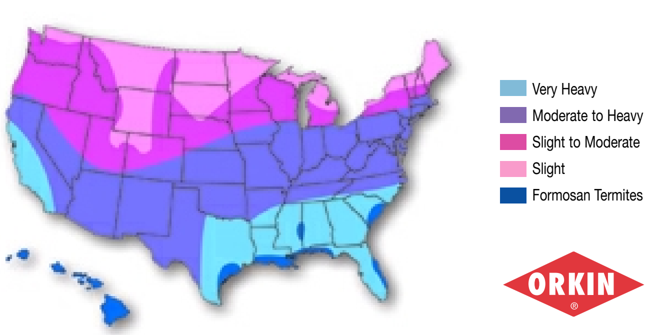
During 2000, the Company further expanded its commercial division by purchasing Johnson Wax Professional's interest in Acurid Retail Services, L.L.C. ("A.R.S.") A.R.S. is the joint venture created with Johnson in 1999, designed initially to provide pest elimination services to the retail marketplace.

This year the Company implemented a new tightly focused direct mail campaign designed to attract prospects in industries such as food and beverage processing, healthcare and hospitality by making them more aware of Orkin's capabilities and the risks associated with ineffective pest control. We have been encouraged by the reaction to this new customer solicitation effort.

RESIDENTIAL SERVICES

Pest Control Since its inception in 1901, Orkin's relationship with the residential pest control customer has been one of the cornerstones of our success. In an effort to better service these customers, we have implemented a new alternate service offering; every-other-month service. This new initiative is the result of the availability of longer lasting materials as well as a concentration of treatment attention to the outside perimeter of the home. By expanding the comprehensiveness of services each residential customer receives, technicians can visit each residence less frequently. More frequent service or service inside the house is provided as needed or at the customer's request. Every-other-month service better fits our customers' busy lifestyles and increases the productivity of our pest control technicians.

Termite Activity Zones



Termite Control Termite baiting, in conjunction with directed-liquid treatments, is the Company's newest defense against termites. It was implemented Company-wide during 2000, after being tested in select markets the previous year. This combined treatment offers the customer immediate relief from termite infestation that bait-only services often lack. Ongoing protection is provided by termite bait and monitoring stations placed in at-risk locations around the home to detect and attack termite activity at the perimeter of the home. The termites ingest the bait and share it with other termites. Orkin's unique two-phased termite treatment has been strongly endorsed by the industry's leading technical and scientific experts.

Orkin's 2000 television advertising campaign featured a commercial that was one of the most talked about in the advertising industry and the media at large. The ad appeared to be a fabric softener advertisement . . . until a cockroach suddenly appears and darts across the screen, followed by the Orkin man. The viewer wonders . . . was the roach in the T.V., or part of a cleverly designed advertisement? Shortly after the commercial aired around the country this spring, the Company began receiving phone calls from viewers about the bug that scurried across their television screens. The ad generated approximately 198.0 million media impressions through the coverage it received in newspaper columns, radio and T.V. talk shows around the country. Some of the media organizations which covered the commercial included *The Wall Street Journal*, *USA Today*, the *Chicago Tribune*, *The Washington Post*, CNN, FOX News, "Regis & Kathy Lee," and CBS Nightly News with Dan Rather.

Technician Training and Quality Control Like their pest control technician associates, Orkin termite technicians are the best prepared technicians in the industry. They undergo extensive training – including courses in entomology and termite control developed in cooperation with Texas A&M University, one of the nation's leading termite control schools. Regular in-house follow-up training keeps our technicians up-to-date on the latest technology, equipment, and techniques in the field. Another indication of our commitment to superior training was the opening of the Orkin Training Center located near our corporate headquarters in Atlanta in June of 2000. This new facility incorporates traditional classroom learning, but also provides an opportunity for hands-on training. Building segments that are full scale replicas of construction types that our service technicians will be exposed to have been built to create a simulated treatment setting.

Our Termite National Quality Control Department performs periodic compliance audits of our over 350 residential branches Company-wide to ensure the consistent quality of services provided. The department also monitors our formal training initiatives and proper record maintenance.

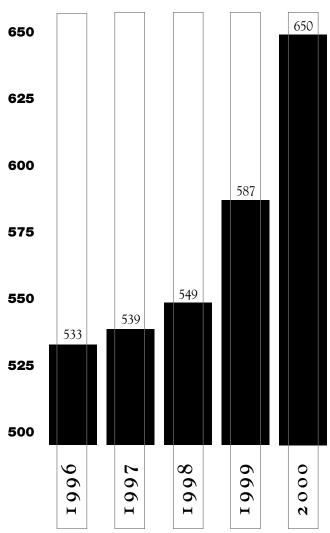
ISO 9002 is a highly regarded quality system developed for service companies and recognized around the world. During 2000, five commercial branches received their ISO 9002 certification in addition to the initial branch certification received in 1999. Realizing how valuable this program can be in maintaining and generating new business, we are working toward certification for all Orkin commercial branches.

Technological Advancements In today's competitive world, companies must be able to adapt quickly to changes in the marketplace. Our new branch computer system, FOCUS, will allow the Company to react to these changes and enable Orkin to implement new programs and processes much faster than before. FOCUS will enable us to examine activity and trends within our customer base, helping us to be more proactive in meeting their needs.

Other enhancements to our management information systems include branch Global Positioning System (GPS) equipment and software, and Truckstops® routing and scheduling software. Combined, these two technologies are designed to improve the timeliness of service to the customer while improving technician efficiency and reducing fleet operating cost. GPS is a passive vehicle-tracking system that stores real-time data such as speed, vehicle location, arrival and departure times, and idle time. By analyzing this data we will be able to better manage productivity and other factors that impact fuel consumption and risk costs. Truckstops® software works in conjunction with GPS to provide the most efficient and cost-effective routes for each technician. Once fully implemented, Orkin's routing and scheduling system will be one of the largest service scheduling installations of its kind in the world.

Our investments in technological advancements such as FOCUS, GPS and Truckstops® will benefit the Company ultimately through creating improved relationships with our customers and employees. These initiatives will allow us to improve our on-time quality service commitment to customers while increasing productivity.

5-YEAR FINANCIAL SUMMARY



(in thousands, except per share data)	2000	1999	1998	1997	1996
OPERATIONS SUMMARY					
Revenues	**$649,558**	$586,639	$549,136	$538,639	$532,785
Income (Loss) from Continuing Operations After Income Taxes	**9,550**	7,150	3,177	(104,781)	22,386
Income from Discontinued Operations After Income Taxes	**–**	–	3,410	106,278	409
Net Income	**9,550**	7,150	6,587	1,497	22,795
Earnings (Loss) per Share-Basic and Diluted:					
Continuing Operations	**0.32**	0.24	0.10	(3.09)	0.63
Discontinued Operations	**–**	–	0.11	3.13	0.01
Net Income	**0.32**	0.24	0.21	0.04	0.64
Dividends per Share	**0.20**	0.20	0.50	0.60	0.58
FINANCIAL POSITION					
Total Assets	**$298,819**	$309,948	$322,456	$428,959	$296,656
Noncurrent Capital Lease Obligations	**256**	2,450	6,090	9,239	12,163
Long-Term Debt	**4,656**	5,328	–	–	–
Stockholders' Equity	**78,599**	71,790	80,235	145,644	190,290
Shares Outstanding at Year-End	**30,036**	29,881	30,489	33,279	34,594

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

OR

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

For the transition period from __________ to __________

Commission file No. 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0068479** (I.R.S. Employer Identification No.)
2170 Piedmont Road, N.E., Atlanta, Georgia (Address of principal executive offices)	**30324** (Zip Code)

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

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

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

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

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

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

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on February 26, 2001, was $287,175,814 based on the closing price on the New York Stock Exchange on such date of $19.93 per share.

Rollins, Inc. had 30,144,966 shares of Common Stock outstanding as of February 26, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Rollins, Inc.'s Annual Report to Stockholders for the calendar year ended December 31, 2000 are incorporated by reference into Part II, Item 6.

Portions of the Proxy Statement for the 2001 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-13.

PART I

Item 1. Business.

General

Rollins, Inc. (the Company) is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, dairy farms and transportation companies. Orkin operates under the Orkin®, PCO Services, Inc.®, and Acurid Retail Services, L.L.C.® trademarks and the Acurid℠ service mark.

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment are included in Item 8 of this document on pages 14 and 15. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

The dollar amount of service contracts and backlog orders as of the end of the Company's 2000 and 1999 calendar years was approximately $18,237,393 and $17,750,960, respectively. Backlog services and orders are usually provided within the month following the month of receipt, except in the area of prepaid pest control where services are usually provided within twelve months of receipt. The Company does not have a material portion of its business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

Seasonality

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

Inventories

The Company maintains a sufficient level of chemicals, materials and other supplies to fulfill its servicing needs and to alleviate any potential short-term shortage in availability from its national network of suppliers.

Competition

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

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

Research and Development

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

Governmental Regulation

Local governmental licenses and permits are required in order for the Company to conduct its pest and termite control services in certain localities. In view of the widespread operations of the Company's service operations, the failure of any local governments to license a facility would not have a material adverse effect on the results of operations of the Company.

Other than the impact on the Company of governmental regulation of the use of pesticides, the Company is not materially affected by compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

Employees

The number of persons employed by the Company as of February 26, 2001 was approximately 9,000.

Item 2. Properties.

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

Item 3. Legal Proceedings.

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

On May 14, 1999, a lawsuit was filed in the Circuit Court of Macon County, Alabama against Orkin alleging breach of contract and fraud. The suit asserts a failure to treat and inspect the residence of the plaintiff and to repair the termite damage and alleges that Orkin concealed alleged misconduct by suppressing material facts. In particular, the plaintiff alleges that Orkin failed to adequately perform the initial treatment; failed to tell her about the extent of damages; failed to perform required reinspections; and failed to perform repairs as required. In general, the plaintiff claims to have been misled as to the quality of work performed. Orkin defended itself by asserting that the plaintiff had not been misled and was told about the damages. Orkin also presented evidence that there was structural damage not attributable to termites, that there were significant conditions conducive to termites present in and around the structure and that there was no evidence of live termites found in the damaged areas since 1989. On August 18, 2000, the jury in the matter of The Estate of Artie Mae Jeter v. Orkin Exterminating Company, Inc. and Bill Maxwell, returned a verdict of $80.8 million against Orkin. The award consisted of $800,000 in compensatory damages including property damage and mental anguish and $80.0 million in punitive damages. The jury found for the plaintiff on the two counts alleged.

Subsequent to the judgment, Orkin filed post trial motions, including a motion to reduce the judgment. On December 11, 2000, the trial judge issued an order reducing the total amount of the award to $4.4 million against Orkin. This amount consists of $400,000 in compensatory damages and $4.0 million in punitive damages. It remains Orkin's position that it complied with its obligations and that it did not attempt to conceal any misconduct or suppress any material facts. Orkin plans to appeal this reduced judgment to the Supreme Court of Alabama. There is no guarantee that the Alabama Supreme Court will further reduce the judgment rendered in the trial court. It is the opinion of Management, however, that the ultimate resolution of this litigation will not have a material impact on the financial condition, results of operations or liquidity of the Company.

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

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

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2000.

Item 4.A. Executive Officers of the Registrant.

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

Name	Age	Office with Registrant	Date First Elected to Present Office
R. Randall Rollins (1)	69	Chairman of the Board and Chief Executive Officer	10/22/91
Gary W. Rollins (1)	56	President and Chief Operating Officer	1/24/84
Harry J. Cynkus (2)	51	Chief Financial Officer and Treasurer	5/28/98
Michael W. Knottek (3)	56	Vice President and Secretary	5/28/98

(1) R. Randall Rollins and Gary W. Rollins are brothers.

(2) Harry J. Cynkus joined the Company in April 1998 and, in May 1998, was elected Chief Financial Officer and Treasurer. From 1996 to 1998, Mr. Cynkus served as Chief Financial Officer of Mayer Electric Company, a $300 million wholesaler of electrical supplies. From 1994 to 1996, he served as Vice President—Information Systems for Brach & Brock Confections, the acquirer of Brock Candy Company, where Mr. Cynkus served as Vice President—Finance and Chief Financial Officer from 1992 to 1994. From 1989 to 1992, he served as Vice President—Finance of Initial USA, a division of an international support services company. Mr. Cynkus is a Certified Public Accountant.

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

PART II

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

The Common Stock of the Company is listed on the New York and Pacific Stock Exchanges and is traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL. The high and low prices of the Company's common stock and dividends paid for each quarter in the years ended December 31, 2000 and 1999 were as follows:

STOCK PRICES AND DIVIDENDS
Rounded to the nearest 1/16

2000	Stock Price High	Stock Price Low	Dividends Paid Per Share	1999	Stock Price High	Stock Price Low	Dividends Paid Per Share
First Quarter	$16 3/8	$12 7/8	$.05	First Quarter	$17 3/4	$14 3/4	$.05
Second Quarter	15 1/16	11 1/8	.05	Second Quarter	17 3/8	15 1/2	.05
Third Quarter	15 1/2	14 1/4	.05	Third Quarter	17 1/8	15 5/16	.05
Fourth Quarter	22 3/8	14 11/16	.05	Fourth Quarter	16 3/4	14 3/4	.05

The number of stockholders of record as of February 26, 2001 was 1,927.

Item 6. Selected Financial Data.

The information contained under the heading, "5-Year Financial Summary", on page 4 of the 2000 Annual Report to Stockholders is incorporated herein by reference.

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

RESULTS OF OPERATIONS

(In thousands)	**2000**	1999	1998	% Change From Prior Year Increase (Decrease) **2000**	1999
Revenues	**$649,558**	$586,639	$549,136	**10.7%**	6.8%
Income From Continuing Operations After Income Taxes	**9,550**	7,150	3,177	**33.6**	125.1
Income From Discontinued Operations After Income Taxes	**—**	—	3,410	**—**	(100.0)
Net Income	**9,550**	7,150	6,587	**33.6**	8.5

General Operating Comments

The successful integration of the strategic acquisitions completed in 1999, along with the Company's continued emphasis on building revenues, led to an increase in revenues of 10.7%, the highest annual revenue growth in seven years. The financial results for the fourth quarter 2000 represent the eleventh consecutive quarter-over-quarter improvements in both revenues and income from continuing operations.

For the year ended December 31, 2000, the Company recognized net income of $9.5 million, a 33.6% increase over 1999. The overall improvement in profitability is largely a result of improved revenues as well as improved Cost of Services Provided and Sales, General & Administrative expenses as a percentage of revenues, partially offset by lower interest income and higher depreciation and income taxes.

Continuing Operations—2000 Versus 1999

The 10.7% increase in revenues for the year ended December 31, 2000 was due to increases in both pest and termite control revenues. The continuing customer acceptance of the Company's alternate service offering in 2000 resulted in higher residential pest control revenues. The Company's commercial pest control division continues to be its fastest growing division, with a substantial revenue improvement over last year. The Company's continued emphasis on its commercial pest control operations was evidenced by the growth in customer base and a higher average sales price. On July 1, 2000, the Company further expanded its commercial operations through the acquisition of the remaining 50% of its joint venture, Acurid Retail Services, L.L.C., created to sell and provide pest elimination services to customers in the retail market.

Termite control sales significantly increased in 2000, due primarily to the success of the Company's directed-liquid termite baiting program, partially offset by a lower customer base. As this new approach to termite control becomes more established, the Company anticipates further demand for the service and a potential increase in related termite control revenues. This treatment method creates monthly recurring monitoring revenues that are deferred to the balance sheet in the form of unearned revenue, which is recognized in future periods when the service is rendered.

Over the past couple of years, the Company has acquired several pest control companies in the United States and Canada. The Company currently has no plans to continue its acquisition activities as aggressively as in 2000 and 1999; however, should an unusually attractive acquisition opportunity present itself, it will be given due consideration. With the slowing of our acquisition activity and the full absorption of our prior year acquisitions, the Company expects to see its revenue growth rates become more comparable to historical levels.

Cost of Services Provided increased $32.7 million over last year, but improved to represent 57.6% of revenues compared to 58.2% last year. This improvement as a percentage of revenues was primarily attributable to margin improvement in service salaries, personnel related expenses, insurance and claims and improved inventory management.

Depreciation and Amortization increased approximately $5.0 million or 37.1% over the prior year, due primarily to an increase in amortization of goodwill and other intangibles as a result of the Company's prior year acquisitions. With the implementation of our new proprietary branch computer system, the Company can expect some continued increase in depreciation as the remainder of the system is placed into service over the course of 2001.

Sales, General and Administrative increased $18.8 million over last year, but improved to represent 37.3% of revenues compared to 38.1% last year. This improvement as a percentage of revenues resulted primarily from better leveraging of fixed costs due to higher revenues and improved efficiencies in sales salaries and other personnel related costs.

Interest income declined $2.6 million or 85.2% during the year primarily due to a decrease in invested funds over the prior year. The decrease in invested funds resulted principally from the conversion of investments to cash to fund acquisitions during the last part of 1999, and to fund the recent upgrades to our management information systems.

The Company's net tax provision of $5.9 million as compared to $4.4 million in 1999, reflects increased taxable income in 2000.

In 2001 the Company plans to further expand its alternate service program, which is becoming a larger part of the Company's residential pest control business with its improved profit margins. The Company will also continue to emphasize its commercial pest control business with the national launch of Acurid℠, a new high end service that offers businesses a customized approach to pest control.

FOCUS, our new proprietary branch computer system, was introduced in selected branches in 2000 and is scheduled to be introduced Company-wide in 2001. One of the many expected benefits of FOCUS is that it will provide the Company with the ability to identify customer trends, which can then be used to adopt and refine new strategies and business practices. The efficiency and productivity of the Company's core operations is also expected to be strengthened in 2001 with the implementation of the Company's new routing and scheduling software, which works in conjunction with FOCUS.

Continuing Operations—1999 Versus 1998

Revenues from both the Company's pest and termite control operations experienced increases during the year. Factors contributing to the Company's overall 6.8% revenue growth were increases in customer base and average sales price.

The Company's continued efforts to provide services that best fit our customers' needs, along with the positive impact of acquisitions, have led to an increase in our residential and commercial pest control customer base.

The increase in termite control revenue is primarily a result of our new service offering, the directed-liquid termite baiting program. Termite baiting was implemented in selected markets during 1999 and was offered Company-wide in 2000.

Cost of Services Provided was approximately $14.1 million higher than the prior year but improved to represent 58.2% of revenues compared to 59.6% for the prior year. This improvement as a percentage of revenues was primarily due to lower termite claim provisions, lower operating insurance costs and lower material and supply costs as well as better leveraging of fixed costs due to higher revenues.

Sales, General and Administrative increased $9.1 million but decreased as a percent of revenues to 38.1% compared to 39.0% for the prior year. This improvement as a percentage of revenues resulted primarily from better leveraging of our fixed costs due to higher revenues and improved efficiencies in sales, fleet and telephone costs. These cost savings were partially offset by additional costs related to various new service and marketing programs throughout the Company.

Interest Income declined $5.9 million or 66.1% during the year primarily due to a decrease in invested funds over the prior year. The decrease in invested funds resulted primarily from the conversion of investments to cash to fund acquisitions.

The Company's net tax provision of $4.4 million, as compared to $1.9 million in 1998, reflected increased taxable income in 1999.

Discontinued Operations

In the fourth quarter of 1998, the Company recorded an additional gain, net of taxes, of $3.4 million as a result of the reevaluation of the Company's liabilities for costs associated with the operations divested in 1997.

Impact of Recent Accounting Pronouncements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The adoption of this standard, effective for the Company as of January 1, 2001, did not impact the results of operations or financial condition of the Company as the Company is not a party to any derivative transactions that fall under the provisions of this statement.

During 1999, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," which clarified the basic criteria for recognizing revenues.

In 2000, the Company evaluated its revenue recognition practices and determined that these practices were in compliance with this bulletin.

Liquidity and Capital Resources

The Company believes its current cash balances, future cash flows from operating activities and availability under its line of credit will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company experienced positive cash flow from operating activities during the year in the amount of $11.4 million. This increase in cash flow is an improvement over cash flow provided by operating activities of $8.2 million in 1999 and cash flow used in operating activities of $679,000 in 1998. The 2000 increase resulted primarily from higher net income from continuing operations in 2000, adjusted for non-cash items.

During the year, cash used in investing activities was approximately $8.8 million compared with cash provided by investing activities of $17.4 million last year. The decrease in cash provided by investing activities is the result primarily of a decline in the conversion of marketable securities to cash to fund acquisitions, partially offset by a decline in expenditures for capital assets and acquisitions. In 2000, cash provided by the sale of marketable securities was approximately $13.1 million, compared to $97.1 million in 1999. For the year ended December 31, 2000, the Company invested $21.8 million in acquisitions and capital expenditures and expects to invest between $7.5 and $10.0 million in 2001, inclusive of improvements to its management information systems. Acquisition expenditures consisted primarily of the acquisition of Acurid Retail. See Note 2 to the accompanying consolidated financial statements for further discussion. Capital expenditures in 2000 consisted primarily of equipment replacements and upgrades and improvements to the Company's management information systems.

In 2000, the Company experienced an improvement of approximately $13.1 million in cash used in financing activities. This improvement in cash used is a result of a decrease in the Company's common stock repurchases and retirements and an increase in the use of its credit facilities. Of total cash used in financing activities, approximately $154,000 was paid for repurchases of 10,177 shares of the Company's Common Stock as part of an odd-lot buy-back program, compared to $11.8 million used to repurchase 718,900 shares of stock during 1999. These repurchased shares were retired in 2000; an additional 870,923 shares may be repurchased under the current authorization. The capital expenditures, acquisitions, cash dividends and stock repurchases were primarily funded through existing cash balances, marketable securities, operating activities and borrowings under the Company's $40.0 million line of credit, of which the full amount was available for borrowing as of February 26, 2001.

In 1997 and 1998, Orkin and other pest control industry companies received letters from the Federal Trade Commission (FTC) advising of its investigation of the pest control industry—more specifically, the termite and moisture control practices of the industry—and requesting certain information voluntarily from the Company. Orkin has voluntarily provided the information requested and has advised the FTC of the Company's intention to continue to cooperate fully with this investigation. Since providing the FTC with the information requested, the Company has not received any further communication from the FTC regarding this matter. At this point in time, management does not believe this investigation will have a material effect upon its results of operations or financial condition. In addition, the Company is aggressively defending a class action lawsuit filed in Houston County, Alabama and is appealing a judgment that was rendered against the Company by the Circuit Court of Macon County, Alabama. For further discussion of these legal proceedings, see Part I, Item 3 beginning on page 7 of this Form 10-K.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected impact of the outcome of litigation arising in the ordinary course of business and the outcome of the Helen Cutler and Mary Lewin v. Orkin Exterminating Company., Inc., et al. ("Cutler") litigation and the outcome of The Estate of Artie Mae Jeter v. Orkin Exterminating Company, Inc. and Bill Maxwell ("Jeter") appeals process on the Company's financial condition, results of operations and liquidity; the Company's potential for recurring revenue; and the Company's projected 2001 capital expenditures and performance. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in the Cutler or other litigation; the possibility that the appellate court does not further reduce the judgment rendered by the trial court in the Jeter litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

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

Market Risk

As of December 31, 2000, the Company no longer maintains a material investment portfolio subject to interest rate risk exposure. The Company is, however, subject to interest rate risk exposure through borrowings on its $40.0 million line of credit. Due to the immaterial amount of such borrowings as of December 31, 2000 and as currently anticipated at December 31, 2001, this risk is not expected to have a material effect upon the Company's results of operations or financial position going forward.

Item 8. Financial Statements and Supplementary Data.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Rollins, Inc. and Subsidiaries

At December 31, (In thousands except share and per share data)	**2000**	1999
ASSETS		
Cash and Short-Term Investments	**$ 399**	$ 5,689
Marketable Securities	**—**	12,967
Trade Receivables, Net	**50,099**	44,878
Materials and Supplies	**12,980**	13,429
Deferred Income Taxes	**18,472**	19,644
Other Current Assets	**7,019**	8,150
Current Assets	**88,969**	104,757
Equipment and Property, Net	**49,349**	46,245
Goodwill and Other Intangible Assets	**115,966**	112,024
Deferred Income Taxes	**42,645**	45,015
Other Assets	**1,890**	1,907
Total Assets	**$298,819**	$309,948
LIABILITIES		
Capital Lease Obligations	**$ 1,829**	$ 3,638
Accounts Payable	**15,302**	15,275
Accrued Insurance	**10,126**	11,165
Accrued Payroll	**21,195**	23,100
Accrued Pension	**3,823**	6,523
Unearned Revenue	**28,381**	20,441
State Income Taxes Payable	**6,181**	6,295
Accrual for Termite Contracts	**15,000**	15,000
Other Expenses	**8,969**	7,012
Current Liabilities	**110,806**	108,449
Capital Lease Obligations	**256**	2,450
Accrued Insurance	**39,400**	43,745
Accrual for Termite Contracts	**42,651**	54,352
Long-Term Accrued Liabilities	**27,107**	29,162
Total Liabilities	**220,220**	238,158
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value $1 per share; 99,500,000 shares authorized; 30,036,241 and 29,881,402 shares issued and outstanding at December 31, 2000 and 1999, respectively	**30,036**	29,881
Earnings Retained	**48,563**	41,909
Total Stockholders' Equity	**78,599**	71,790
Total Liabilities and Stockholders' Equity	**$298,819**	$309,948

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

CONSOLIDATED STATEMENTS OF INCOME

Rollins, Inc. and Subsidiaries

Years Ended December 31, (In thousands except per share data)	**2000**	1999	1998
REVENUES			
Customer Services	**$649,558**	$586,639	$549,136
COSTS AND EXPENSES			
Cost of Services Provided	**374,141**	341,475	327,353
Depreciation and Amortization	**18,421**	13,433	11,458
Sales, General and Administrative	**242,043**	223,247	214,182
Interest Income	**(450)**	(3,048)	(8,981)
	634,155	575,107	544,012
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**15,403**	11,532	5,124
PROVISION FOR INCOME TAXES			
Current	**3,182**	(2,694)	(4,937)
Deferred	**2,671**	7,076	6,884
	5,853	4,382	1,947
INCOME FROM CONTINUING OPERATIONS	**9,550**	7,150	3,177
DISCONTINUED OPERATIONS			
Gain on Disposal, Less Income Tax Expense of $2,090	**—**	—	3,410
INCOME FROM DISCONTINUED OPERATIONS	**—**	—	3,410
NET INCOME	**$ 9,550**	$ 7,150	$ 6,587
EARNINGS PER SHARE—BASIC AND DILUTED:			
Continuing Operations	**$ 0.32**	$ 0.24	$ 0.10
Discontinued Operations	**—**	—	0.11
Net Income	**$ 0.32**	$ 0.24	$ 0.21

CONSOLIDATED STATEMENTS OF EARNINGS RETAINED

Rollins, Inc. and Subsidiaries

Years Ended December 31, (In thousands except per share data)	**2000**	1999	1998
Balance at Beginning of Year	**$ 41,909**	$ 49,746	$112,365
Net Income	**9,550**	7,150	6,587
Cash Dividends	**(6,031)**	(6,076)	(16,064)
Common Stock Purchased and Retired	**(144)**	(11,076)	(53,429)
Common Stock Issued for Acquisition of Companies	**2,307**	1,892	—
Other	**972**	273	287
Balance at End of Year	**$ 48,563**	$ 41,909	$ 49,746
DIVIDENDS PER SHARE	**$ .20**	$ .20	$ .50

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Rollins, Inc. and Subsidiaries

Years Ended December 31, (In thousands)	**2000**	1999	1998
OPERATING ACTIVITIES			
Net Income	**$ 9,550**	$ 7,150	$ 6,587
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	**18,421**	13,433	11,458
Provision for Deferred Income Taxes	**2,671**	7,076	8,974
Discontinued Operations, Net of Taxes	**—**	—	(3,410)
Other, Net	**1,102**	1,471	5,121
(Increase) Decrease in Assets:			
Trade Receivables	**(3,210)**	2,243	7,087
Materials and Supplies	**614**	1,310	1,719
Other Current Assets	**948**	(2,576)	2,726
Other Non-Current Assets	**(232)**	(6,611)	520
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	**(7,129)**	631	(16,255)
Unearned Revenue	**7,940**	5,134	1,379
Accrued Insurance	**(5,411)**	(2,413)	5,220
Accrual for Termite Contracts	**(11,489)**	(22,798)	(24,850)
Long-Term Accrued Liabilities	**(2,328)**	4,112	(6,955)
Net Cash Provided by (Used in) Operating Activities	**11,447**	8,162	(679)
INVESTING ACTIVITIES			
Purchases of Equipment and Property	**(14,411)**	(18,818)	(10,402)
Net Cash Used for Acquisition of Companies	**(7,437)**	(60,964)	(3,517)
Marketable Securities, Net	**13,084**	97,145	(35,033)
Net Cash Provided by (Used in) Investing Activities	**(8,764)**	17,363	(48,952)
FINANCING ACTIVITIES			
Dividends Paid	**(6,031)**	(6,076)	(16,064)
Common Stock Purchased and Retired	**(154)**	(11,795)	(56,195)
Payments on Capital Leases	**(3,397)**	(3,421)	(2,868)
Net Borrowings Under Line of Credit Agreement	**1,400**	—	—
Other	**209**	212	160
Net Cash Used in Financing Activities	**(7,973)**	(21,080)	(74,967)
Net Increase (Decrease) in Cash and Short-Term Investments	**(5,290)**	4,445	(124,598)
Cash and Short-Term Investments at Beginning of Year	**5,689**	1,244	125,842
Cash and Short-Term Investments at End of Year	**$ 399**	$ 5,689	$ 1,244

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000, 1999, and 1998, Rollins, Inc. and Subsidiaries

1. SIGNIFICANT ACCOUNTING POLICIES

Business Description—Rollins, Inc. (the Company) is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, dairy farms and transportation companies. Orkin operates under the Orkin®, PCO Services, Inc.®, and Acurid Retail Services, L.L.C.® trademarks and the Acurid℠ service mark.

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

Principles of Consolidation—The consolidated financial statements of the Company include the accounts of Rollins, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Estimates Used in the Preparation of Consolidated Financial Statements—The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues—Revenue is recognized at the time services are performed.

Cash and Short-Term Investments—The Company considers all investments with a maturity of three months or less to be cash equivalents. Short-term investments are stated at cost which approximates fair market value.

Marketable Securities—The Company's marketable securities are classified as "available for sale" and have been recorded at current market value with an offsetting adjustment to stockholders' equity.

Materials and Supplies—Materials and supplies are recorded at the lower of cost (first-in, first-out basis) or market.

Equipment and Property—Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation of $11.4 million in 2000 and $9.8 million for each of the years 1999 and 1998 have been reflected in the Consolidated Statements of Income in the line item entitled Depreciation and Amortization. These annual provisions for depreciation are computed using the following asset lives: buildings, ten to forty years; and furniture, fixtures, and operating equipment, three to ten years. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred.

Insurance—The Company self-insures, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the self-insurance program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. These estimated outstanding claims have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrued Insurance.

Advertising—Advertising expenses are charged to income during the year in which they are incurred. The total advertising costs were approximately $30.8 million, $28.3 million and $27.5 million in 2000, 1999, and 1998, respectively.

Income Taxes—The Company follows the practice of providing for income taxes based on SFAS 109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns.

Earnings Per Share—In accordance with SFAS 128, "Earnings Per Share" (EPS), the Company presents basic EPS and diluted EPS. Basic EPS is computed on the basis of weighted-average shares outstanding. Diluted EPS is computed on the basis of weighted-average shares outstanding plus common stock options outstanding during the year which, if exercised, would have a dilutive effect on EPS. Basic and diluted EPS are the same for all years reported.

A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

(In thousands)	**2000**	1999	1998
Basic EPS	**30,009**	30,325	31,973
Effect of Dilutive Stock Options	**37**	7	30
Diluted EPS	**30,046**	30,332	32,003

Stock-Based Compensation—As permitted by SFAS 123, "Accounting for Stock-Based Compensation," the Company accounts for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." See Note 10 to the consolidated financial statements for additional information.

Comprehensive Income—For the years ended December 31, 2000, 1999, and 1998, comprehensive income is not materially different from net income and, as a result, the impact of SFAS 130, "Reporting Comprehensive Income," is not reflected in the Company's consolidated financial statements.

New Accounting Standard—The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities,"as amended. The adoption of this standard, effective for the Company as of January 1, 2001, did not impact the results of operations or financial condition of the Company as the Company is not a party to any derivative transactions that fall under the provisions of this statement.

Reclassifications—Certain amounts for previous years have been reclassified to conform with the 2000 consolidated financial statement presentation.

2. ACQUISITIONS AND JOINT VENTURE

On April 30, 1999, the Company and Johnson Wax Professional entered into a joint venture, Acurid Retail Services, L.L.C. (Acurid Retail), created to sell and provide pest elimination services to customers in the retail market and jointly contributed existing customers to the joint venture. The Company owned 50% of the joint venture, which was accounted for using the equity method. On July 1, 2000, the Company further expanded its commercial operations through the acquisition of the remaining 50% of the joint venture. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition.

In addition, on April 30, 1999, the Company's wholly-owned subsidiary, Orkin Exterminating Company, Inc. (Orkin), acquired the remaining pest elimination business operations of PRISM, a subsidiary of Johnson Wax Professional, for approximately twenty-four million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately sixteen million dollars which are being amortized over a life of twenty years using the straight-line method.

On October 29, 1999, Orkin acquired PCO Services, Inc. (PCO), a subsidiary of Johnson Wax Professional. Orkin acquired all the shares of capital stock of PCO for approximately twenty-five million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately five hundred thousand dollars which are being amortized over a life of twenty years using the straight-line method.

On December 3, 1999, Orkin acquired the pest control business operations of Redd Pest Control Company, Inc. (Redd) for approximately thirteen million dollars, of which approximately seven million was paid in cash. Under the terms of the agreement, Orkin acquired all the pest control customers of Redd, together with certain assets. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately eight million dollars which are being amortized over a life of twenty years using the straight-line method.

3. DISCONTINUED OPERATIONS

In the fourth quarter of 1998, the Company reevaluated its liabilities associated with the operations divested in 1997 and recorded an additional gain of $3.4 million, net of taxes.

4. TRADE RECEIVABLES

Trade receivables, net, at December 31, 2000, totaling $50.1 million and at December 31, 1999, totaling $44.9 million are net of allowances for doubtful accounts of $8.7 million and $4.9 million, respectively. Trade receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates. These amounts were approximately $7.2 million and $6.7 million at the end of 2000 and 1999, respectively. The carrying amount of installment receivables approximates fair value because the interest rates approximate market rates.

5. EQUIPMENT AND PROPERTY

Equipment and property are presented at cost less accumulated depreciation and are detailed as follows:

(In thousands)	**2000**	1999
Buildings	**$10,009**	$10,158
Operating Equipment	**62,309**	56,445
Furniture and Fixtures	**7,414**	10,186
Computer Equipment Under Capital Leases	**7,787**	7,787
	87,519	84,576
Less—Accumulated Depreciation	**42,046**	41,912
	45,473	42,664
Land	**3,876**	3,581
	$49,349	$46,245

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over net assets of businesses acquired and is stated at cost less accumulated amortization. Goodwill which arose from acquisitions prior to November 1970 is not being amortized for financial statement purposes, since, in the opinion of Management, there has been no decrease in the value of the acquired businesses. Goodwill arising from acquisitions since November 1970 is being amortized from fifteen to forty years.

Other intangible assets include trademarks, customer contracts and non-compete agreements and are being amortized from three to twenty years.

7. INCOME TAXES

A reconciliation between taxes computed at the statutory rate on the Income From Continuing Operations Before Income Taxes and the Provision for Income Taxes is as follows:

(In thousands)	**2000**	1999	1998
Federal Income Taxes at Statutory Rate	**$5,391**	$4,036	$1,595
State Income Taxes (Net of Federal Benefit)	**885**	697	367
Other	**(423)**	(351)	(15)
	$5,853	$4,382	$1,947

The Provision for Income Taxes was based on a 38.0% estimated effective income tax rate on Income From Continuing Operations Before Income Taxes for the years ended December 31, 2000, 1999 and 1998. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state income taxes. For the year ended December 31, 2000, the Company received a refund of income taxes of $2.8 million, net of payments. During 1999, the Company paid income taxes of $662,000, net of refunds received. For 1998, the Company received a refund of income taxes of $2.4 million, net of payments.

Components of the net deferred income tax assets (liabilities) at December 31, 2000 and 1999 include:

(In thousands)	**2000**	1999
Termite Accrual	**$31,757**	$34,322
Insurance Reserves	**28,216**	35,035
Safe Harbor Lease	**(6,557)**	(9,847)
Other	**7,701**	5,149
	$61,117	$64,659

8. ACCRUAL FOR TERMITE CONTRACTS

The Company maintains an accrual for termite contracts representing the estimated costs incurred but as yet unpaid related to termite work performed. The related liabilities at December 31, 2000 and 1999 have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrual for Termite Contracts.

9. COMMITMENTS AND CONTINGENCIES

The Company has capitalized lease obligations and several operating leases. The minimum lease payments under the capital leases and non-cancelable operating leases with terms in excess of one year, in effect at December 31, 2000, are summarized as follows:

(In thousands)	Capitalized Leases	Operating Leases
2001	$ 1,899	$22,122
2002	258	17,025
2003	—	12,370
2004	—	9,175
2005	—	6,463
Thereafter	—	29,437
	$ 2,157	$96,592
Amount Representing Interest	(72)	
Present Value of Obligations	2,085	
Portion Due Within One Year	$(1,829)	
Long-Term Obligations	$ 256	

Total rental expense under operating leases charged to operations was $29.4 million, $25.6 million and $25.4 million for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company maintains a line of credit with a bank that allows it to borrow up to $40.0 million on an unsecured basis at the bank's prime rate of interest or the indexed London Interbank Offered Rate (LIBOR). As of December 31, 2000, outstanding borrowings of $1.4 million under this credit facility were reflected in the Consolidated Statements of Financial Position in the line item entitled Other Expenses. No amounts were outstanding under this credit facility as of December 31, 1999.

The Company is aggressively defending a lawsuit filed in the District Court of Houston County, Alabama. At this time, the final outcome of the litigation cannot be determined. The Company is also planning to appeal to the Supreme Court of Alabama a $4.4 million judgment rendered against it by the Circuit Court of Macon County, Alabama. There is no guarantee that the Alabama Supreme Court will further reduce the judgment rendered by the trial court. However, it is the opinion of Management that the ultimate resolution of the Houston County and Macon County lawsuits will not have a material impact on the financial condition, results of operations or liquidity of the Company. For further discussion of these legal proceedings, see Part I, Item 3 beginning on page 7 of this Form 10-K.

The Company is involved in other litigation matters incidental to its business. With respect to such other suits, Management does not believe the litigation in which it is involved will have a material adverse effect upon its results of operations or financial condition.

10. EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory tax-qualified defined benefit retirement plan (the Plan) covering all employees meeting certain age and service requirements. The Plan provides benefits based on the average compensation for the highest five years during the last ten years of credited service (as defined) in which compensation was received, and the average anticipated Social Security covered earnings. The Company funds the Plan with at least the minimum amount required by ERISA.

The funded status of the Plan and the resulting accrued benefit liability are summarized as follows as of December 31:

(In thousands)	**2000**	1999
CHANGE IN BENEFIT OBLIGATION		
Benefit Obligation at Beginning of Year	**$75,426**	$77,288
Service Cost	**4,097**	4,379
Interest Cost	**6,307**	5,694
Actuarial (Gain) Loss	**3,172**	(8,263)
Benefits Paid	**(3,356)**	(3,672)
Benefit Obligation at End of Year	**85,646**	75,426
CHANGE IN PLAN ASSETS		
Fair Value of Plan Assets at Beginning of Year	**66,514**	63,258
Actual Return on Plan Assets	**4,380**	2,928
Employer Contribution	**6,528**	4,000
Benefits Paid	**(3,356)**	(3,672)
Fair Value of Plan Assets at End of Year	**74,066**	66,514
Funded Status	**(11,580)**	(8,912)
Unrecognized Net Actuarial Loss	**7,832**	2,546
Unrecognized Prior Service Cost	**(75)**	(157)
Accrued Benefit Liability	**$(3,823)**	$(6,523)

Accrued benefit liabilities at December 31, 2000 and 1999 of $3.8 million and $6.5 million, respectively, have been reflected in the Consolidated Statements of Financial Position in the line item entitled Accrued Pension.

The weighted-average assumptions as of December 31 were as follows:

	2000	1999	1998
Discount Rate	**7.75%**	8.00%	7.00%
Expected Return on Plan Assets	**9.50%**	9.50%	9.50%
Rate of Compensation Increase	**4.75%**	5.00%	4.00%

The components of net periodic benefit cost for the past three years are summarized as follows:

(In thousands)	**2000**	1999	1998
Service Cost	**$4,097**	$4,379	$3,611
Interest Cost	**6,307**	5,694	5,182
Expected Return on Plan Assets	**(6,494)**	(5,751)	(5,269)
Net Amortizations:			
Amortization of Net Loss	**—**	634	203
Amortization of Net Prior Service Cost	**(82)**	(69)	(36)
Net Periodic Benefit Cost	**$3,828**	$4,887	$3,691

In 1998, the Company adopted SFAS 132, “Employers’ Disclosures About Pensions and Other Postretirement Benefits.” At December 31, 2000, the Plan’s assets were comprised of listed common stocks and U.S. government and corporate securities. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of $6.1 million.

The Company sponsors a deferred compensation 401(k) plan that is available to substantially all employees with six months of service. The charges to expense for the Company match were approximately $2.1 million in 2000, $2.2 million in 1999 and $1.5 million in 1998.

The Company has two Employee Incentive Stock Option Plans, the first adopted in January 1994 (1994 Plan) and the second adopted in April 1998 (1998 Plan) as a supplement to the 1994 Plan. An aggregate of 3.0 million shares of Common Stock may be granted under various stock incentive programs sponsored by these plans, at a price not less than the market value of the underlying stock on the date of grant. Options may be issued under the 1994 Plan and the 1998 Plan through January 2004 and April 2008, respectively, and expire ten years from the date of grant, if not exercised.

Options are also outstanding under a prior Employee Incentive Stock Option Plan (1984 Plan). Under this plan, 1.2 million shares of Common Stock were subject to options granted during the ten-year period ended October 1994. The options were granted at the fair market value of the shares on the date of grant and expire ten years from the date of grant, if not exercised. No additional options will be granted under the 1984 Plan.

Option transactions during the last three years for the 1998, 1994 and 1984 Plans are summarized as follows:

	2000	1999	1998
Number of Shares Under Stock Options:			
Outstanding at Beginning of Year	**1,766,174**	1,114,620	359,785
Granted	**197,500**	874,000	890,000
Exercised	**(1,784)**	(246)	(3,550)
Cancelled	**(126,450)**	(252,200)	(101,615)
Outstanding at End of Year	**1,835,440**	1,766,174	1,144,620
Exercisable at End of Year	**547,480**	263,834	106,960
Weighted-Average Exercise Price:			
Granted	**$ 14.75**	$ 16.31	$ 19.69
Exercised	**13.25**	13.25	13.18
Cancelled	**16.83**	18.53	20.77
Outstanding at End of Year	**18.08**	18.66	20.42
Exercisable at End of Year	**19.10**	21.29	23.40

Information with respect to options outstanding and options exercisable at December 31, 2000 is as follows:

Exercise Price	Number Outstanding	Average Remaining Contractual Life (In Years)	Number Exercisable
$13.25	10,640	.08	10,640
19.08	4,200	1.08	4,200
25.50	2,900	2.08	2,900
28.38	77,900	3.08	57,200
24.25	4,000	4.08	2,400
20.88	39,000	5.08	12,000
19.25	114,800	6.08	54,240
19.69	695,000	7.33	264,000
16.31	699,500	8.08	139,900
14.75	187,500	9.08	—
	1,835,440		547,480

The Company applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock options and, accordingly, no compensation cost has been recognized for stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options granted in 2000, 1999, and 1998 under SFAS 123 (See Note 1 to the consolidated financial statements), the Company's net income, as disclosed on the Consolidated Statements of Income, would have been reduced by approximately $1.4 million in 2000, $1.2 million in 1999, and $578,000 in 1998. Earnings per share would have been reduced by $.05 in 2000, $.04 in 1999 and $.02 in 1998.

The per share weighted-average fair value of stock options granted during 2000, 1999, and 1998 was $5.62, $4.30, and $6.07, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	1999	1998
Risk-Free Interest Rate	**6.90%**	5.12%	6.04%
Expected Life, in Years	**8**	8	8
Expected Volatility	**20.66%**	21.30%	23.22%
Expected Dividend Yield	**1.25%**	2.49%	2.37%

11. Unaudited Quarterly Data

PROFIT AND LOSS INFORMATION

(In thousands except per share data)	First	Second	Third	Fourth
2000				
Revenues	$149,550	$180,528	$172,373	$147,107
Net Income (Loss)	794	8,102	2,363	(1,709)
Earnings (Loss) per Share—Basic and Diluted	0.03	0.27	0.08	(0.06)
1999				
Revenues	$129,886	$162,342	$154,102	$140,309
Net Income (Loss)	467	7,623	1,432	(2,372)
Earnings (Loss) per Share—Basic and Diluted	0.02	0.25	0.05	(0.08)
1998				
Revenues	$122,965	$155,050	$144,493	$126,628
Income (Loss) from Continuing Operations	(1,764)	6,913	880	(2,852)
Income from Discontinued Operations	—	—	—	3,410
Net Income (Loss)	(1,764)	6,913	880	558
Earnings (Loss) per Share—Basic and Diluted:				
Continuing Operations	(0.05)	0.21	0.03	(0.09)
Discontinued Operations	—	—	—	0.11
Net Income (Loss)	(0.05)	0.21	0.03	0.02

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

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

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information under the captions "Election of Directors" included on pages 4 and 5 and "Section 16(a) Beneficial Ownership Reporting Compliance" included on page 13 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2001 is incorporated herein by reference. Additional information concerning executive officers is included in Part I, Item 4.A. of this Form 10-K.

Item 11. Executive Compensation.

The information under the caption "Executive Compensation" included on pages 10 through 12 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2001 is incorporated herein by reference.

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

The information under the captions "Capital Stock" and "Election of Directors" included on pages 2 through 3 and pages 4 through 5, respectively, of the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2001 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information under the caption "Compensation Committee Interlocks and Insider Participation" included on page 9 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2001 is incorporated herein by reference.

PART IV

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

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

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

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

(10) (b) Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.

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

(b) *Reports on Form 8-K.*

No reports on Form 8-K were filed or were required to be filed during the fourth quarter of calendar year 2000.

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

(2)(a)	Asset Purchase Agreement by and between Orkin Exterminating Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated herein by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.
(b)	Stock Purchase Agreement as of September 30, 1999, by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C. Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc. is incorporated herein by reference to Exhibit (2)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(c)	Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd is incorporated herein by reference to Exhibit (2)(c) as filed with its Form 10-K for the year ended December 31, 1999.
(d)	First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd is incorporated herein by reference to Exhibit (2)(d) as filed with its Form 10-K for the year ended December 31, 1999.
(e)	Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
(3)(i)	Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year ended December 31, 1997.
(ii)	By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
(4)	Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10)(a)	Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit (10) as filed with its Form 10-K for the year ended December 31, 1996.
(10)(b)	Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(10)(c)	Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
(13)	Portions of the Annual Report to Stockholders for the year ended December 31, 2000 which are specifically incorporated herein by reference.
(21)	Subsidiaries of Registrant.
(23)	Consent of Independent Public Accountants.
(24)	Powers of Attorney for Directors.

SIGNATURES

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

ROLLINS, INC.

By:

R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)
Date: March 19, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:

R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)
Date: March 19, 2001

By:

Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
Date: March 19, 2001

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

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

Gary W. Rollins
As Attorney-in-Fact & Director
March 19, 2001

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

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

ROLLINS, INC. AND SUBSIDIARIES
SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998
(In thousands of dollars)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts(1)	Deductions(2)	Balance at End of Period
Year ended December 31, 2000 Allowance for doubtful accounts	$4,929	$8,056	$1,850	$6,106	$8,729
Year ended December 31, 1999 Allowance for doubtful accounts	$5,347	$6,551	$ 434	$7,403	$4,929
Year ended December 31, 1998 Allowance for doubtful accounts	$9,326	$4,502	$ —	$8,481	$5,347

NOTE: (1) Charged to Other Accounts represents beginning balances of allowances for doubtful accounts of acquired companies.

(2) Deductions represent the write-off of uncollectible receivables, net of recoveries.

ROLLINS, INC. AND SUBSIDIARIES
INDEX TO EXHIBITS

	Exhibit Number
(2)(a)	Asset Purchase Agreement by and between Orkin Exterminating Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.
(b)	Stock Purchase Agreement as of September 30, 1999, by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C. Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc. is incorporated herein by reference to Exhibit (2)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(c)	Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd is incorporated herein by reference to Exhibit (2)(c) as filed with its Form 10-K for the year ended December 31, 1999.
(d)	First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd is incorporated herein by reference to Exhibit (2)(d) as filed with its Form 10-K for the year ended December 31, 1999
(e)	Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
(3)(i)	Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year ended December 31, 1997.
(ii)	By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
(4)	Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10)(a)	Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit (10) as filed with its Form 10-K for the year ended December 31, 1996.
(10)(b)	Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(10)(c)	Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
(13)	Portions of the Annual Report to Stockholders for the year ended December 31, 2000 which are specifically incorporated herein by reference.
(21)	Subsidiaries of Registrant.
(23)	Consent of Independent Public Accountants.
(24)	Powers of Attorney for Directors.

REPORT OF MANAGEMENT

To the Stockholders of Rollins, Inc.:

We have prepared the accompanying financial statements and related information included herein for the years ended December 31, 2000, 1999, and 1998. The opinion of Arthur Andersen LLP, the Company's independent public accountants, on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with accounting principles generally accepted in the United States, appropriate in the circumstances, based on our best estimates and judgments and giving due consideration to materiality.

Rollins, Inc. maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent public accountants. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such a system should not exceed the benefit to be derived. We believe the Company's system provides this appropriate balance.

The Board of Directors pursues its review and oversight role for these financial statements through an Audit Committee composed of three outside directors. The Audit Committee's duties include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of Rollins, Inc. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal auditors and independent public accountants and reviews the work of each to insure that their respective responsibilities are being carried out and to discuss related matters. Both the internal auditors and independent public accountants have direct access to the Audit Committee.

Chairman of the Board and
Chief Executive Officer

Chief Financial Officer
and Treasurer

Atlanta, Georgia
February 16, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Directors and Stockholders of Rollins, Inc.:

We have audited the accompanying statements of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 2000 and 1999 and the related statements of income, earnings retained and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rollins, Inc. and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule listed in Item 14 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Arthur Andersen LLP

Atlanta, Georgia
February 16, 2001

SIGNATURES

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

ROLLINS, INC.

By: /s/ R. RANDALL ROLLINS
R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)
Date: March 19, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ R. RANDALL ROLLINS
R. Randall Rollins
Chairman of the Board of Directors
(Principal Executive Officer)
Date: March 19, 2001

By: /s/ HARRY J. CYNKUS
Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
Date: March 19, 2001

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

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

/s/ GARY W. ROLLINS
Gary W. Rollins
As Attorney-in-Fact & Director
March 19, 2001

REPORT OF MANAGEMENT

To the Stockholders of Rollins, Inc.:

We have prepared the accompanying financial statements and related information included herein for the years ended December 31, 2000, 1999, and 1998. The opinion of Arthur Andersen LLP, the Company's independent public accountants, on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with accounting principles generally accepted in the United States, appropriate in the circumstances, based on our best estimates and judgments and giving due consideration to materiality.

Rollins, Inc. maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent public accountants. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such a system should not exceed the benefit to be derived. We believe the Company's system provides this appropriate balance.

The Board of Directors pursues its review and oversight role for these financial statements through an Audit Committee composed of three outside directors. The Audit Committee's duties include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of Rollins, Inc. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal auditors and independent public accountants and reviews the work of each to insure that their respective responsibilities are being carried out and to discuss related matters. Both the internal auditors and independent public accountants have direct access to the Audit Committee.

/s/ R. RANDALL ROLLINS	/s/ HARRY J. CYNKUS
Chairman of the Board and Chief Executive Officer	*Chief Financial Officer and Treasurer*

Atlanta, Georgia
February 16, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Directors and Stockholders of Rollins, Inc.:

We have audited the accompanying statements of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 2000 and 1999 and the related statements of income, earnings retained and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rollins, Inc. and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule listed in Item 14 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Arthur Andersen LLP

Atlanta, Georgia
February 16, 2001

Directors

Henry B. Tippie †
Chairman of the Board and Chief Executive Officer of Tippie Services, Inc. (management services)

R. Randall Rollins *
Chairman of the Board and Chief Executive Officer of Rollins, Inc., Chairman of the Board and Chief Executive Officer of RPC, Inc. (oil and gas field services, and boat manufacturing)

Wilton Looney † •
Honorary Chairman of the Board of Genuine Parts Company (automotive parts distributor)

James B. Williams † •
Chairman of the Executive Committee of SunTrust Banks, Inc. (bank holding company)

Gary W. Rollins *
President and Chief Operating Officer of Rollins, Inc.

Bill J. Dismuke
Retired President of Edwards Baking Company

* Member of the Executive Committee
† Member of the Audit Committee
• Member of the Compensation Committee

Officers

R. Randall Rollins
Chairman of the Board and Chief Executive Officer

Gary W. Rollins
President and Chief Operating Officer

Harry J. Cynkus
Chief Financial Officer and Treasurer

Michael W. Knottek
Vice President and Secretary

Stockholders' Information

Annual Meeting
The Annual Meeting of the Stockholders will be held at 10:00 a.m. Tuesday, April 24, 2001, at the Company's corporate offices in Atlanta, Georgia.

Transfer Agent and Registrar
For inquiries related to stock certificates, including changes of address, lost certificates, dividends, and tax forms, please contact:

SunTrust Bank
Stock Transfer Department
P.O. Box 4625
Atlanta, GA 30302
Telephone: 1-800-568-3476

Stock Exchange Information
The Common Stock of the Company is listed on the New York and Pacific Stock Exchanges and traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL.

Dividend Reinvestment Plan
This Plan provides a simple, convenient, and inexpensive way for stockholders to invest cash dividends in additional Rollins, Inc. shares. For further information, contact SunTrust Bank, at the above address.

Corporate Offices
Rollins, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324

Mailing Address
Rollins, Inc.
P.O. Box 647
Atlanta, Georgia 30301

Telephone
(404) 888-2000

Rollins, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324
(404) 888-2000