2017 Annual Report | 2018 Proxy Statement

ROLLINS®


53
Rollins is currently in
53 countries worldwide.
ORKIN
CANADA
ORKIN
CANADA

ROLLINS®

STATEMENT OF OPERATIONS DATA

(in thousands except per share data)

YEARS ENDED DECEMBER 31,	2017	Increase / Decrease	2016	2015	2014	2013
Revenues	$1,673,957	6.4%	$1,573,477	$1,485,305	$1,411,566	$1,337,374
Income Before Income Taxes	294,502	13.0%	260,636	243,178	219,484	191,606
Net Income	179,124	7.0%	167,369	152,149	137,664	123,330
Earnings Per Share - Basic	0.82	6.5%	0.77	0.70	0.63	0.56
Earnings Per Share - Diluted	0.82	6.5%	0.77	0.70	0.63	0.56
Dividends paid per share	0.56	12.0%	0.50	0.42	0.35	0.30

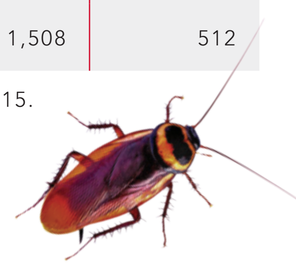
OTHER DATA:

Net cash provided by operating activities	$235,370	3.9%	$226,525	$196,356	$194,146	$162,665
Net cash used in investing activities	(154,175)	100.6%	(76,842)	(69,942)	(89,471)	(30,790)
Net cash used in financing activities	(130,263)	-4.5%	(136,371)	(97,216)	(106,519)	(75,653)
Depreciation	27,381	10.7%	24,725	19,354	16,627	14,415
Amortization of intangible assets	29,199	11.5%	26,177	25,168	26,882	25,156
Capital expenditures	(24,680)	-25.4%	(33,081)	(39,495)	(28,739)	(18,632)

BALANCE SHEET DATA AT END OF YEAR:

Current assets	$262,795	-9.4%	$290,171	$269,434	$241,194	$234,924
Total assets	1,033,663	12.8%	916,538	848,651	808,162	739,217
Stockholders' equity	$653,924	15.0%	$568,545	$524,029	$462,676	$438,255
Number of shares outstanding at year-end	217,992		217,792	218,553	218,283	218,797
Closing stock price at December 31	$46.53	37.7%	$33.78	$25.90	$22.07	$20.19
Shares acquired	—		836	19	1,508	512

All share and per share data have been restated for the three-for-two stock split effective March 10, 2015.



Orkin Canada is the largest pest control company in Canada.

13K

More than 13,000 employees worldwide.

Revenue ↑6.4%

Diluted EPS ↑6.5%

Net Income ↑7.0%

Dividends ↑12% Per Share

To our SHAREHOLDERS

In 2017, our pest and wildlife service offerings, widespread footprint and advanced employee training helped provide our 20th consecutive year of record revenue and profit. No other organization in our industry provides the depth and breadth of services that we offer, which include: Residential Pest Control, Commercial Pest Control, Termite Protection, Fumigation and Wildlife Control, worldwide. Our financial improvements came through continued organic growth, improved productivity, and technological innovation, coupled with our largest acquisition since 2008.

We were pleased to report that our earnings rose 7.0% to $179.1 million in 2017, compared to $167.4 million in 2016. In spite of the negative impact of several hurricanes, revenue grew 6.4% to $1.674 billion, compared to $1.573 billion for 2016. Our earnings per share rose 6.5% to $0.82 for the year while our stockholders received $122 million in dividends, representing a 12% increase over the previous year. This increase included a special dividend, which has now been provided for the past 6 years.

Share Price
↑37.7%

IFC has provided a full-range of products and service exclusively to the food and commodity industry since 1937.

ROLLINS

ROLLINS, INC.

Leading pest brands worldwide

Orkin, the largest pest control company in the U.S., has over 115 years of experience, specializing in protection against common pests, including termites, rodents, and insects.

Critter Control, the nation's leading wildlife control company, has provided animal control and removal services since 1983, with a focus on vertebrate pests such as squirrels, raccoons, bats and birds.

Perma Treat, founded in 1967, is a leader in general pest and termite control, real estate inspections, new construction pretreatment, outdoor pest control for Central and Northern Virginia.

Established in 1996, HomeTeam Pest Defense is the number one pest management company providing service to home builders with its unique Taexx® tubes in the wall pest control system.

Established in 1937, IFC is a market leader providing consistent, reliable and high quality pest management and sanitation services and products to the food and commodity industries.

Established in 1930, Crane Pest Control, Inc. is a leading commercial pest control provider serving Northern California and the Reno/Tahoe Basin.

Since 1928, Western has provided quality residential and commercial pest control in the Northeast, employing a full staff of field supervisors, quality control, and entomologists.

Established in 1984, Trutech is one of the largest animal control and removal and wildlife removal companies in the U.S., ensuring animals are removed in a humane and ethical manner.

Since 1959, Allpest has provided traditional commercial, residential, and termite service, border protection consulting services and specialized services for mining, oil and gas sectors in Australia.

Since 1951, Northwest has provided pest control, termite, and wildlife services for approximately 120,000 customers in Georgia, South Carolina, Tennessee, Alabama, and North Carolina.

Waltham Services has been providing peace of mind from pests since 1893, giving personalized attention to solving and preventing pest infestations throughout New England.

Murray Pest Control in Australia has provided pest control since 1959. The company uses only the latest, safest products and eco-friendly techniques to protect from termites and pests.

ORKIN CANADA

Established in 1954, Orkin Canada is Canada's largest pest control provider and a leader in the development of fast, effective and environmentally responsible pest control solutions.

ORKIN AUSTRALIA

Orkin Australia combines international expertise with the local experience of our four regional brands, Orkin Australia delivers unmatched quality, reliability and safety.

PEST STATEWIDE CONTROL

Since 1994, Statewide has provided a variety of residential and commercial pest control services for Victoria, reaching up into New South Wales.

SCIENTIFIC PEST & VEGETATION MANAGEMENT

Scientific Pest Management offers commercial pest control and termite services, specializing in large contracts throughout Australia through owned, franchise and partner companies.

Safeguard THE PEST CONTROL PEOPLE

Since 1991, Safeguard has had a rich history of providing superior pest control, bird control, and specialist services to residential and commercial customers in the United Kingdom.

Rollins has been growing worldwide.

The Company-owned international operations in Canada, Australia and the U.K. grew solidly in 2017. With our Australia national footprint now in place, we have been successful in obtaining more countrywide service tenders. We continued to expand Orkin's International Franchise network which now has reached 81 locations. With this year's additions, we now provide pest services in 53 countries around the world.

The Tax Cuts and Jobs Act that was signed into Law on December 22, 2017, created a one-time, fourth quarter Tax charge of $11.6 million. Taking this charge into account and looking at our full year results from a non–GAAP perspective, our Earnings were up 13.9% to $190.7million and EPS were $0.87, a 13.0% increase.

The estimated negative impact of the TCJA was an $11.6 million increase in tax. This resulted in a $0.05 per diluted share decrease in net income for the year. Net income and diluted earnings per share, excluding the effect of the TCJA, are non-GAPP financial measures. Management believes these measures help investors understand the effect of these on reported results.

As a service company, employee retention was a key focus for us through the year. Employee retention has a direct bearing on customer retention and profitability, which has continued to improve.

Early on in the year, we implemented changes to our employee "on-boarding" process for new field technicians to more align our actions with expectations of the newest generation of employees. Both our frequency and method of connectivity were two important improvements and have been received very positively.

With our Operational Technology enhancements implemented over the past few years, we have now started the process of rolling out a new Human Resource Information System (HRIS) to better enable us to focus on development of our entire employee base. This will be the largest investment in people development since the addition of our World Class Broadcast and Training Facility which was completed in 2008. Our ability to find, hire, train, and retain employees throughout all levels of our organization will be critical for our continued success.

In the second quarter, we completed the integration of BOSS in all Orkin branches. BOSS, our new branch CRM system, has enabled us to improve our branch operational capabilities and to allow a better customer interaction and customer service. We have called this new alignment "Orkin 2.0" which has created more time for customer service and improved routing and scheduling capabilities. Our technicians now have more time to solve customer needs and concerns faster. These changes have made the jobs at our branch locations more efficient and more rewarding.

Many of our employees were negatively impacted by Hurricanes Irma, Harvey and Maria. In many parts of the Southeastern U.S. and South Texas, a large number of our employees were displaced, and their property damaged or destroyed. Thankfully, all of our employees and families were safe throughout these storms. We are continually grateful for the generosity of our Company and Rollins employees for their support of the Rollins Employee Relief Fund. These funds were used to provide help for those impacted employees, which enabled them to begin rebuilding their lives.

Industry leading training is a direct outcome of having the best trained employees in the industry. In order to stay ahead of the competition, we maintained a high priority on our training and employee development. For a record 13th time,

Rollins has been recognized by Training magazine as a Top 125 Company, worldwide. In past years, Orkin has been previously recognized but this year, the entire Rollins family of Pest Management brands was awarded this honor.

According to Training magazine, the Top 125 ranking is based on a myriad of benchmarking statistics and is determined by assessing a range of qualitative and quantitative factors, including financial investment in employee development.

REVENUE

(by Service Lines)

ROLLINS, INC.

Executive Steering Committee

R. Randall Rollins
Chairman

Gary W. Rollins
Vice Chairman and CEO

John F. Wilson
President and COO

Kevin J. Smith
CMO

Lee W. Crump
CIO

Paul E. Northen
CFO

Elizabeth Chandler
Corporate Secretary and CLO

Freeman Elliott
President of Orkin

Steven Leavitt
President of Rollins Emerging Opportunities Group

Jerry E. Gahlhoff Jr.
President of Rollins Specialty Brands

A Western Pest Services Technician checking a home's perimeter.

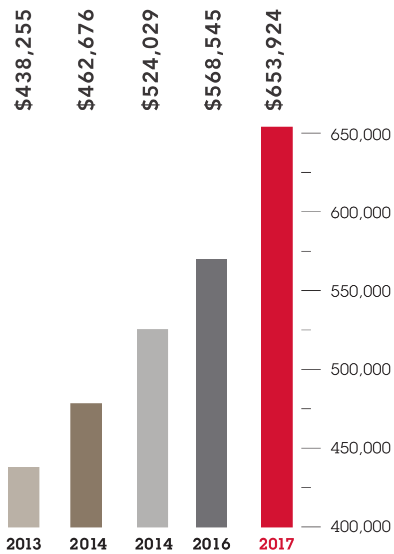
50

2018 marks 50 years ROL has been listed on the NYSE

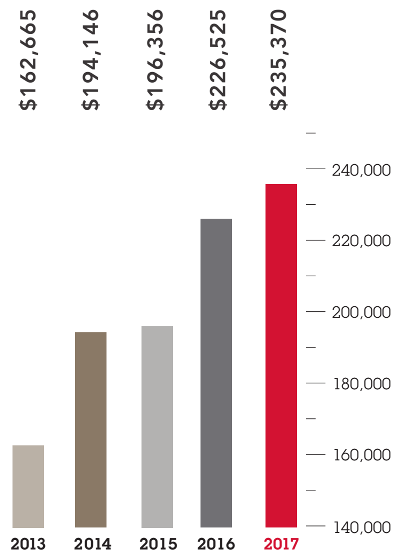
14%

Our wildlife services
grew 14.3% in 2017

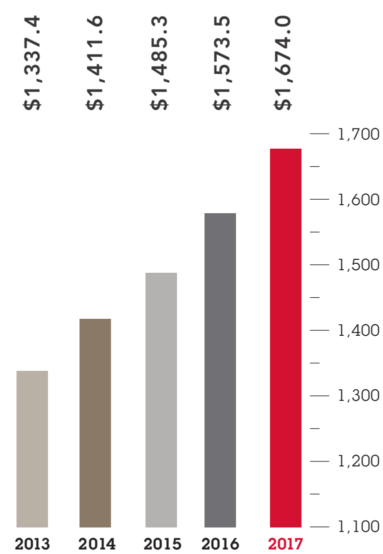
ROLLINS, INC.
Financial Results 2017



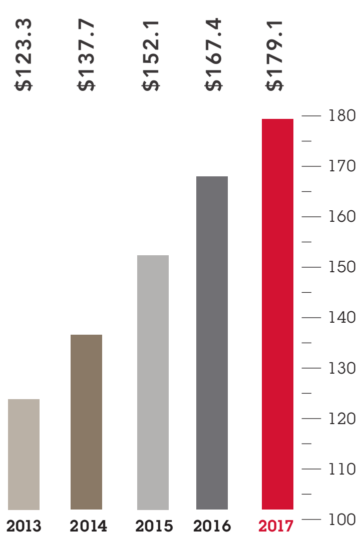
Stockholders' Equity
(in thousands)



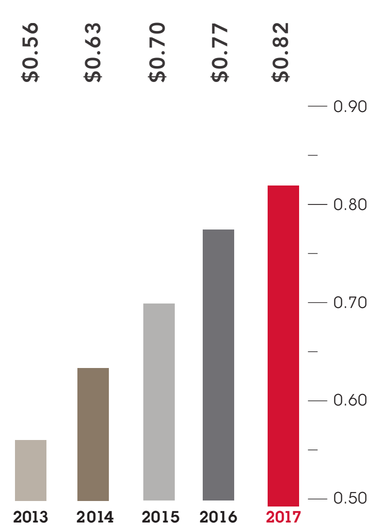
Cash from Operations
(in thousands)



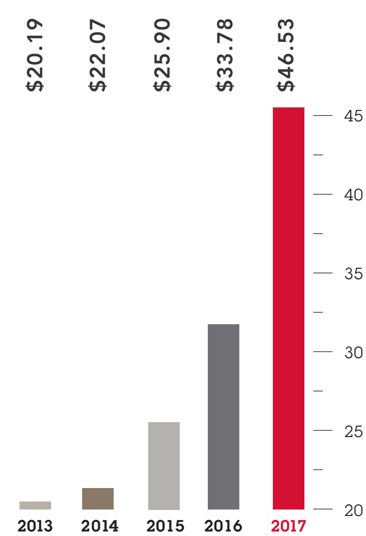
Revenues
(in millions)



Net Income
(in millions)



Diluted Earnings Per Share
($)



Stock Price
($)

Critter Control has been protecting people, property and wildlife since 1983.

Also considered are the scope of development programs and how closely such development efforts are linked to business goals and objectives.

The Rollins Learning Center, our multi-million-dollar training facility located in Atlanta, is the service industry's premier broadcast and hands-on training facility. Its state-of-the-art interactive distance learning system reaches our employees worldwide. In addition to live training demonstrations, it offers On-Demand training, which allows our employees to watch recorded videos, and partake in online learning at their convenience. This self-paced approach enables employees to re-read or re-watch a segment as many times as necessary to better understand and grasp the material. The 27,000-square foot facility includes replicated pest service environments, such as a hotel room, hospital room, commercial kitchen, supermarket, and a 3 bedroom house. Classroom instructions are provided as well for branch manager trainees at our Management Development School, in addition to hands-on-training for the commercial account managers and residential sales inspectors.

We know our highly trained technicians are the primary reason for our exceptional customer service. Combining this training with operational technology enhancements, such as BOSS and the use of iPhones along with our service schedule confirmation ability contributed to improved "on-time" service delivery. While "removing the pest" will always be important, meeting our customers' expectations of convenience is critical to the relationship.

We are proud of our culture of "continuous improvement" and one area that we are raising the bar is through the use of our Virtual Route Management (VRM) BOSS feature. As customer expectations and demands continue to change over time, we will continue to use training and technology to meet and surpass our customers' confidence in our brand.

Customer Engagement is paramount as we look to continue our growth in all service lines, and in all brands. Our company's future success will be tied to our ability to enable our customers to:

- Enjoy one stop shopping for all their Pest and Wildlife control needs
- Conduct business with us when and how it is convenient for them
- Provide the ability to communicate in a manner that works best for them

Growth and expansion continued as all of our service lines and business units showed continued growth during 2017. Residential Pest Control revenues rose 6.4 percent, Commercial Pest Control revenues increased 5.1 percent, and Termite and Ancillary Services revenues grew 9.7 percent. Our Wildlife Services group continued to show solid results with a revenue increase of 14.3%.

Once again we were the "Acquirer of Choice," through the acquisition of Northwest Exterminating. Northwest is a market leader in pest control and termite services in the Southeastern U.S. Their focus on the customer experience is reflected in their above industry average retention and growth rates. They are a great fit for our organization and we look forward to learning from each other.

Rollins established its international franchise network in 2000.

94

International Franchises


James


Safeguard

HomeTeam had another remarkable year and completed their one millionth installation of their Taexx tubes in the wall Pest Control system. This highly convenient treating technology continues to produce the highest customer retention in the industry. The average HomeTeam customer stays with them over 8 years!

The Company-owned international operations in Canada, Australia and the U.K. grew solidly in 2017. With our Australia national footprint now in place, we have been successful in obtaining more countrywide service tenders. We continued to expand Orkin's International Franchise network which now has reached 81 locations. With this year's additions, we now provide pest services in 53 countries around the world.

The Hospitality Industry continues to be challenged to achieve heightened pest control expectations from their customers. The number one reason why customers decide not to stay at a hotel or a hotel chain is a mention of bed bugs in online reviews. After months of testing, we have launched our "Bed Bug ProAct®" service program. This new offering will support the hospitality industry with Orkin's preventive bed bug service to greatly reduce Bed Bug incidences. This treatment program enables our customer to address this threat in a more pro-active and defensive way. ProAct® helps ensure an environment free of bed bug infestation and allows our operations to better coordinate our pest service scheduling.

The use of Data Analytics continues to be a great source for providing guidance to our Operations on key factors related to our future growth. Extensive data analysis of projected population key segments enables strategic spend of future advertising and expansion dollars to direct Operations towards growth with efficiency.

The Tax Cut and Jobs Act was signed by the President into law just before the end of the year. This new Law will have a material positive impact on our financial results for years to come. With approximately 92% of our revenue produced in the U.S., we anticipate that we will see a move from our historic 37.5% Tax Rate to a Tax Rate in the mid 20's%.

We will continually assess the best ways to put these new savings to work for our company for the benefit of our employees, our business, and our shareholders. Many business decisions impact more than one of these categories, like the fact that we have decided to roll-out BOSS into Canada. The new tax rate greatly improves the return on this project. This will be a positive impact on our Orkin Canada business.

At the January Board of Directors meeting, an increase in the annual dividend of 21.7% was approved. This is seven percentage points above our historical average increase and will impact our shareholders and our many employees that hold Rollins stock. As the year moves forward, there will be numerous opportunities to review and make changes based on the positive impact of the Tax Law.

Top: At Rollins, we train year-round to be the best at what we do.
Far Left: HomeTeam Technician installing Taexx® Tubes in the wall.
Left: Safeguard has serviced the United Kingdon since 1991.

Management promotions continued in 2017. One of these important leadership changes was increasing the responsibilities of Beth Chandler, our General Counsel, to include Internal Audit and Risk Management. During the year Beth also became a member of the Rollins Executive Steering Committee. In addition, effective January 1, 2018, the Rollins Board appointed Beth to Corporate Secretary. Beth has been with Rollins for over 5 years and has made many important contributions to our Company.

Also, on January 1st Tom Luczynski was elevated to President of Orkin Global Development and International Franchising. Tom joined Rollins more than 30 years ago and has held several important financial and operational positions. These include Orkin Controller, Vice President of Finance, and Vice President of Rollins Acceptance Company. RAC is the Rollins consumer finance company. Tom will also serve as Assistant Corporate Secretary.

Looking forward, in 2018 the Company will celebrate its 50th year as a listed company on the New York Stock Exchange. On August 10, 2018, we will make history with this achievement including having two current Directors that were present on the day we were listed 50 years ago. R. Randall Rollins, our Chairman of the Board, and Henry B. Tippie, our lead director, hold this distinction.

During the past 50 years, the company has changed in so many ways moving from the media industry to the worldwide pest control leader, but the founding principles of integrity, innovation, and dedication have served us well throughout this journey. We have benefitted tremendously from the support of our employees and shareholders, and look forward to 2018, and our next 50 years.

Sincerely,

Gary W. Rollins
Vice Chairman and
Chief Executive Officer

R. Randall Rollins
Chairman of the Board

John F. Wilson
President and
Chief Operating Officer

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Commission file No. 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each Exchange on which registered
Common Stock, $1 Par Value	The New York Stock Exchange

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

Indicate by check mark	YES	NO
• Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• 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.	☑	☐
• Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	☑	☐
• 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.		☑

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

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller Reporting Company ☐	Emerging growth company ☐
		(Do not check if a smaller reporting company)		

	YES	NO
• If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.	☐	
• Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on June 30, 2017 was $3,875,558,068 based on the reported last sale price of common stock on June 30, 2017, which is the last business day of the registrant's most recently completed second fiscal quarter.

Rollins, Inc. had 218,209,925 shares of Common Stock outstanding as of January 31, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2018 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-14.

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ROLLINS, INC.
Form 10-K
For the Year Ended December 31, 2017

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Part I

Item 1.

Business

General

Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc.

The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, Canada, Australia, and Mexico. Services are performed through a contract that specifies the pricing arrangement with the customer.

For a listing of the Company's Subsidiaries, see Note 1 - Summary of Significant Accounting Policies of Notes to the Financial Statements (Part II, Item 8, of this Form 10-k).

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment, which includes the United States, Canada, Australia, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico are included in Item 8 of this document, "Financial Statements and Supplementary Data" on pages 41 and 42. 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.

Common Stock Repurchase Program

All share and per share data presented have been adjusted to account for the three-for-two stock split effective March 10, 2015. At the July 24, 2012 Board of Directors' meeting, the Board authorized the purchase of 7.5 million shares of the Company's common stock. During the year ended December 31, 2017, the Company did not repurchase shares on the open market compared to 0.8 million shares at a weighted average price of $27.19 in 2016, respectively. In total, there are 5.1 million additional shares authorized to be repurchased under prior Board approval. The repurchase program does not have an expiration date.

Backlog

Backlog services and orders are usually provided within the month following the month of order receipt, except in the area of prepaid pest control and bait monitoring services, which are usually provided within twelve months of order 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.

December 31,	2017	2016	2015
Backlog	$ 4,875	$ 5,303	$ 4,352

Franchising Programs

Orkin Franchises

The Company continues to expand its growth through Orkin's franchise program. This program is primarily used in smaller markets where it is currently not economically feasible to locate a conventional Orkin branch. Domestic franchisees are subject to a contractual buyback provision at Orkin's option with a pre-determined purchase price using a formula applied to revenues of the franchise. International franchise agreements also contain an optional buyback provision; however, the franchisee has the prior right of renewal of agreement. The Company through its wholly-owned Orkin subsidiary began its Orkin franchise program in the U.S. in 1994, and established its first international franchise in 2000 and since has expanded to Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico.

	At December 31,		
Orkin Franchises	2017	2016	2015
Domestic Franchises	47	50	51
International Franchises	81	70	48
Total Franchises	128	120	99

Critter Control Franchises

The Company expands its animal control growth through Critter Control's franchise program. The Company has purchased several Critter Control locations from its franchise owners while renaming and converting several Trutech locations to Critter Control. The majority of Critter Control's locations are franchised. Critter Control has franchises in the United States and two Canada as of December 31, 2017 and 2016 respectively.

	At December 31,		
Franchises	2017	2016	2015
Critter Control Franchises	89	94	108

Rollins Australia Franchises

The Company has Australian franchises through Rollins Australia's wholly-owned subsidiary, Murray Pest Control and Scientific Pest Management. The Company purchased Murray Pest Control and Scientific Pest Management in 2016.

	At December 31,	
Rollins Australia Franchises	**2017**	**2016**
Murray Pest Control franchises	8	4
Scientific Pest Management franchises	3	3
Total Franchises	11	7

Seasonality

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

	Total Net Revenues		
(in thousands)	**2017**	**2016**	**2015**
First Quarter	$ 375,247	$ 352,736	$ 330,909
Second Quarter	433,555	411,133	392,150
Third Quarter	450,442	423,994	399,746
Fourth Quarter	414,713	385,614	362,500
Years ended December 31,	$1,673,957	$1,573,477	$1,485,305

Inventories

The Company has relationships with a national pest control product distributor and other vendors for pest and termite control treatment products. The Company maintains a sufficient level of chemicals, materials and other supplies to fulfill its immediate servicing needs and to alleviate any potential short-term shortage in availability from its national network of suppliers.

Competition

The Company believes that Rollins, through its wholly-owned subsidiaries Orkin, Orkin Canada, HomeTeam Pest Defense, Western Pest Services, The Industrial Fumigant Company, Crane Pest Control, Waltham Services, Trutech, Permatreat, Rollins Australia, Critter Control, Safeguard Pest Control and Northwest Exterminating competes favorably with competitors as the world's largest pest and termite control company. The Company's competitors include Terminix, Ecolab, Rentokil and Anticimex.

The principal methods of competition in the Company's pest and termite control markets are quality of service, customer proximity and guarantee terms, reputation for safety, technical proficiency, and price.

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.

The Company maintains a close relationship with several universities for research and validation of treatment procedures and material selection.

The Company conducts tests of new products with the specific manufacturers of such products. The Company also works closely with leading scientists, educators, industry consultants and suppliers to improve service protocols and materials.

Environmental and Regulatory Considerations

The Company's pest control business is subject to various legislative and regulatory enactments that are designed to protect the environment, public health and consumers. Compliance with these requirements has not had a material negative impact on the Company's financial position, results of operations or liquidity.

Federal Insecticide Fungicide and Rodenticide Act ("FIFRA")

This federal law (as amended) grants to the states the responsibility to be the primary agent in enforcement and conditions under which pest control companies operate. Each state must meet certain guidelines of the Environmental Protection Agency in regulating the following: licensing, record keeping, contracts, standards of application, training and registration of products. This allows each state to institute certain features that set their regulatory programs in keeping with special interests of the citizens' wishes in each state. The pest control industry is impacted by these federal and state regulations.

Food Quality Protection Act of 1996 ("FQPA")

The FQPA governs the manufacture, labeling, handling and use of pesticides and does not have a direct impact on how the Company conducts its business.

Environmental Remediation

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as Superfund, is the primary Federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. Responsibilities governed by this statute include the management of hazardous substances, reporting releases of hazardous substances, and establishing the necessary contracts and agreements to conduct cleanup. Customarily, the parties involved will work with the EPA and under the direction of the responsible state agency to agree and implement a plan for site remediation. Consistent with the Company's responsibilities under these regulations, the Company undertakes environmental assessments and remediation of hazardous substances from time to time as the Company determines its responsibilities for these purposes. As these situations arise, the Company accrues management's best estimate of future costs for these activities. Based on management's current estimates of these costs, management does not believe these costs are material to the Company's financial condition or operating results.

Employees

The number of persons employed by the Company as of January 31, 2018 was approximately 13,000.

December 31,	2017	2016	2015
Employees	13,126	12,153	11,268

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports, are available free of charge on our web site at www.rollins.com as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission.

Item 1.A.

Risk Factors

Our business depends on our strong brands, and failing to maintain and enhance our brands could hurt our ability to retain and expand our base of customers.

Our strong brands, Rollins, Orkin, HomeTeam Pest Defense, Western Pest Services, Northwest Exterminating, The Industrial Fumigant Company, Crane Pest Control, Waltham Services, Trutech, Permatreat, Critter Control, Allpest, Safeguard Pest Control and other strong brands have significantly contributed to the success of our business. Maintaining and enhancing our brands increases our ability to enter new markets and launch new and innovative services that better serve the needs of our customers. Our brands may be negatively impacted by a number of factors, including, among others, reputational issues and product/technical failures. Further, if our brands are significantly damaged, our business, operating results, and financial condition may be materially and adversely affected. Maintaining and enhancing our brands will depend largely on our ability to remain a service leader and continue to provide high-quality, pest control products and services that are truly useful and play a meaningful role in people's lives.

Economic conditions may adversely affect our business

Pest and termite services represent discretionary expenditures to many of our residential customers. As consumers restrict their discretionary expenditures, we may suffer a decline in revenues from our residential service lines. Economic downturns can also adversely affect our commercial customers, including food service, hospitality and food processing industries whose business levels are particularly sensitive to adverse economies. For example, we may lose commercial customers and related revenues because of consolidation or cessation of commercial businesses or because these businesses switch to a lower cost provider.

Our inability to attract and retain skilled workers may impair growth potential and profitability.

Our ability to remain productive and profitable will depend substantially on our ability to attract and retain skilled workers. Our ability to expand our operations is in part impacted by our ability to increase our labor force. The demand for skilled employees is high, and the supply is very limited. A significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in wage rates paid by us, or both. If either of these events occurred, our capacity and profitability could be diminished, and our growth potential could be impaired.

We may not be able to maintain our competitive position in the pest control industry in the future.

We operate in a highly competitive industry. Our revenues and earnings may be affected by changes in competitors' prices, and general economic issues. We compete with other large pest control companies, as well as numerous smaller pest control companies, for a finite number of customers. We believe that the principal competitive factors in the market areas that we serve are service quality, and product availability, terms of guarantees, reputation for safety, technical proficiency and price. Although we believe that our experience and reputation for safety and quality service are excellent, we cannot assure investors that we will be able to maintain our competitive position.

Our operations could be affected by pending and ongoing litigation.

In the normal course of business, some of the Company's subsidiaries are defendants in a number of lawsuits or arbitrations, which allege that plaintiffs have been damaged. The Company does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual year.

Our operations could be affected if there is unauthorized access of personal, financial, or other data or information about our customers, employees, third parties, or of Company's proprietary of confidential information. We could be subject to interruption of our business operations, private litigation, reputational damage and costly penalties.

Our information technology systems, as well as the information technology systems of our third party business partners and service providers, can contain personal, financial, health, or other information that is entrusted to us by our customers and employees. Our information technology systems also contain Company's and its wholly-owned subsidiaries' proprietary and other confidential information related to our business, such as business plans and product development initiatives. We rely on, among other things, commercially available vendors, cyber protection systems, software, tools and monitoring to provide security for processing, transmission and storage of this information and data. The systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, meet standards set by the payment card industry ("PCI"). We continue to evaluate and modify our systems and protocols for data security compliance purposes, and such standards may change from time to time. Activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of our systems. Any compromises, breaches or errors in applications related to our systems or failures to comply with applicable standards could cause damage to our reputation and interruptions in our operations, including our customers' ability to pay for our services and products by credit card or their willingness to purchase our services and products and could result in a violation of applicable laws, regulations, orders, industry standards or agreements and subject us to costs, penalties and liabilities which could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows. Also, a breach of data security could expose us to customer litigation and costs related to the reporting and handling of such a breach.

Our operations may be adversely affected if we are unable to comply with regulatory and environmental laws.

Our business is significantly affected by environmental laws and other regulations relating to the pest control industry and by changes in such laws and the level of enforcement of such laws. We are unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. We believe our present operations substantially comply with applicable federal and state environmental laws and regulations. We also believe that compliance with such laws has had no material adverse effect on our operations to date. However, such environmental laws are changed frequently. We are unable to predict whether environmental laws will, in the future, materially affect our operations and financial condition. Penalties for noncompliance with these laws may include cancellation of licenses, fines, and other corrective actions, which would negatively affect our future financial results.

We may not be able to identify, complete or successfully integrate acquisitions.

Acquisitions have been and may continue to be an important element of our business strategy. We cannot assure investors that we will be able to identify and acquire acceptable acquisition candidates on terms favorable to us in the future. We cannot assure investors that we will be able to integrate successfully the operations and assets of any acquired business with our own business. Any inability on our part to integrate and manage the growth from acquired businesses could have a material adverse effect on our results of operations and financial condition.

Our operations are affected by adverse weather conditions.

Our operations are directly impacted by the weather conditions worldwide. The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The increase in pest presence and activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons), has historically resulted in an increase in the revenue and income of the Company's pest and termite control operations during such periods. The business of the Company is also affected by extreme weather such as drought which can greatly reduce the pest population for extended periods.

Our franchisees, subcontractors, and vendors could take actions that could harm our business.

Our franchisees, subcontractors, and vendors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Each franchising brand also provides training and support to franchisees. However, franchisees, subcontractors, and vendors are independent third parties that we do not control, and who own, operate and oversee the daily operations of their businesses. As a result, the ultimate success of any franchise operation rests with the franchisee. If franchisees do not successfully operate their businesses in a manner consistent with required standards, royalty payments to us will be adversely affected and our brands' image and reputation could be harmed. This could adversely impact our business, financial position, results of operations and cash flows. Similarly, if subcontractors, vendors and franchisees do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, we could be subject to claims from regulators or legal claims for the actions or omissions of such third-party distributors, subcontractors, vendors and franchisees. In addition, our relationship with our franchisees, subcontractors, and vendors could become strained (including resulting in litigation) as we impose new standards or assert more rigorous enforcement practices of the existing required standards. These strains in our relationships or claims could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

From time to time, we receive communications from our franchisees regarding complaints, disputes or questions about our practices and standards in relation to our franchised operations and certain economic terms of our franchise arrangements. If franchisees or groups representing franchisees were to bring legal proceedings against us, we would vigorously defend against the claims in any such proceeding. Our reputation, business, financial position, results of operations and cash flows could be materially adversely impacted and the price of our common stock could decline.

Our brand recognition could be impacted if we are not able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license, particularly our registered brand names and service marks, Orkin®, Orkin Canada®, Acurid℠, Western Pest Services®, the Industrial Fumigant Company, HomeTeam Pest Defense®, TAEXX®, Critter Control®, Northwest Exterminating®, Allpest®, Murray®, Safeguard® and others. We have not sought to register or protect every one of our marks either in the United States or in every country in which they are or may be used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse impact on our reputation, business, financial position, results of operations and cash flows. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products, services or activities infringe their intellectual property rights.

The Company's management has a substantial ownership interest; public stockholders may have no effective voice in the Company's management.

The Company has elected the "Controlled Company" exemption under Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual. The Company is a "Controlled Company" because a group that includes the Company's Chairman of the Board, R. Randall Rollins and his brother, Gary W. Rollins, who is the Vice Chairman and Chief Executive Officer, and a director of the Company and certain companies under their control, controls in excess of fifty percent of the Company's voting power. As a "Controlled Company," the Company need not comply with certain NYSE rules.

Rollins, Inc.'s executive officers, directors and their affiliates hold directly or through indirect beneficial ownership, in the aggregate, approximately 56 percent of the Company's outstanding shares of common stock. As a result, these persons will effectively control the operations of the Company, including the election of directors and approval of significant corporate transactions such as acquisitions and approval of matters requiring stockholder approval. This concentration of ownership could also have the effect of delaying or preventing a third party from acquiring control of the Company at a premium.

Our management has a substantial ownership interest, and the availability of the Company's common stock to the investing public may be limited.

The availability of Rollins' common stock to the investing public would be limited to those shares not held by the executive officers, directors and their affiliates, which could negatively impact Rollins' stock trading prices and affect the ability of minority stockholders to sell their shares. Future sales by executive officers, directors and their affiliates of all or a portion of their shares could also negatively affect the trading price of our common stock.

Provisions in Rollins, Inc.'s certificate of incorporation and bylaws may inhibit a takeover of the Company.

Rollins, Inc.'s certificate of incorporation, bylaws and other documents contain provisions including advance notice requirements for stockholder proposals and staggered terms for the Board of Directors. These provisions may make a tender offer, change in control or takeover attempt that is opposed by the Company's Board of Directors more difficult or expensive.

Item 1.B.

Unresolved Staff Comments

None.

Item 2.

Properties

The Company's administrative headquarters are owned by the Company, and are located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Company owns or leases over 500 branch offices and operating facilities used in its business as well as the Rollins Training Center located in Atlanta, Georgia, the Rollins Customer Service Center located in Covington, Georgia, and the Pacific Division Administration and Training Center in Riverside, California. 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

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

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

Item 4.

Mine Safety Disclosures

Not applicable.

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 or her earlier removal by the Board of Directors or his or her resignation. The following table lists the executive officers of the Company and their ages, offices within 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)]	86	Chairman of the Board of Directors	10/22/1991
Gary W. Rollins[(1) (2)]	73	Vice Chairman and Chief Executive Officer	7/24/2001
John Wilson[(3)]	60	President and Chief Operating Officer	1/23/2013
Paul E Northen[(4)]	53	Vice President, Chief Financial Officer and Treasurer	1/26/2016
Elizabeth Chandler[(5)]	54	Corporate Secretary and Chief Legal Officer	1/1/2018

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

(2) Gary W. Rollins was elevated to Vice Chairman Rollins in January 2013. He was elected to the office of Chief Executive Officer in July 2001. In February 2004, he was named Chairman of Orkin, LLC.

(3) John Wilson joined the Company in 1996 and has held various positions of increasing responsibility, serving as a technician, sales inspector, branch manager, region manager, vice president and division president. His most senior positions have included Vice President of Rollins, Inc., Southeast Division President, Atlantic Division Vice President and Central Commercial region manager. Mr. Wilson was elevated to President and Chief Operating Officer in January 2013.

(4) Paul E. Northen joined Rollins in 2015 as CFO and Corporate Treasurer. He was promoted to Vice President of Rollins, Inc. in January 2016. He began his career with UPS in 1985 and brings a wealth of Tax, Risk Management and Audit experience as well as strong international exposure to Rollins. Prior to joining Rollins, Mr. Northen was Vice President of International Finance and Accounting-Global Business Services for UPS. He previously held the positions of CFO of UPS' Asia Pacific Region based in Hong Kong, and as Vice President of Finance in UPS' Pacific and Western Regions.

(5) Elizabeth (Beth) Brannen Chandler joined Rollins in 2013 as Vice President and General Counsel. In 2016, Beth assumed responsibility for the Risk Management and Internal Audit groups. She was appointed to Corporate Secretary in January 2018. Before joining Rollins, Mrs. Chandler was vice president, general counsel and corporate secretary for Asbury Automotive. Prior to working with Asbury, Mrs. Chandler served as city attorney for the City of Atlanta; and she served as vice president, assistant general counsel and corporate secretary for Mirant Corp.

PART II

Item 5.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of the Company is listed on the New York Stock Exchange 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, 2017 and 2016, were as follows:

STOCK PRICES AND DIVIDENDS

Rounded to the nearest $.01

	Stock Price		Dividends Paid
2017	High	Low	Per Share
First Quarter	$ 37.29	$ 32.82	$ 0.12
Second Quarter	$ 43.75	$ 35.82	$ 0.12
Third Quarter	$ 46.22	$ 39.90	$ 0.12
Fourth Quarter	$ 48.29	$ 42.82	$ 0.22

	Stock Price		Dividends Paid
2016	High	Low	Per Share
First Quarter	$ 29.11	$ 23.69	$ 0.10
Second Quarter	$ 29.27	$ 26.21	$ 0.10
Third Quarter	$ 29.71	$ 27.29	$ 0.10
Fourth Quarter	$ 34.24	$ 28.00	$ 0.20

As of January 31, 2018, there were 2,496 holders of record of the Company's common stock. However, a large number of our shareholders hold their shares in "street name" in brokerage accounts and, therefore, do not appear on the shareholder list maintained by our transfer agent.

On January 23, 2018 the Board of Directors approved a 21.7% increase in the Company's quarterly cash dividend per common share to $0.14 payable March 9, 2018 to stockholders of record at the close of business February 9, 2018. On October 24, 2017, the Board of Directors declared its regular $0.115 per share as well as a special year-end dividend of $0.10 per share both payable December 11, 2017 to stockholders of record at the close of business November 10, 2017. The Company expects to continue to pay cash dividends to the common stockholders, subject to the earnings and financial condition of the Company and other relevant factors.

Issuer Purchases of Equity Securities

During the years ended December 31, 2017, the Company did not repurchase shares on the open market compared to 0.8 million shares at a weighted average price of $27.19 in 2016. In total, there remain 5.1 million additional shares authorized to be repurchased under prior Board approval. The repurchase program does not have an expiration date.

Period	Total Number of Shares Purchased(1)	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans(2)	Maximum Number of Shares that May Yet Be Purchased Under the Repurchase Plans
October 1 to 31, 2017	—	$ —	—	5,073,611
November 1 to 30, 2017	—	—	—	5,073,611
December 1 to 31, 2017	1,167	46.53	—	5,073,611
Total	1,167	$ 46.53	—	5,073,611

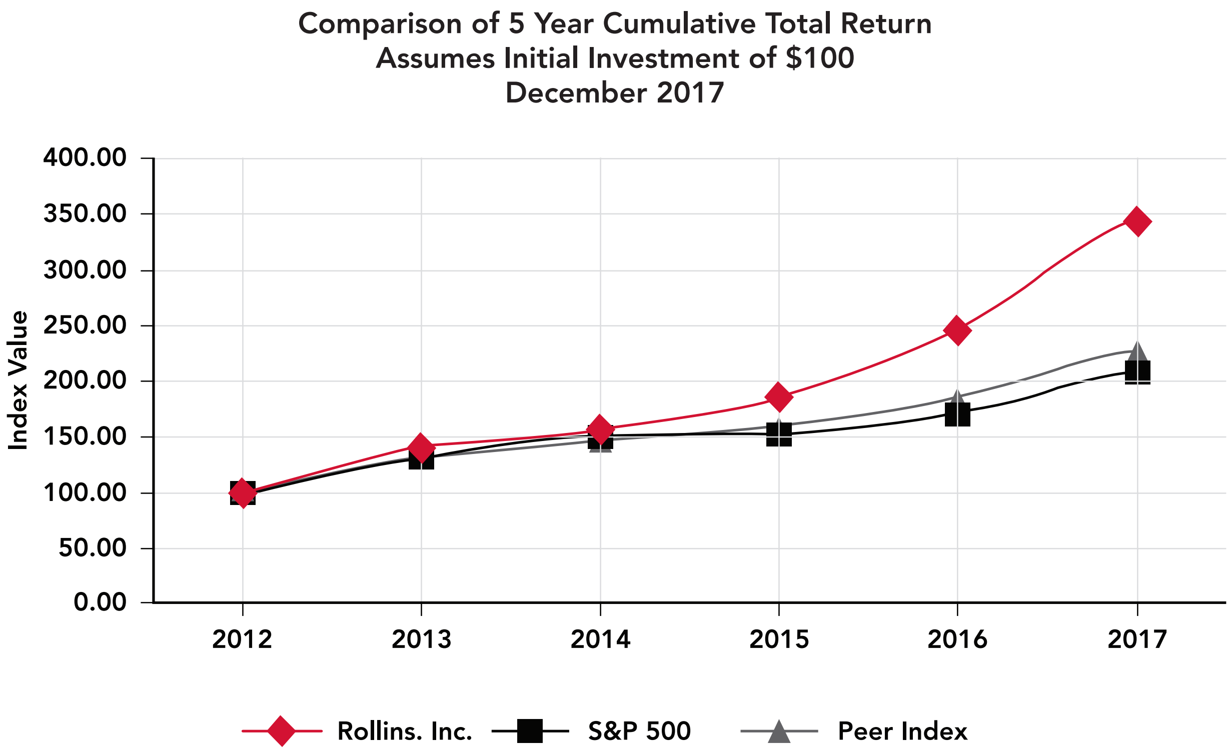
(1) Includes repurchases from employees for the payment of taxes on vesting of restricted shares in the following amounts: October 2017: 0; November 2017: 0; and December 2017: 1,167.

(2) The Company has a share repurchase plan adopted in 2012, to repurchase up to 7.5 million shares of the Company's common stock. The plan has no expiration date.

PERFORMANCE GRAPH

The following graph sets forth a five year comparison of the cumulative total stockholder return based on the performance of the stock of the Company as compared with both a broad equity market index and an industry index. The indices included in the following graph are the S&P 500 Index and the S&P 500 Commercial Services Index.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*



Rollins, Inc., S&P 500 Index and peer group composite index

Cumulative Total Shareholder Return $ at Fiscal Year End	2012	2013	2014	2015	2016	2017
Rollins, Inc.	100.00	139.85	155.55	185.54	246.31	344.05
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
Peer Index	100.00	130.77	146.46	159.68	185.38	227.58

ASSUMES INITIAL INVESTMENT OF $100
***TOTAL RETURN ASSUMES REINVESTMENT OF DIVIDENDS**
NOTE: TOTAL RETURNS BASED ON MARKET CAPITALIZATION

Item 6.

Selected Financial Data

The following summary financial data of Rollins highlights selected financial data and should be read in conjunction with the financial statements included elsewhere in this document.

FIVE-YEAR FINANCIAL SUMMARY

Rollins, Inc. and Subsidiaries

STATEMENT OF OPERATIONS DATA:

(in thousands except per share data)

Years ended December 31,	2017	2016	2015	2014	2013
Revenues	$ 1,673,957	$ 1,573,477	$ 1,485,305	$ 1,411,566	$ 1,337,374
Income Before Income Taxes	294,502	260,636	243,178	219,484	191,606
Net Income	179,124	167,369	152,149	137,664	123,330
Earnings Per Share - Basic:	0.82	0.77	0.70	0.63	0.56
Earnings Per Share - Diluted:	0.82	0.77	0.70	0.63	0.56
Dividends paid per share	0.56	0.50	0.42	0.35	0.30
OTHER DATA:					
Net cash provided by operating activities	$ 235,370	$ 226,525	$ 196,356	$ 194,146	$ 162,665
Net cash used in investing activities	(154,175)	(76,842)	(69,942)	(89,471)	(30,790)
Net cash used in financing activities	(130,263)	(136,371)	(97,216)	(106,519)	(75,653)
Depreciation	27,381	24,725	19,354	16,627	14,415
Amortization of intangible assets	29,199	26,177	25,168	26,882	25,156
Capital expenditures	$ (24,680)	$ (33,081)	$ (39,495)	$ (28,739)	$ (18,632)
BALANCE SHEET DATA AT END OF YEAR:					
Current assets	$ 262,795	$ 290,171	$ 269,434	$ 241,194	$ 234,924
Total assets	1,033,663	916,538	848,651	808,162	739,217
Stockholders' equity	$ 653,924	$ 568,545	$ 524,029	$ 462,676	$ 438,255
Number of shares outstanding at year-end	217,992	217,792	218,553	218,283	218,797

Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Presentation

This discussion should be read in conjunction with our audited financial statements and related notes included elsewhere in this document. The following discussion (as well as other discussions in this document) contains forward-looking statements. Please see "Cautionary Statement Regarding Forward-Looking Statements" for a discussion of uncertainties, risks and assumptions associated with these statements.

The Company

Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc. The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico. Services are performed through a contract that specifies the treatment and the pricing arrangement with the customer.

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.

Overview

RESULTS OF OPERATIONS

	(in thousands)			% better/(worse) as compared to prior year	
Years ended December 31,	**2017**	**2016**	**2015**	**2017**	**2016**
Revenues	$ 1,673,957	$ 1,573,477	$ 1,485,305	6.4%	5.9%
Cost of services provided	819,943	772,348	735,976	(6.2)	(4.9)
Depreciation and amortization	56,580	50,902	44,522	(11.2)	(14.3)
Sales, general and administrative	503,433	490,528	463,742	(2.6)	(5.8)
Gain on sales of assets, net	(242)	(777)	(1,953)	(68.9)	(60.2)
Interest income	(259)	(160)	(160)	61.9	—
Income before income taxes	294,502	260,636	243,178	13.0	7.2
Provision for income taxes	115,378	93,267	91,029	(23.7)	(2.5)
Net income	$ 179,124	$ 167,369	$ 152,149	7.0%	10.0%

General Operating Comments

2017 marked the Company's 20th consecutive year of improved revenues and profits. Revenues for the year rose 6.4 percent to $1.674 billion compared to $1.573 billion for the prior year. Income before income taxes increased 13.0% to $294.5 million compared to $260.6 million the prior year. Net income increased 7.0% to $179.1 million, with earnings per diluted share of $0.82 compared to $167.4 million, or $0.77 per diluted share for the prior year.

The Company's 2017 net income was negatively affected by the 2017 Tax Cuts and Jobs Act ("TCJA") which was signed in to law on December 22, 2017. The estimated negative impact of the enactment of the TCJA was an $11.6 million increase to tax expense, which was a direct decrease to net income. The $11.6 million increase in tax was as follows: $8.0 million from transition tax on foreign earnings, $2.9 million from the revaluation of deferred tax assets, and $0.7 million from reductions in tax benefits on stock compensation. This resulted in a $0.05 per diluted share decrease in net income for the year.

Net income excluding the effect of the TCJA increased 13.9% to $190.7 million or $0.87 per share. Net income and diluted earnings per share excluding the effect of the TCJA are non-GAAP financial measures. Management believes these measures help investors understand the effect of these on reported results.

All of the Company's business lines experienced growth for the year, with residential pest control revenues up 6.4%, commercial pest control revenues up 5.1% and termite and ancillary services revenues up 9.7%.

During the year, the Company increased its presence around the world with the addition of 11 new Orkin international franchises. HomeTeam Pest Defense announced that they had reached one million TAEXX® installations. We acquired Northwest Exterminating based in Marietta, GA which contributed in the growth of the Company's revenues the last five months. Strategic acquisitions remain a priority for Rollins. The Company also continued to improve our routing and scheduling capabilities as we utilize our Customer Service Manager ("CSM") BOSS and its Virtual Route Management feature. BOSS has been fully implemented in the Orkin's U.S. operations.

Strategic acquisitions remain a priority for Rollins, and as in the past, we will continue to seek out companies that are a "fit" for us in both, the pest control and wildlife areas of our business.

Results of Operations—2017 Versus 2016

Overview

The Company's revenues increased to $1.674 billion in 2017, a 6.4% increase compared to 2016. Gross margin increased to 51.0% for 2017 from 50.9% in 2016. Sales, general and administrative expense were 30.1% of revenues in 2017 compared to 31.2% in 2016. The Company's depreciation and amortization margin increased 0.2 percentage points to 3.4% in 2017 compared to 3.2% in 2016. Rollins' net income of $179.1 million in 2017 was an increase of $11.7 million or 7.0% over $167.4 million in 2016. Net profit margin improved to 10.7% in 2017 from 10.6% in 2016. Rollins continued to expand our global brand recognition with acquisitions in the United States and Canada as well as expanding our Orkin international franchise program in numerous countries around the globe. The Company is now in 53 countries and continues to seek new international opportunities.

Revenues

Revenues for the year ended December 31, 2017 were $1.674 billion, an increase of $100.5 million or 6.4% from 2016 revenues of $1.573 billion. Growth occurred across all service lines and brands with our Canadian and Australian companies being hindered by unfavorable foreign currency exchange rates. Organic growth and pricing accounted for approximately 4.5% of our increase and our acquisitions contributed the remaining revenue growth. Commercial pest control represented approximately 40% of the Company's revenue in 2017 and grew 5.1% due to increases in sales, an emphasis on closing leads, increased bed bug revenue, and acquisitions. Commercial pest control was negatively impacted by foreign currency exchange as Orkin Canada and Rollins Australia are heavily commercial. Residential pest control, which represented approximately 42% of the Company's revenue, increased 6.4% driven by an increase in lead closure, pricing, as well as increased TAEXX® homebuilder installations, and acquisitions. The Company's termite business, which represented approximately 18% of the Company's revenue, grew 9.7% in 2017 due to acquisitions, increases in drywood fumigations and ancillary service sales, (such as moisture control and insulation).

The Company implemented its traditional price increase program in June 2017. Less than 2% of the Company's revenue increase is attributable to pricing actions. Approximately 80% of the Company's pest control revenue was recurring in 2017 as well as 2016.

The Company's foreign operations accounted for approximately 8% and 7% of total revenues for the years ended December 31, 2017 and 2016, respectively. The Company established new franchises in several international countries around the globe in 2017 for a total of 81 Orkin international franchises, two Canadian Critter Control franchises, and eleven Australian franchises operated by Murray Pest Control and Scientific Pest Management at December 31, 2017, compared to 70 Orkin international franchises, two Canadian Critter Control franchises and seven Australian Franchises at December 31, 2016.

International and domestic franchising revenue was less than 1% of the Company's revenues for 2017. Orkin had 128 and 120 franchises (domestic and international) at December 31, 2017 and 2016, respectively. The Company had 89 Critter Control franchises at December 31, 2017, down 5 from 2016. Critter Control Operations, Inc., a wholly-owned subsidiary of the Company, has begun the process of purchasing Critter Control franchises. Revenue from franchises was down 2.9% in 2017 compared to 2016 as we acquire franchises from Critter Control.

Cost of Services Provided

For the twelve months ended December 31, 2017 cost of services provided increased $47.6 million or 6.2%, compared to the twelve months ended December 31, 2016. Gross margin for the year increased to 51.0% for 2017 compared to 50.9% for 2016 due to favorable service salary cost as we utilize BOSS, our CRM and operating system and VRM to improve our customer routing and scheduling to maximize efficiencies. We had lower administrative salaries as we maximize our efficiencies and lower insurance and claims as we saw reductions in our actuarial calculations on future losses and lower vehicle loss expenses. The favorable margins were partially offset by higher fleet costs as gasoline prices rose and leased vehicle costs as we replace our fleet and materials and supplies as we increase termite treatments. We experienced good cost controls across most spending categories during 2017 compared to 2016.

Depreciation and Amortization

For the twelve months ended December 31, 2017, depreciation and amortization increased $5.7 million, or 11.2% compared to the twelve months ended December 31, 2016. The dollar increase was primarily due to depreciation increasing $2.7 million or 10.7% as we continue to depreciate our CRM software BOSS, while amortization of intangible assets increased $3.0 million or 11.5% for 2017 due to the additional amortization of customer contracts of Northwest Exterminating, as well as several other acquisitions over the last year.

Sales, General and Administrative

For the twelve months ended December 31, 2017, sales, general and administrative (SG&A) expenses increased $12.9 million, or 2.6% compared to the twelve months ended December 31, 2016. SG&A decreased to 30.1% of revenues for the year ended December 31, 2017 compared to 31.2% in 2016. The Company had a one-time tax event to dissolve its subsidiary, Kinro Investment Inc. in 2016. This increased SG&A expense $9.1 million or 0.6 percentage points due to the one-time tax event that was offset as a credit in income tax expense. Administrative salaries were relatively flat to prior year as we reduced the number of temporary personnel working on the BOSS system. Personnel related costs were marginally lower as we experienced leveling of our premiums. Gains in these areas were partially offset by higher sales salaries, fleet expense, and contractor expenses for various projects as well as the aforementioned 2016 foreign tax withholding expense.

Gain on Sales of assets, Net

Gain on sales of assets, net decreased to $0.2 million for the year ended December 31, 2017 compared to $0.8 million in 2016. The Company recognized gains from the sale of owned vehicles and owned property in 2017 and 2016.

Interest Income, Net

Interest income, net for each of the years ended December 31, 2017 and 2016 was $0.3 million and $0.2 million, respectively. Interest income for each year is due to interest received on cash balances in the Company's various cash accounts.

Taxes

The Company's effective tax rate increased to 39.2% in 2017 compared to 35.8% in 2016, due primarily to the effects of the TCJA in 2017, a one-time tax event in 2016 and differences in state and foreign income taxes. The estimated impact of the enactment of the TCJA was an $11.6 million increase to tax expense, which was a direct decrease to net income. The $11.6 million increase in tax was as follows: ($8.0 million from transition tax on foreign earnings, $2.9 million from the revaluation of deferred tax assets, and $0.7 million from reductions in tax benefits on stock compensation). The increase due to the TCJA was partially offset by a reduction related to the implementation of ASU 2016-09 that was a $4.0 million benefit. Management believes that the Corporate tax rate in 2018 will be in the mid 20% range with a lower rate in the first quarter 2018 adjusted throughout the year to the mid 20% range for the year.

Results of Operations—2016 Versus 2015

Overview

The Company's revenues increased to $1.573 billion in 2016, a 5.9% increase compared to 2015. Gross margin increased to 50.9% for 2016 from 50.4% in 2015. Sales, general and administrative expense remained flat at 31.2% of revenues in 2016 compared to 2015. The Company's depreciation and amortization margin increased 0.2 percentage points to 3.2% in 2016 compared to 3.0% in 2015. Rollins' net income of $167.4 million in 2016 was an increase of $15.2 million or 10.0% over $152.1 million in 2015. Net profit margin improved to 10.6% in 2016 from 10.2% in 2015. Rollins continued to expand our global brand recognition with acquisitions in the United States, Australia, and the United Kingdom as well as expanding our Orkin international franchise program in numerous countries around the globe. The Company is now in 47 countries and continues to seek new opportunities.

Revenues

Revenues for the year ended December 31, 2016 were $1.573 billion, an increase of $88.2 million or 5.9% from 2015 revenues of $1.485 billion. Growth occurred across all service lines and brands with our Canadian and Australian companies being hindered by unfavorable foreign currency exchange rates. Organic growth and pricing accounted for approximately 5.2% of our increase and our acquisitions contributed the remaining revenue growth. Commercial pest control represented approximately 40% of the Company's revenue in 2016 and grew 4.4% due to increases in sales, increased bed bug revenue, an increase in commercial fumigations, and acquisitions. Commercial pest control was negatively impacted by foreign currency exchange as Orkin Canada and Rollins Australia are heavily commercial. Residential pest control which represented approximately 42% of the Company's revenue, increased 7.3% driven by increased leads, the improved closure and pricing as well as increased TAEXX® homebuilder installations, bed bug revenues and acquisitions. The Company's termite business, which represented approximately 17% of the Company's revenue, grew 6.3% in 2016 due to acquisitions, increases in drywood fumigations and ancillary service sales, (such as moisture control and insulation).

The Company implemented its traditional price increase program in June 2016. Less than 2% of the Company's revenue increase came from pricing actions. Approximately 80% of the Company's pest control revenue was recurring in 2016 as well as 2015.

The Company's foreign operations accounted for approximately 7% of total revenues for each of the years ended December 31, 2016 and 2015, respectively. Foreign currency exchange translation and increased domestic revenues have reduced the percentage in both years. The Company established new franchises in several countries around the globe in 2016 for a total of 70 Orkin international franchises, two Canadian Critter Control franchises, and seven Australian franchises operated by Murray Pest Control and Scientific Pest Management at December 31, 2016, compared to 48 Orkin international franchises and two Canadian Critter Control franchises at December 31, 2015.

International and domestic franchising revenue was less than 1% of the Company's revenues for 2016. Orkin had 120 and 99 franchises (domestic and international) at December 31, 2016 and 2015, respectively. The Company had 94 Critter Control franchises and 4 Murray Pest Control franchises at

December 31, 2016, down 14 from 2015. Critter Control Operations, Inc., a wholly-owned subsidiary of the Company, has begun the process of purchasing Critter Control franchises. Revenue from franchises was up 8.4% in 2016 compared to 2015.

Cost of Services Provided

For the twelve months ended December 31, 2016 cost of services provided increased $36.4 million or 4.9%, compared to the twelve months ended December 31, 2015. Gross margin for the year increased to 50.9% for 2016 compared to 50.4% for 2015 due to favorable service salary cost as we finalized the roll-out of BOSS, our CRM and operating system, improving our routing and scheduling to maximize efficiencies, lower personnel related expenses as healthcare claims were lower than expected, and insurance and claims were lower as a percentage of revenues as we continue to focus on efficiency and safety. The favorable margins were partially offset by professional fees as we used outside sources to roll-out BOSS. We experienced good cost controls across most spending categories during 2016 compared to 2015.

Depreciation and Amortization

For the twelve months ended December 31, 2016, depreciation and amortization increased $6.4 million, or 14.3% compared to the twelve months ended December 31, 2015. The dollar increase was due primarily to depreciation increasing $5.4 million as we began to depreciate our CRM software BOSS, while amortization of intangible assets increased as we acquired 34 companies in 2016.

Sales, General and Administrative

For the twelve months ended December 31, 2016, sales, general and administrative (SG&A) expenses increased $26.8 million, or 5.8% compared to the twelve months ended December 31, 2015. SG&A remained flat at 31.2% of revenues for each of the years 2016 and 2015. The Company had a one-time tax event to dissolve its subsidiary, Kinro Investment Inc. This increased SG&A expense $9.1 million or 0.6 percentage points due to the one-time tax event that was offset as a credit in income tax expense. Sales salaries increased due to the increase in sales commissions and service contracts increased as a result of maintaining the BOSS system. The increases were offset by decreases as a percentage of revenue by administrative salaries as we continue to grow revenue with a static headcount, personnel related expense margin decreased due to lower than expected healthcare claims, and decreases in insurance claims as we continue to focus on efficiency and safety, and telephone costs as we negotiate contracts for Internet service.

Gain on Sales of assets, Net

Gain on sales of assets, net decreased to $0.8 million for the year ended December 31, 2016 compared to $2.0 million gain in 2015. The Company recognized gains from the sale of owned vehicles and owned property in 2016 and 2015. The decrease was due to the Company selling two buildings in 2015.

Interest (Income)/Expense, Net

Interest income, net for each of the years ended December 31, 2016 and 2015 was $0.2 million. Interest income for each year is due to interest received on cash balances in the Company's various cash accounts.

Taxes

The Company's effective tax rate decreased to 35.8% in 2016 compared to 37.4% in 2015, due primarily to a one-time tax event in 2016 and differences in state and foreign income taxes.

Liquidity and Capital Resources

Cash and Cash Flow

Cash from operating activities is the principal source of cash generation for our businesses.

The most significant source of cash in Rollins' cash flow from operations is customer-related activities, the largest of which is collecting cash resulting from services sales. The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for a wide range of material and services.

The Company's cash and cash equivalents at December 31, 2017, 2016, and 2015 were $107.1 million, $142.8 million, and $134.6 million, respectively.

	2017	2016	2015
Net cash provided by operating activities	$ 235,370	$ 226,525	$ 196,356
Net cash used in investing activities	(154,175)	(76,842)	(69,942)
Net cash used in financing activities	(130,263)	(136,371)	(97,216)
Effect of exchange rate changes on cash	13,333	(5,101)	(2,996)
Net increase (decrease) in cash and cash equivalents	$ (35,735)	$ 8,211	$ 26,202

Cash Provided by Operating Activities

The Company's operations generated cash of $235.4 million for the year ended December 31, 2017 primarily from net income of $179.1 million, compared with cash provided by operating activities of $226.5 million in 2016 and $196.4 million in 2015. The Company believes its current cash and cash equivalents balances, future cash flows expected to be generated from operating activities and available borrowings under its $175.0 million credit facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future.

The Company's made no contributions to the Rollins, Inc. and its wholly-owned subsidiaries' defined benefit retirement plans (the "Plans") during the year ended December 31,

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2017. The Plans were fully-funded with a prepaid balance. We contributed $3.3 million and $5.0 million during the years ended December 31, 2016 and 2015, respectively, as a result of the Plans' funding status. The Company's management is not expecting to make a contribution during fiscal year 2018. In the opinion of management, additional Plan contributions, if any, will not have a material effect on the Company's financial position, results of operations or liquidity.

Cash Used in Investing Activities

The Company used $154.2 million on investing activities for the year ended December 31, 2017 compared to $76.8 million and $69.9 million during 2016 and 2015, respectively, and of that, invested approximately $24.7 million in capital expenditures during 2017 compared to $33.1 million and $39.5 million during 2016 and 2015, respectively. Capital expenditures for the year consisted primarily of property purchases, equipment replacements and technology related projects. The Company expects to invest between $25.0 million and $28.0 million in 2018 in capital expenditures. During 2017, the Company's and its subsidiaries acquired Northwest Exterminating as well as several small companies for a total of $130.2 million compared to $46.3 million and $33.5 million in acquisitions during 2016 and 2015, respectively. The expenditures for the Company's acquisitions were funded with cash on hand. The Company continues to seek new acquisitions.

Cash Used in Financing Activities

The Company used cash of $130.3 million on financing activities for the year ended December 31, 2017, compared to $136.4 million and $97.2 million during 2016 and 2015, respectively. A total of $122.0 million was paid in cash dividends ($0.56 per share) during the year ended December 31, 2017 including a special dividend paid in December 2017 of $0.10 per share, compared to $109.0 million in cash dividends paid ($0.50 per share) during the year ended December 31, 2016, including a special dividend paid in December 2016 of $0.10 per share and $91.8 million paid in cash dividends ($0.42 per share) during the year ended December 31, 2015, including a special dividend paid in December 2015 of $0.10 per share.

The Company did not purchase shares on the open market during the year ended December 31, 2017 while using $8.2 million to repurchase 0.8 million shares of its common stock at a weighted average price of $27.19 per share during 2016 and $0.4 million to purchase 19 thousand shares at an weighted average price of $22.42 in 2015. There remain 5.1 million shares authorized to be repurchased under prior Board approval. The Company repurchased $8.2 million, $8.4 million, and $7.0 million of common stock for the years ended December 31, 2017, 2016 and 2015, respectively, from employees for the payment of taxes on vesting restricted shares.

The Company's $107.1 million of total cash at December 31, 2017, is primarily cash held at various banking institutions. Approximately $57.8 million is held in cash accounts at international bank institutions and the remaining $49.3 million is primarily held in Federal Deposit Insurance Corporation ("FDIC") insured non-interest-bearing accounts at various domestic banks which at times may exceed federally insured amounts.

The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not a part of the Company's current business plan.

The Company maintains a large cash position in the United States while having no third-party debt to service. Rollins maintains adequate liquidity and capital resources, without regard to its foreign deposits, that are directed to finance domestic operations and obligations and to fund expansion of its domestic business.

For Information regarding our Revolving Credit Agreement see Note 3 - Debt of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Litigation

For discussion on the Company's legal contingencies, see note 13 to the accompanying financial statements.

Off Balance Sheet Arrangements, Contractual Obligations and Contingent Liabilities and Commitments

Other than the operating leases disclosed in the table that follows, the Company has no material off balance sheet arrangements.

The impact that the Company's contractual obligations as of December 31, 2017 are expected to have on our liquidity and cash flow in future periods is as follows:

		Payments due by period			
Contractual obligations (in thousands)	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**More than 5 years**
Business combination related liabilities	$ 29,389	$ 18,661	$ 10,728	$ —	$ —
Non-cancelable operating leases	143,539	34,112	24,890	38,713	45,824
Unrecognized Tax Positions(1)	4,084	4,084	—	—	—
Total(2)	$ 177,012	$ 56,857	$ 35,618	$ 38,713	$ 45,824

(1) These amounts represent expected payments with interest for unrecognized tax benefits as of December 31, 2017.

(2) Minimum pension funding requirements are not included as funding will not be required.

Critical Accounting Policies

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

Accrual for Termite Contracts—The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termiticide life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to precisely predict future significant claims. Accruals for termite contracts are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Accrued Insurance—The Company retains, 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 retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party actuary on a semi-annual basis to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective and a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. The Company continues to be proactive in risk management to develop and maintain ongoing programs to reduce claims. Initiatives that have been implemented include pre-employment screening and an annual motor vehicle report required on all its drivers, post-offer physicals for new employees, pre-hire, random and post-accident drug testing, increased driver training and a post-injury nurse triage program for employees.

Revenue Recognition—The Company's revenue recognition policies are designed to recognize revenues at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature on a monthly, bi-monthly or quarterly basis, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial one-year contract, and revenues are recognized at the time services are performed. For pest control customers, the Company offers a discount for those customers who prepay for a full year of services. The Company defers recognition of these advance payments and recognizes the revenue as the services are rendered. The Company classifies the discounts related to the advance payments as a reduction in revenues.

Termite baiting revenues are recognized based on the delivery of the individual units of accounting. At the inception of a new baiting services contract, upon quality control review of the installation, the Company recognizes revenue for the installation of the monitoring stations, initial directed liquid termiticide treatment and servicing of the monitoring stations. A portion of the contract amount is deferred for the undelivered monitoring element. This portion is recognized as income on a straight-line basis over the remaining contract term, which results in recognition of revenue in a pattern that approximates the timing of performing monitoring visits. The allocation of the purchase price to the two deliverables is based on the relative selling price. There are no contingencies related to the delivery of additional items or meeting other specified performance conditions. Baiting renewal revenue is deferred and recognized over the annual contract period on a straight-line basis that approximates the timing of performing the required monitoring visits.

Revenue received for conventional termite renewals is deferred and recognized on a straight-line basis over the remaining contract term; and, the cost of reinspections, reapplications and repairs and associated labor and chemicals are expensed as incurred. For outstanding claims, an estimate is made of the costs to be incurred (including legal costs) based upon current factors and historical information. The performance of reinspections tends to be close to the contract renewal date and while reapplications and repairs involve an insubstantial number of the contracts, these costs are incurred over the contract term. As the revenue is being deferred, the future cost of reinspections, reapplications and repairs and associated labor and chemicals applicable to the deferred revenue are expensed as incurred. The Company accrues for noticed claims. The costs of providing termite services upon renewal are compared to the expected revenue to be received and a provision is made for any expected losses.

All revenues are reported net of sales taxes.

Contingency Accruals—The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 450 "Contingencies," Management estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in consultation with outside counsel. Because it is not possible to accurately predict the ultimate result of the litigation, judgments concerning accruals for liabilities and costs associated with litigation are inherently uncertain and actual liabilities may vary from amounts estimated or accrued. However, in the opinion of management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations. Contingency accruals are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Defined benefit pension plans—In 2005, the Company ceased all future benefit accruals under the Rollins, Inc. defined benefit plan, although the Company remains obligated to provide employees benefits earned through June 2005. The Company also includes the Waltham Services, LLC Hourly Employee Pension Plan to the Company's financial statements. The Company accounts for these defined benefit plans in accordance with the FASB ASC Topic 715 "*Compensation- Retirement Benefits*", and engages an outside actuary to calculate its obligations and costs. With the assistance of the actuary, the Company evaluates the significant assumptions used on a periodic basis including the estimated future return on plan assets, the discount rate, and other factors, and makes adjustments to these liabilities as necessary.

The Company chooses an expected rate of return on plan assets based on historical results for similar allocations among asset classes, the investments strategy, and the views of our investment adviser. Differences between the expected long-term return on plan assets and the actual return are amortized over future years. Therefore, the net deferral of past asset gains or losses ultimately affects future pension expense. The Company's assumption for the expected return on plan assets is 7.0% which is unchanged from the prior year.

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company utilizes a yield curve approach. The approach utilizes an economic model whereby the Company's expected benefit payments over the life of the plans is forecast and then compared to a portfolio of corporate bonds that will mature at the same time that the benefit payments are due in any given year. The economic model then calculates the one discount rate to apply to all benefit payments over the life of the plan which will result in the same total lump sum as the payments from the corporate bonds. The discount rate was 4.0% as of December 31, 2017 compared to 4.45% in 2016 and 4.7% in 2015. A lower discount rate increases the present value of benefit obligation.

As set forth in note 14 to the Company's financial statements, included among the asset categories for the Plan's investments are real estate, tactical composite and alternative investments comprised of investments in real estate and hedge funds. These investments are categorized as level 3 investments and are valued using significant non-observable inputs which do not have a readily determinable fair value. In accordance with Accounting Standards Update ("ASU") No. 2009-12 "*Investments In Certain Entities That Calculate Net Asset Value per Share* (*Or Its Equivalent*)," these investments are valued based on the net asset value per share calculated by the funds in which the plan has invested. These valuations are subject to judgments and assumptions of the funds which may prove to be incorrect, resulting in risks of incorrect valuation of these investments. The Company seeks to mitigate against these risks by evaluating the appropriateness of the funds' judgments and assumptions by reviewing the financial data included in the funds' financial statements for reasonableness.

As of December 31, 2017, the defined benefit plans were fully-funded and the recorded change within accumulated other comprehensive income increased stockholders' equity by $19.0 million before tax and $14.2 million after tax.

Recent Accounting Guidance

See Note 1 - Summary of Significant Accounting policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.

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 (i) management's belief that the Company competes favorably with competitors, (ii) the expectation for the Company's corporate tax rate for 2018; (iii) the Company's maintenance of sufficient supplies to fulfill its immediate needs and to alleviate potential short-term shortages in such supplies, (iv) any environmental remediation costs estimated to be incurred are not material to the Company's financial condition or operating results, (v) the adequacy of the Company's facilities to meet its future needs; (vi) the outcome of litigation, as discussed in the Legal Proceedings section and elsewhere and the Company's belief that such litigation will not have a material adverse effect on the Company's financial condition, results of operations or liquidity; (vii) the belief that the Company has adequate liquid assets, funding sources and accruals to satisfy any claims; (viii) the Company's expectation to continue its payment of cash dividends; (ix) plans regarding acquisitions and franchise expansion; (x) the adequacy of the Company's resources and borrowings to fund operations, obligations, and expansions; (xi) management's belief that the Company is not expected to make a contribution to the Plans in 2018; (xii) the Company's projected 2018 capital expenditures; (xiii) the plans to grow the business in foreign markets through reinvestment of foreign deposits and future earnings and through acquisitions of unrelated companies; (xiv) the Company's expectation to maintain compliance with the covenants contained in its Revolving Credit Agreement throughout 2018; (xv) the impact and amount of the Company's contractual obligations; (xvi) management's expectations regarding termite claims and factors that impact future costs from those claims; (xvii) the expected cost of termite renewals; (xviii) the expected collectability of accounts receivable; (xix) the expected tax consequences and the impact of the TCJA; (xx) expectations and plans regarding any losses from franchisees; (xxi) the impact of recent accounting pronouncements; (xxii) and interest rate risks and foreign exchange currency risk on the Company's financial position, results of operations and liquidity and (xxiii) the ability of the Company to utilize all of its foreign net operating losses and the possibility that the Company's unrecognized tax benefits will increase in the next 12 months. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks, timing and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in pending 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

The Company maintains an investment portfolio subject to short-term interest rate risk exposure. The Company is also subject to interest rate risk exposure through borrowings on its $175.0 million credit facility. Currently, the Company has no outstanding borrowings. However, the Company does maintain approximately $29.4 million in Letters of Credit.

The Company is also exposed to market risks arising from changes in foreign exchange rates. The Company believes that this foreign exchange rate risk will not have a material effect upon the Company's results of operations or financial position going forward. For a discussion of the Company's activities to manage risks relative to fluctuations in foreign currency exchange rates, see note 10 to the accompanying financial statements.

Management's Report on Internal Controls Over Financial Reporting

To the Stockholders of Rollins, Inc.:

The management of Rollins, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Rollins, Inc. maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control system is augmented by written policies and procedures, an internal audit program and the selection and training of qualified personnel. This system includes policies that require adherence to ethical business standards and compliance with all applicable laws and regulations.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of internal controls over financial reporting, as of December 31, 2017 based on criteria established in the 2013 Internal Control—Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management's assessment is that Rollins, Inc. maintained effective internal control over financial reporting as of December 31, 2017.

The independent registered public accounting firm, Grant Thornton LLP has audited the consolidated financial statements as of and for the year ended December 31, 2017, and has also issued their report on the effectiveness of the Company's internal control over financial reporting, included in this report on page 39.

/s/ Gary W. Rollins
Gary W. Rollins
Vice Chairman and Chief Executive Officer

/s/ Paul E. Northen
Paul E. Northen
Vice President, Chief Financial Officer and Treasurer

Atlanta, Georgia
February 26, 2018

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Board of Directors and Stockholders'

Rollins, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Rollins, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 26, 2018, expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Atlanta, GA
February 26, 2018

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements and Schedule

Board of Directors and Stockholders'

Rollins, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Rollins, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive earnings, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017 and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 26, 2018 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2004.

Atlanta, GA
February 26, 2018

Item 8.

Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Rollins, Inc. and Subsidiaries
(in thousands except share information)

December 31,	2017	2016
ASSETS		
Cash and cash equivalents	$ 107,050	$ 142,785
Trade receivables, net of allowance for doubtful accounts of $11,814 and $11,443, respectively	97,802	88,490
Financing receivables, short-term, net of allowance for doubtful accounts of $1,535 and $1,727, respectively	17,263	15,968
Materials and supplies	14,983	13,724
Other current assets	25,697	29,204
Total Current Assets	262,795	290,171
Equipment and property, net	134,088	133,477
Goodwill	346,514	255,665
Customer contracts, net	152,869	117,466
Other intangible assets, net	61,548	44,310
Financing receivables, long-term, net of allowance for doubtful accounts of $1,357 and $1,430 respectively	20,414	16,748
Prepaid Pension	17,595	—
Deferred income taxes	18,420	41,877
Other assets	19,420	16,824
Total Assets	1,033,663	916,538
LIABILITIES		
Accounts payable	26,161	30,284
Accrued insurance	28,018	26,201
Accrued compensation and related liabilities	73,016	75,839
Unearned revenue	109,029	99,820
Other current liabilities	58,345	44,847
Total current liabilities	294,569	276,991
Accrued insurance, less current portion	34,245	32,023
Accrued pension	—	2,880
Long-term accrued liabilities	50,925	36,099
Total Liabilities	379,739	347,993
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, without par value; 500,000 authorized, zero shares issued	—	—
Common stock, par value $1 per share; 375,000,000 shares authorized, 217,992,177 and 217,791,511 shares issued, respectively	217,992	217,792
Paid-in-capital	81,405	77,452
Accumulated other comprehensive loss	(45,956)	(70,075)
Retained earnings	400,483	343,376
Total Stockholders' Equity	653,924	568,545
Total Liabilities and Stockholders' Equity	$ 1,033,663	$ 916,538

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

2017 Form 10-K

CONSOLIDATED STATEMENTS OF INCOME

Rollins, Inc. and Subsidiaries
(in thousands except per share data)

Years ended December 31,	2017	2016	2015
REVENUES			
Customer services	$ 1,673,957	$ 1,573,477	$ 1,485,305
COSTS AND EXPENSES			
Cost of services provided	819,943	772,348	735,976
Depreciation and amortization	56,580	50,902	44,522
Sales, general and administrative	503,433	490,528	463,742
Gain on sales of assets, net	(242)	(777)	(1,953)
Interest income	(259)	(160)	(160)
	1,379,455	1,312,841	1,242,127
INCOME BEFORE INCOME TAXES	294,502	260,636	243,178
PROVISION FOR INCOME TAXES			
Current	96,742	96,515	87,536
Deferred	18,636	(3,248)	3,493
	115,378	93,267	91,029
NET INCOME	$ 179,124	$ 167,369	$ 152,149
INCOME PER SHARE - BASIC	$ 0.82	$ 0.77	$ 0.70
INCOME PER SHARE - DILUTED	$ 0.82	$ 0.77	$ 0.70
Weighted average shares outstanding - basic	217,988	218,244	218,583
Weighted average shares outstanding - diluted	217,988	218,244	218,583
DIVIDENDS PAID PER SHARE	$ 0.56	$ 0.50	$ 0.42

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Rollins, Inc. and Subsidiaries
(in thousands)

Years ended December 31,	2017	2016	2015
NET INCOME	$ 179,124	$ 167,369	$ 152,149
Other comprehensive earnings/(loss), net of tax			
Pension and other postretirement benefit plans	14,159	1,705	9,070
Foreign currency translation adjustments	9,960	(602)	(14,760)
Other comprehensive earnings/(loss)	24,119	1,103	(5,690)
Comprehensive earnings	$ 203,243	$ 168,472	$ 146,459

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Rollins, Inc. and Subsidiaries
(In thousands)

	Common Stock		Treasury			Accumulated Other		
	Shares	Amount	Shares	Amount	Paid-In-Capital	Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2014	218,483	$ 218,483	(200)	$ (200)	$ 62,839	$ (65,488)	$ 247,042	$ 462,676
Net Income							152,149	152,149
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	9,070	—	9,070
Foreign Currency Translation Adjustments	—	—	—	—	—	(14,760)	—	(14,760)
Cash Dividends	—	—	—	—	—	—	(91,755)	(91,755)
Common Stock Purchased [(1)]	(19)	(19)	—	—	—	—	(416)	(435)
Stock Compensation	597	597	—	—	11,731	—	(218)	12,110
Employee Stock Buybacks	(308)	(308)	—	—	(6,754)	—	90	(6,972)
Excess Tax Benefit on Share-based payments	—	—	—	—	1,946	—	—	1,946
Balance at December 31, 2015	218,753	$ 218,753	$ (200)	$ (200)	$ 69,762	$ (71,178)	$ 306,892	$ 524,029
Net Income							167,369	167,369
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	1,705	—	1,705
Foreign Currency Translation Adjustments	—	—	—	—	—	(602)	—	(602)
Cash Dividends	—	—	—	—	—	—	(109,002)	(109,002)
Common Stock Purchased [(1)]	(836)	(836)	—	—	—	—	(21,883)	(22,719)
Common Stock Retired	(200)	(200)	200	200	—	—		—
Stock Compensation	388	388	—	—	12,027	—	—	12,415
Employee Stock Buybacks	(313)	(313)	—	—	(8,036)	—	—	(8,349)
Excess Tax Benefit on Share-based payments	—	—	—	—	3,699	—	—	3,699
Balance at December 31, 2016	217,792	$ 217,792	$ —	$ —	$ 77,452	$ (70,075)	$ 343,376	$ 568,545
Net Income							179,124	179,124
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	14,159	—	14,159
Foreign Currency Translation Adjustments	—	—	—	—	—	9,960	—	9,960
Cash Dividends	—	—	—	—	—	—	(122,017)	(122,017)
Stock Compensation	434	434	—	—	11,965	—	—	12,399
Employee Stock Buybacks	(234)	(234)	—	—	(8,012)	—	—	(8,246)
Balance at December 31, 2017	217,992	$ 217,992	—	—	81,405	(45,956)	400,483	$ 653,924

(1) Charges to Retained Earnings are from purchases of the Company's Common Stock.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Rollins, Inc. and Subsidiaries
(in thousands)

Years ended December 31,	2017	2016	2015
OPERATING ACTIVITIES			
Net Income	$ 179,124	$ 167,369	$ 152,149
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash charges	55,533	49,894	42,139
Provision for deferred income taxes	18,636	(3,248)	3,493
Stock based compensation expense	12,399	12,415	12,110
Excess tax benefits from share-based payments	—	(3,699)	(1,946)
Provision for bad debts	10,455	11,257	10,113
Changes in assets and liabilities:			
Trade accounts receivables and other accounts receivables	(13,661)	(15,868)	(12,494)
Financing receivables	(6,527)	(6,133)	(3,630)
Materials and supplies	(837)	(671)	814
Other current assets	1,448	(1,464)	(2,144)
Other non-current assets	(5,137)	(1,934)	154
Accounts payable and accrued expenses	(25,691)	13,327	(2,039)
Unearned revenue	1,222	2,842	2,822
Accrued insurance	4,039	2,949	126
Pension funding	—	(3,256)	(5,000)
Long-term accrued liabilities	4,367	2,745	(311)
Net cash provided by operating activities	235,370	226,525	196,356
INVESTING ACTIVITIES			
Cash used for acquisitions of companies, net of cash acquired	(130,189)	(46,308)	(33,462)
Capital expenditures	(24,680)	(33,081)	(39,495)
Cash from sale of franchises	519	699	767
Derivative Investments	(264)	—	—
Proceeds from sale of assets	370	1,663	2,752
Investment tax credits	69	185	(504)
Net cash used in investing activities	(154,175)	(76,842)	(69,942)
FINANCING ACTIVITIES			
Payment of dividends	(122,017)	(109,002)	(91,755)
Cash paid for common stock purchased	(8,246)	(31,068)	(7,407)
Excess tax benefits from share-based payments	—	3,699	1,946
Net cash used in financing activities	(130,263)	(136,371)	(97,216)
Effect of exchange rate changes on cash	13,333	(5,101)	(2,996)
Net increase (decrease) in cash and cash equivalents	(35,735)	8,211	26,202
Cash and cash equivalents at beginning of year	142,785	134,574	108,372
Cash and cash equivalents at end of year	$ 107,050	$ 142,785	$ 134,574
Supplemental disclosure of cash flow information			
Cash paid for interest	$ —	$ 13	$ —
Cash paid for income taxes, net	$ 90,702	$ 88,766	$ 82,690

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

Supplemental Disclosures of Non-Cash Items

Pension—Non-cash decreases in the minimum pension liability which were credited to other comprehensive income were $19.0 million, $3.0 million, and $14.8 million in 2017, 2016, and 2015, respectively.

Business Combinations—There were $34.0 million in non-cash acquisitions of assets in business combinations for the year ended December 31, 2017, $11.4 million in 2016 and $0.1 million for 2015. In 2015, the Company used 873,349 shares of Company stock at a price of $18.79 per share or $16.4 million in acquisitions of companies.

Notes to Consolidated Financial Statements

Years ended December 31, 2017, 2016, and 2015, Rollins, Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description—Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc.

The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, Canada, Australia, and Mexico. Services are performed through a contract that specifies the pricing arrangement with the customer.

Orkin, LLC. ("Orkin"), a wholly-owned subsidiary of the Company founded in 1901, is the world's largest pest and termite control company. It provides customized services from over 400 locations. Orkin either serves customers directly or through franchise operations, in the United States, Canada, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, food manufacturers, retailers and transportation companies. Orkin operates under the Orkin®, and Orkin Canada® trademarks and the Acurid℠ service mark. The Orkin® brand name makes Orkin the most recognized pest and termite company throughout the United States. The Orkin Canada brand name provides similar brand recognition throughout Canada.

Orkin Canada, a wholly-owned subsidiary of Orkin founded in 1952, was acquired by Orkin in 1999. Orkin Canada is Canada's largest pest control provider and a leader in the development of fast, effective and environmentally responsible pest control solutions.

Western Pest Services ("Western"), a wholly-owned subsidiary of the Company founded in 1928, was acquired by Rollins, Inc. in 2004. Western is primarily a commercial pest control service company and its business complements most of the services Orkin offers, focusing on the northeastern United States.

The Industrial Fumigant Company ("IFC"), a wholly-owned subsidiary of the Company founded in 1937, was acquired by Rollins, Inc. in 2005. IFC is a leading provider of pest management and sanitation services and products to the food and commodity industries.

HomeTeam Pest Defense ("HomeTeam"), a wholly-owned subsidiary of the Company established in 1996, was acquired by Rollins, Inc. in April 2008. At the time of the acquisition, HomeTeam, with its unique Taexx® tubes in the wall pest control system, was recognized as a premier pest control business and ranked as the 4th largest company in the industry. HomeTeam services home builders nationally.

Rollins Australia ("Rollins Australia"), a wholly-owned subsidiary of the Company, acquired Allpest WA ("Allpest"), in February 2014. Allpest was established in 1959 and is headquartered in Perth, Australia. Allpest provides traditional commercial, residential, and termite service as well as consulting services on border protection related to Australia's biosecurity program and provides specialized services to Australia's mining and oil and gas sectors.

Critter Control, a wholly-owned subsidiary of the Company, was acquired by Rollins, Inc. on February 27, 2015. Critter Control was established in 1983 and is headquartered in Traverse City, Michigan. The business is primarily franchised, operating in 40 states and 2 Canadian provinces.

Rollins UK was formed as a wholly-owned subsidiary of the Company to acquire Safeguard Pest Control ("Safeguard"). Safeguard, which was acquired in June 2016, is a pest control company established in the United Kingdom in 1991 with a history of providing superior pest control, bird control, and specialist services to residential and commercial customers.

Northwest Exterminating, LLC, a wholly-owned subsidiary of the Company founded in 1951, was acquired by Rollins, Inc. in August 2017. Northwest specializes in residential and commercial termite control, pest control, mosquito control, wildlife services, lawn care, insulation, and HVAC services, focusing on the Southeast United States.

The Company has several smaller wholly-owned subsidiaries that in total make up less than 5% of the Company's total revenues.

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment, includes the United States, Canada, Australia, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico. The Company's results of operations and its financial condition are not reliant upon any single customer, few customers or foreign operations.

Principles of Consolidation—The Company's Consolidated Financial Statements include the accounts of Rollins, Inc. and our wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The Company does not consolidate the financial statements of any company in which it has an ownership interest of 50% or less. The Company is not the primary beneficiary of, nor does it have a controlling financial interest in, any variable interest entity. Accordingly, the Company has not consolidated any variable interest entity. The Company reclassified certain prior period amounts, none of which were material, to conform to the current period presentation. All material intercompany accounts and transactions have been eliminated.

Subsequent Events—The Company evaluates its financial statements through the date the financial statements are issued. As of the filing date, February 26, 2018, there were no subsequent events that would affect the Company's financial statements.

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 of America requires management to make estimates and assumptions that affect the amounts reported in the accompanying notes and financial statements. Actual results could differ from those estimates.

Revenue Recognition—The Company's revenue recognition policies are designed to recognize revenues at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature on a monthly, bi-monthly or quarterly basis, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial 1-year contract, and revenues are recognized at the time services are performed. For pest control customers, the Company offers a discount for those customers who prepay for a full year of services. The Company defers recognition of these advance payments and recognizes the revenue as the services are rendered. The Company classifies the discounts related to the advance payments as a reduction in revenues.

Termite baiting revenues are recognized based on the delivery of the individual units of accounting. At the inception of a new baiting services contract, upon quality control review of the installation, the Company recognizes revenue for the installation of the monitoring stations, initial directed liquid termiticide treatment and servicing of the monitoring stations. A portion of the contract amount is deferred for the undelivered monitoring element. This portion is recognized as income on a straight-line basis over the remaining contract term, which results in recognition of revenue in a pattern that approximates the timing of performing monitoring visits. The allocation of the purchase price to the two deliverables is based on the estimated relative selling price. There are no contingencies related to the delivery of additional items or meeting other specified performance conditions. Baiting renewal revenue is deferred and recognized over the annual contract period on a straight-line basis that approximates the timing of performing the required monitoring visits.

Revenue received for conventional termite renewals is deferred and recognized on a straight-line basis over the remaining contract term; and, the cost of reinspections, reapplications and repairs and associated labor and chemicals are expensed as incurred. For outstanding claims, an estimate is made of the costs to be incurred (including legal costs) based upon current factors and historical information. The performance of reinspections tends to be close to the contract renewal date and while reapplications and repairs involve an insubstantial number of the contracts, these costs are incurred over the contract term. As the revenue is being deferred, the future cost of reinspections, reapplications and repairs and associated labor and chemicals applicable to the deferred revenue are expensed as incurred. The Company accrues for noticed claims. The costs of providing termite services upon renewal are compared to the expected revenue to be received and a provision is made for any expected losses.

All revenues are reported net of sales taxes.

The Company's foreign operations accounted for approximately 8% of revenues for the year ended December 31, 2017 and 7% for the years ended December 2016 and 2015. Currency exchange translation and increases in foreign revenues are the cause of the increased percentage from 2016.

Interest income on installment receivables is accrued monthly based on actual loan balances and stated interest rates. Recognition of initial franchise fee revenues occurs when all material services or conditions relating to a new agreement have been substantially performed or satisfied by the Company, and initial franchise fees are treated as unearned revenue in the Statement of Financial Position until such time. Royalties from franchises are accrued and recognized as revenues as earned on a monthly basis. Gains on sales of pest control customer accounts to franchises are recognized at the time of sale and when collection is reasonably assured.

Allowance for Doubtful Accounts—The Company maintains an allowance for doubtful accounts based on the expected collectability of accounts receivable. Management uses historical collection results as well as accounts receivable aging in order to determine the expected collectability of accounts receivable. Substantially all of the Company's receivables are due from pest control and termite services in the United States and selected international locations. The Company's allowance for doubtful accounts is determined using a combination of factors to ensure that our receivables are not overstated due to uncollectability. The Company's established credit evaluation procedures seek to minimize the amount of business we conduct with higher risk customers. Provisions for doubtful accounts are recorded in selling, general and administrative expenses. Accounts are written-off against the allowance for doubtful accounts when the Company determines that amounts are uncollectible and recoveries of amounts previously written off are recorded when collected. Significant recoveries will generally reduce the required provision in the period of recovery. Therefore, the provision for doubtful accounts can fluctuate significantly from period to period. There were no large recoveries in 2017, 2016, and 2015. We record specific provisions when we become aware of a customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, our estimates of the realizability of receivables would be further adjusted, either upward or downward.

Advertising—Advertising costs are charged to sales, general and administrative expense during the year in which they are incurred.

Years ended December 31,	2017	2016	2015
(in thousands)			
Advertising	$ 66,115	$ 61,258	$ 57,705

Cash and Cash Equivalents—The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Short-term investments, included in cash and cash equivalents, are stated at cost, which approximates fair market value.

The Company's $107.1 million of total cash at December 31, 2017, is primarily cash held at various banking institutions. Approximately $57.8 million is held in cash accounts at international bank institutions and the remaining $49.3 million is primarily held in Federal Deposit Insurance Corporation ("FDIC") insured non-interest-bearing accounts at various domestic banks which at times may exceed federally insured amounts.

The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not a part of the Company's current business plan.

The Company maintains a large cash position in the United States while having no third-party debt to service. Rollins maintains adequate liquidity and capital resources, without regard to its foreign deposits, that are directed to finance domestic operations and obligations and to fund expansion of its domestic business for the foreseeable future.

At December 31,	2017	2016
(in thousands) (in US dollars)		
Cash held in foreign bank accounts	$ 57,790	$ 54,424

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

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

The Company had no marketable securities other than those held in the defined benefit pension plan and the non-qualified deferred compensation plan at December 31, 2017 and 2016. See note 14 for further details.

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

Income Taxes—The Company provides for income taxes based on FASB ASC topic 740 "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. The Company provides an allowance for deferred tax assets when it determines that it is more likely than not that the deferred tax assets will not be utilized. The Company establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold. The Company's policy is to record interest and penalties related to income tax matters in income tax expense.

Equipment and Property—Equipment and Property are stated at cost, net of accumulated depreciation, and are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation are computed using the following asset lives: buildings, 10 to 40 years; and furniture, fixtures, and operating equipment, 2 to 10 years. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred. 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. The annual provisions for depreciation, below, have been reflected in the Consolidated Statements of Income in the line item entitled Depreciation and Amortization.

Years ended December 31,	2017	2016	2015
(in thousands)			
Depreciation	$ 27,381	$ 24,725	$ 19,354

Goodwill and Other Intangible Assets—In accordance with the FASB ASC Topic 350, "*Intangibles - Goodwill and other*", the Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. The Company does not amortize intangible assets with indefinite lives or goodwill. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or circumstances indicate the assets might be impaired. Such conditions may include an economic downturn or a change in the assessment of future operations. The Company performs impairment tests of goodwill at the Company level. Such impairment tests for goodwill include comparing the fair value of the appropriate reporting unit (the Company) with its carrying value. If the fair value of the reporting unit is lower than its carrying value, then the Company will compare the implied fair value of goodwill to its carrying value. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. The Company performs impairment tests for indefinite-lived intangible assets by comparing the fair value of each indefinite-lived intangible asset unit to its carrying value. The Company recognizes an impairment charge if the asset's carrying value exceeds its estimated fair value. The Company completed its most recent annual impairment analysis as of September 30, 2017. Based upon the results of these analyses, the Company has concluded that no impairment of its goodwill or intangible assets with indefinite lives was indicated.

Impairment of Long-Lived Assets—In accordance with the FASB ASC Topic 360, "*Property, Plant and Equipment*", the Company's long-lived assets, such as property and equipment and intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. We periodically evaluate the appropriateness of remaining depreciable lives assigned to long-lived assets, including customer contracts and assets that may be subject to a management plan for disposition.

Insurance—The Company retains, 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 retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party actuary on a semi-annual basis to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective and a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events.

Accrual for Termite Contracts—The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future costs include termiticide life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to precisely predict future significant claims. An accrual for termite contracts is included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Contingency Accruals—The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with the FASB ASC Topic 450 "*Contingencies*," management estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in consultation with outside counsel. Because it is not possible to accurately predict the ultimate result of the litigation, judgments concerning accruals for liabilities and costs associated with litigation are inherently uncertain and actual liability may vary from amounts estimated or accrued. However, in the opinion of management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations. Contingency accruals are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Three-for-two stock split—The Board of Directors at its quarterly meeting on January 27, 2015, authorized a three-for-two stock split by the issuance on March 10, 2015 of one additional common share for each two common shares held of record at February 10, 2015. All share and per share data appearing in the consolidated financial statements and related notes are restated for the three-for-two stock split.

Earnings Per Share—The FASB ASC Topic 260-10 "*Earnings Per Share-Overall*," requires a basic earnings per share and diluted earnings per share presentation. Further, all outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and an entity is required to include participating securities in its calculation of basic earnings per share.

The Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and therefore are considered participating securities. See note 15 for further information on restricted stock granted to employees.

The basic and diluted calculations are the same as there were no stock options included in diluted earnings per share as we have no stock options outstanding. Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods.

A reconciliation of weighted average shares outstanding along with the earnings per share attributable to restricted shares of common stock (participating securities) is as follows (in thousands except per share data). All share and per share information in the following chart are restated for the stock split effective March 10, 2015:

Years Ended December 31,	2017	2016	2015
Net income available to stockholders	$ 179,124	$ 167,369	$ 152,149
Less: Dividends paid			
Common Stock	(120,930)	(107,880)	(90,631)
Restricted shares of common stock	(1,087)	(1,122)	(1,124)
Undistributed earnings for the period	$ 57,107	$ 58,367	$ 60,394
Allocation of undistributed earnings:			
Common stock	$ 56,567	$ 57,722	$ 59,611
Restricted shares of common stock	540	645	783
Basic and diluted shares outstanding:			
Common stock	215,927	215,831	215,749
Restricted shares of common stock	2,061	2,413	2,834
	217,988	218,244	218,583
Basic and diluted earnings per share:			
Common stock:			
Distributed earnings	$ 0.56	$ 0.50	$ 0.42
Undistributed earnings	0.26	0.27	0.28
	$ 0.82	$ 0.77	$ 0.70
Restricted shares of common stock			
Distributed earnings	$ 0.53	$ 0.46	$ 0.40
Undistributed earnings	0.26	0.27	0.28
	$ 0.79	$ 0.73	$ 0.68

Translation of Foreign Currencies—Assets and liabilities reported in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenues and expenses are translated at the weighted-average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income. Gains or losses from foreign currency transactions, such as those resulting from the settlement of receivables or payables, denominated in foreign currency are included in the earnings of the current period.

Stock-Based Compensation—The Company accounts for its stock-based compensation in accordance with the FASB ASC Topic 718 "*Compensation – Stock Compensation*." Time lapse restricted shares (TLRSs) have been issued to officers and other management employees under the Company's Employee Stock Incentive Plan.

TLRSs provide for the issuance of a share of the Company's Common Stock at no cost to the holder and generally vest after a certain stipulated number of years from the grant date, depending on the terms of the issue. Outstanding TLRSs vest in 20 percent increments starting with the second anniversary of the grant, over six years from the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the granted shares. The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed. The fair value of these awards is recognized as compensation expense, net of forfeitures, on a straight-line basis over six years.

Comprehensive Income (Loss)—Other Comprehensive Income (Loss) results from foreign currency translations and minimum pension liability adjustments.

Franchising Program—Rollins' wholly-owned subsidiary, Orkin, had 47, 50 and 51 domestic franchises as of December 31, 2017, 2016 and 2015, respectively. Transactions with Orkin's domestic franchises involve sales of customer contracts to establish new Orkin franchises, initial franchise fees and royalties. The customer contracts and initial Orkin franchise fees are typically sold for a combination of cash and notes due over periods ranging up to five years. Notes receivable from Orkin franchises were $5.9 million at December 31, 2017 and $5.0 million at December 31, 2016. These amounts are included as financing receivables in the accompanying Consolidated Statements of Financial Position.

All Orkin domestic franchises have a guaranteed repurchase clause that the Orkin franchise may be repurchased by Orkin at a later date once it has been established; therefore, initial Orkin domestic franchise fees are deferred in accordance with the Financial Accounting Standards Board ("FASB) Accounting Standards Codification ("ASC") Topic 952-605 "Franchisor Revenue Recognition," for the duration of the initial contract period and are included as unearned revenue in the Consolidated Statements of Financial Position. Deferred Orkin franchise fees were $3.4 million, $3.0 million, and $2.9 million at December 31, 2017, 2016, and 2015, respectively.

As of December 31, 2017, 2016 and 2015, Orkin had 81, 70, and 48 international franchises, respectively. Orkin's international franchise program began with its first international franchise in 2000 and since has expanded to Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa and Mexico.

Royalties from Orkin franchises are accrued and recognized in accordance with the FASB ASC Topic 952-605 "Franchisor Revenue Recognition," as revenues are earned on a monthly basis. Revenue from Orkin franchises was $5.4 million for the year ended December 31, 2017 and $5.1 million and $4.9 million for the years ended 2016 and 2015, respectively.

The Company's maximum exposure to loss (notes receivable from franchises less deferred franchise fees) relating to the Orkin franchises was $2.5 million, $2.0 million, and $1.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Rollins' wholly-owned subsidiary, Critter Control, had 89 and 94 franchises in the United States and Canada as of December 31, 2017 and 2016, respectively. Transactions with Critter Control franchises involve sales of territories to establish new franchises, initial franchise fees and royalties. The territories and initial franchise fees are typically sold for a combination of cash and notes. Notes receivable from franchises were $0.2 million and $0.3 million at December 31, 2017 and 2016, respectively. These notes are not guaranteed. The Company anticipates that should there be any losses from franchisees these losses would be recouped by removing the individual franchisee and re-selling the abandoned territory. These amounts are included as financing receivables in the accompanying Consolidated Statements of Financial Position.

Recent Accounting Guidance

Recently issued accounting standards to be adopted in 2018 or later

In May 2014, the Financial Accounting Standards Board ("FASB") and International Accounting Standards Board issued their converged standard on revenue recognition Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. The FASB issued ASU 2015-14 in August 2015 which resulted in a deferral of the original effective date of ASU 2014-09. During 2016, the FASB issued four ASUs that address implementation issues and correct or improve certain aspects of the new revenue recognition guidance, including ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Identifying Performance Obligations and Licensing, ASU 2016-12, Narrow-Scope Improvements and Practical Expedients and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. These ASUs do not change the core principles in the revenue recognition guidance outlined above. ASU No. 2014-09 and the related ASUs referenced above are effective for Rollins, Inc. beginning January 1, 2018. The Company has completed its detailed review of all global revenue arrangements in accordance with these ASUs and the adoption of these ASUs January 1, 2018 has had no impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flow Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update are effective for the Company's financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods. Earlier adoption is permitted for any entity in any interim or annual reporting period. The Company adopted this ASU on January 1, 2018 it had no impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. The amendments in the update are effective for the Company's financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those years. The Company adopted this ASU on January 1, 2018 it had no impact on its consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post retirement Benefit Cost ("ASU 2017-07"). The update requires employers to present the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. The other components of net benefit cost, including interest cost, expected return on plan assets, amortization of prior service cost/credit and actuarial gain/loss, and settlement and curtailment effects, are to be presented outside of any subtotal of operating income. Employers will have to disclose the line(s) used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. ASU 2017-07 is effective for fiscal years and interim periods beginning after December 15, 2017. The Company adopted this ASU on January 1, 2018 it had no impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, an update to ASC Topic 718, *Compensation - Stock Compensation*. ASU 2017-09 clarifies the types of changes to the terms and conditions of a share-based payment award that requires modification accounting. ASU 2017-09 does not change the accounting for modification of share-based awards, but clarifies that modification accounting should only be applied if there is a change to the value, vesting condition or award classification and would not be required if the changes are considered non-substantive. ASU 2017-09 is effective for interim and annual reporting periods in fiscal years that begin after December 31, 2017. The adoption of the provisions of ASU 2017-09 on January 1, 2018 will not have an impact on our consolidated financial statements.

In June of 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842), which provides additional implementation guidance on the previously issued ASU 2016-02 Leases (Topic 842). ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. Based on a preliminary assessment, the Company expects the adoption of this guidance to have a material impact on its assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets at the beginning of the earliest period presented. The Company is continuing its assessment, which may identify additional impacts this guidance will have on its consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on the current Step 1). The standard in this update is effective for the Company's financial statements issued for fiscal years beginning in 2020. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815), which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This ASU is effective for the Company beginning in fiscal year 2020. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

2. ACQUISITIONS

The Company has made 23, and 34 acquisitions that are not material individually or in the aggregate to the Company's consolidated financial statements during the years ended December 31, 2017, and 2016, respectively. The largest acquisitions made during these periods are as follows:

The Company completed the acquisition of Northwest Exterminating effective August 1, 2017. Northwest was established in 1951 and services approximately 120,000 customers in Georgia, South Carolina, Tennessee, Alabama, and North Carolina. Northwest Exterminating is the 17th largest pest control operator in the country, making it the largest Rollins acquisition since the Company acquired HomeTeam Pest Defense in 2008.

Rollins UK was formed as a wholly-owned subsidiary of the Company to acquire Safeguard Pest Control ("Safeguard"). Safeguard, which was acquired in June 2016, is a pest control company established in the United Kingdom in 1991 with a history of providing superior pest control, bird control, and specialist services to residential and commercial customers.

Total cash purchase price for the Company's acquisitions in 2017 and 2016 were \$130.2 million and \$46.3 million, respectively.

The fair values of major classes of assets acquired and liabilities assumed along with the contingent consideration liability recorded during the valuation period of acquisition is included in the reconciliation of the total consideration as follows (in thousands):

December 31,	2017	2016
Accounts receivable, net	$ 3,836	$ 3,334
Materials and supplies	312	353
Equipment and property	3,027	4,525
Goodwill	87,261	6,468
Customer contracts	60,695	49,365
Other intangible assets	20,086	1,285
Current liabilities	(30,344)	(10,809)
Other assets and liabilities, net	1,209	(594)
Total consideration paid	146,082	53,927
Less: Contingent consideration liability	(15,893)	(7,619)
Total cash purchase price	$130,189	$ 46,308

3. DEBT

On October 31, 2012, the Company entered into a Revolving Credit Agreement with SunTrust Bank and Bank of America, N.A. for an unsecured line of credit of up to $175.0 million, which includes a $75.0 million letter of credit subfacility, and a $25.0 million swingline subfacility. The Credit Agreement was amended on October 30, 2014 to extend the maturity date to October 31, 2018 and add three optional one year extensions. On October 27, 2015 the Company exercised a one year extension option to extend the maturity date to October 31, 2019. As of December 31, 2017, no borrowings were outstanding under the line of credit or under the swingline subfacility. The Company maintains approximately $29.4 million in letters of credit. These letters of credit are required by the Company's fronting insurance companies and/or certain states, due to the Company's self-insured status, to secure various workers' compensation and casualty insurance contracts coverage. The Company believes that it has adequate liquid assets, funding sources and insurance accruals to accommodate such claims.

The Revolving Credit Agreement is guaranteed by certain of Rollins' domestic-subsidiaries. The maturity date of the Credit Agreement is October 31, 2019, subject to up to two optional extensions of the Credit Agreement for one year each. Revolving loans under the Revolving Credit Agreement bear interest at one of the following two rates, at the Company's election:

- the Base Rate, which shall mean the highest of (i) the per annum rate which the Administrative Agent publicly announces from time to time as its prime lending rate, (ii) the Federal Funds rate, plus 0.50% per annum, and (iii) the Adjusted LIBOR Rate (which equals LIBOR as increased to account for the maximum reserve percentages established by the U.S. Federal Reserve) determined on a daily basis for an interest period of one (1)month, plus 1.0% per annum.
- with respect to any Eurodollar borrowings, the Adjusted LIBOR Rate plus an additional amount, which varies between 0.75% and 1.00%, based upon Rollins' then-current debt-to-EBITDA ratio. As of December 31, 2017, the additional rate allocated was .75%.

The Revolving Credit Agreement contains customary terms and conditions, including, without limitation, certain financial covenants including covenants restricting the Company's ability to incur certain indebtedness or liens, or to merge or consolidate with or sell substantially all of its assets to another entity. Further, the Revolving Credit Agreement contains financial covenants restricting the Company's ability to permit the ratio of the Company's consolidated debt to EBITDA to exceed certain limits.

The Company was in compliance with applicable debt covenants at December 31, 2017 and expects to maintain compliance throughout 2018.

4. TRADE RECEIVABLES

The Allowance for Doubtful Accounts is principally calculated based on the application of estimated loss percentages to delinquency aging totals, based on contractual terms, for the various categories of receivables. Bad debt write-offs occur according to Company policies that are specific to pest control, commercial and termite accounts.

December 31,	2017	2016
(in thousands)		
Gross trade receivables	$ 109,616	$ 99,933
Allowance for doubtful accounts	(11,814)	(11,443)
Net trade receivables	$ 97,802	$ 88,490

At any given time, the Company may have immaterial amounts due from related parties, which are invoiced and settled on a regular basis.

5. FINANCING RECEIVABLES

Rollins manages its financing receivables on an aggregate basis when assessing and monitoring credit risks. The Company's credit risk is generally low with a large number of entities comprising Rollins' customer base and dispersion across many different geographical regions. The credit quality of a potential obligor is evaluated at the loan origination based on an assessment of the individual's Beacon/credit bureau score. Rollins requires a potential obligor to have good credit worthiness with low risk before entering into a contract. Depending upon the individual's credit score the Company may accept with 100% financing or require a significant down payment or turndown the contract. Delinquencies of accounts are monitored each month. Financing receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates.

At December 31,	2017	2016
(in thousands)		
Gross financing receivables, short-term	$ 18,798	$ 17,695
Gross financing receivables, long-term	21,771	18,178
Allowance for doubtful accounts	(2,892)	(3,157)
Net financing receivables	$ 37,677	$ 32,716

Total financing receivables, net were $37.7 million and $32.7 million at December 31, 2017 and December 31, 2016, respectively. Financing receivables are generally charged-off when deemed uncollectable or when 180 days have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied during the periods reported. Management considers the charge-off policy when evaluating the appropriateness of the allowance for doubtful accounts. Gross charge-offs as a percentage of average financing receivables were 4.3% and 3.2% for the twelve months ended December 31, 2017 and December 31, 2016, respectively. Due to the low percentage of charge-off receivables and the high credit worthiness of the potential obligor, Management considers the entire Rollins, Inc. financing receivables portfolio has a low credit risk.

The Company offers 90 days same-as-cash financing to some customers based on their credit worthiness. Interest is not recognized until the 91st day at which time it is recognized retrospectively back to the first day if the contract has not been paid in full. In certain circumstances, such as when delinquency is deemed to be of an administrative nature, accounts may still accrue interest when they reach 180 days past due. As of December 31, 2017 and 2016, there were ten and seven accounts that were greater than 180 days past due, respectively, which have been fully reserved.

Included in financing receivables are notes receivable from franchise owners. The majority of these notes are low risk as the repurchase of these franchises is guaranteed by the Company's wholly-owned subsidiary, Orkin, Inc., and the repurchase price of the franchise is currently estimated and has historically been well above the receivable due from the franchise owner. Also included in notes receivables are franchise notes from other brands which are not guaranteed and do not have the same historical valuation.

The carrying amount of notes receivable approximates fair value as the interest rates approximate market rates for these types of contracts. Long-term installment receivables, net were $20.4 million and $16.7 million at December 31, 2017 and 2016, respectively.

Rollins establishes an allowance for doubtful accounts to insure financing receivables are not overstated due to uncollectability. The allowance balance is comprised of a general reserve, which is determined based on a percentage of the financing receivables balance, and a specific reserve, which is established for certain accounts with identified exposures, such as customer default, bankruptcy or other events, that make it unlikely that Rollins will recover its investment. The general reserve percentages are based on several factors, which include consideration of historical credit losses and portfolio delinquencies, trends in overall weighted-average risk rating of the portfolio and information derived from competitive benchmarking.

The allowance for doubtful accounts related to financing receivables was as follows:

At December 31,	2017	2016
(in thousands)		
Balance, beginning of period	$ 3,157	$ 3,288
Additions to allowance	1,424	890
Deductions, net of recoveries	(1,689)	(1,021)
Balance, end of period	$ 2,892	$ 3,157

The following is a summary of the past due financing receivables:

December 31,	2017	2016
(in thousands)		
30-59 days past due	$ 1,167	$ 1,384
60-89 days past due	385	347
90 days or more past due	995	937
Total	$ 2,547	$ 2,668

The following is a summary of percentage of gross financing receivables:

December 31,	2017	2016
Current	93.7%	92.5%
30-59 days past due	2.9%	3.9%
60-89 days past due	0.9%	1.0%
90 days or more past due	2.5%	2.6%
Total	100.0%	100.0%

6. EQUIPMENT AND PROPERTY

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

December 31,	2017	2016
(in thousands)		
Buildings	$ 51,023	$ 50,119
Operating equipment	91,430	82,196
Furniture and fixtures	17,672	16,255
Computer equipment and systems	163,220	150,661
	323,345	299,231
Less—accumulated depreciation	(213,809)	(190,279)
	109,536	108,952
Land	24,552	24,525
Net equipment and property	$ 134,088	$ 133,477

Included in equipment and property, net at December 31, 2017 and 2016, are fixed assets held in foreign countries of $4.9 million, and $4.6 million, respectively.

Total depreciation expense was approximately $27.4 million in 2017, $24.7 million in 2016 and $19.4 million in 2015.

7. FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade and notes receivables, accounts payable, and other short-term liabilities. The carrying amounts of these financial instruments approximate their fair values. The Company has financial instruments related to its defined benefit pension plan and deferred compensation plan detailed in note 14.

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

The following table presents our non-qualified deferred compensation plan assets using the fair value hierarchy as of December 31, 2017.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 95	$ 95	$ —	$ —
Total	$ 95	$ 95	$ —	$ —

The following table presents our non-qualified deferred compensation plan assets using the fair value hierarchy as of December 31, 2016.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 188	$ 188	$ —	$ —
Total	$ 188	$ 188	$ —	$ —

Cash and cash equivalents, which are used to pay benefits and deferred compensation plan administrative expenses, are held in Money Market Funds.

At December 31, 2017 the Deferred Compensation Plan had 70 life insurance policies with a net face value of $43.4 million. The cash surrender value of these life insurance policies had a net realizable value of $18.3 million and $15.7 million at December 31, 2017 and 2016, respectively. The total deferred compensation plan assets, recorded in other assets on the Company's consolidated statements of financial position, were $18.4 million and $15.9 million at December 31, 2017 and 2016, respectively.

8. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. The carrying amount of goodwill was $346.5 million as of December 31, 2017 and $255.7 million as of December 31, 2016. Goodwill increased for the year ended December 31, 2017 due primarily to acquisitions, partially offset by currency conversion of foreign goodwill. The carrying amount of goodwill in foreign countries was $46.3 million as of December 31, 2017 and $42.7 million as of December 31, 2016. The changes in the carrying amount of goodwill for the twelve months ended December 31, 2017 and 2016 are as follows:

(in thousands)	
Goodwill at December 31, 2015	$ 249,939
Goodwill acquired	8,613
Goodwill adjustments due to currency translation	(2,887)
Goodwill at December 31, 2016	$ 255,665
Goodwill acquired	87,261
Goodwill adjustments due to currency translation	3,588
Goodwill at December 31, 2017	$ 346,514

9. CUSTOMER CONTRACTS AND OTHER INTANGIBLE ASSETS

Customer contracts are amortized on a straight-line basis over the period of the agreements, as straight-line best approximates the ratio that current revenues bear to the total of current and anticipated revenues, based on the estimated lives of the assets. In accordance with the FASB ASC Topic 350 "Intangibles - Goodwill and other", the expected lives of customer contracts were reviewed, and it was determined that customer contracts should be amortized over a life of 7 to 20 years dependent upon customer type. The carrying amount and accumulated amortization for customer contracts were as follows:

December 31,	2017	2016
(in thousands)		
Customer contracts	$ 290,628	$ 251,194
Less: Accumulated amortization	(137,759)	(133,728)
Customer contracts, net	$ 152,869	$ 117,466

2017 Form 10-K

The carrying amount of customer contracts in foreign countries was $29.8 million as of December 31, 2017 and $29.7 million as of December 31, 2016.

Other intangible assets include non-compete agreements, patents and finite lived and indefinite lived trade names. Non-compete agreements are amortized on a straight-line basis over periods ranging from 3 to 20 years and patents are amortized on a straight-line basis over 15 years. The carrying amount and accumulated amortization for other intangible assets were as follows:

At December 31,	2017	2016
(in thousands)		
Other intangible assets	$ 75,780	$ 56,937
Less: Accumulated amortization	(14,232)	(12,627)
Other intangible assets, net	$ 61,548	$ 44,310

The carrying amount of other intangible assets in foreign countries was $3.5 million as of December 31, 2017 and $3.8 million as of December 31, 2016.

Included in the table above are trademarks and trade names of $35.0 million and $32.7 million at December 31, 2017 and 2016, respectively. Also included in the table above are non-amortizable, indefinite lived intangible assets of $32.2 million and $29.7 million at December 31, 2017 and 2016, respectively.

The carrying amount of customer contracts and other intangible assets, net were as follows:

December 31,	2017	2016
(in thousands)		
Customer contracts, net	$ 152,869	$ 117,466
Other intangible assets, net	61,548	44,310
Customer contracts and other intangible assets, net	$ 214,417	$ 161,776

Total amortization expense was approximately $29.2 million in 2017, $26.2 million in 2016 and $25.2 million in 2015.

Estimated amortization expense for the existing carrying amount of customer contracts and other intangible assets for each of the five succeeding fiscal years are as follows:

(in thousands)	
2018	$ 27,029
2019	24,052
2020	21,872
2021	20,431
2022	18,925

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. To manage this risk, the Company enters into derivative financial instruments from time to time. Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company's cash receipts and payments in terms of the Company's functional currency. The Company enters into derivative financial instruments from time to time to protect the value or fix the amount of certain obligations in terms of its functional currency, the U.S. dollar.

Hedges of Foreign Exchange Risk

The Company is exposed to fluctuations in various foreign currencies against its functional currency, the US dollar. The Company uses foreign currency derivatives, specifically vanilla foreign currency forwards, to manage its exposure to fluctuations in the USD-CAD and AUD-USD exchange rates. Currency forward agreements involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically cash settled in US dollars for their fair value at or close to their settlement date.

The Company does not currently designate any of these foreign exchange forwards under hedge accounting, but rather reflects the changes in fair value immediately in earnings. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to foreign exchange rates. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and were equal to a net loss of $0.3 million for the twelve months ended December 31, 2017 and $0.4 million in 2016, respectively. As of December 31, 2017, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (in thousands except for number of instruments):

Non- Designated Derivatives Summary

	Number of Instruments	Sell Notional	Buy Notional
FX Forward Contracts			
Sell AUD/Buy USD Fwd Contract	9	$ 1,250	$ 960
Sell CAD/Buy USD Fwd Contract	14	$ 8,750	$ 6,864
Total	23	—	$ 7,824

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31, 2017 and December 31, 2016 (in thousands):

	Tabular Disclosure of Fair Values of Derivative Instruments			
	Derivative Asset		Derivative Liabilities	
	Fair Value as of:			
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Derivatives Not Designated as Hedging Instruments				
FX Forward Contracts				
Balance Sheet Location	Other Assets	Other Assets	Other Current Liabilities	Other Current Liabilities
Sell AUD/Buy USD Fwd Contract	$ —	$ —	$ (9)	$ —
Sell CAD/Buy USD Fwd Contract	$ —	$ —	$ (61)	$ —
Total	$ —	$ —	$ (70)	$ —

The table below presents the effect of the Company's derivative financial instruments on the Income Statement as of December 31, 2017 and December 31, 2016 (in thousands):

Effect of Derivative Instruments on the Income Statement for Derivatives Not Designated as Hedging Instruments for the Twelve Months Ended December 31, 2017 and 2016

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income Twelve Months Ended December 31,	
		2017	2016
Sell AUD/Buy USD Fwd Contract	Other Inc/(Exp)	$ (29)	$ (24)
Sell CAD/Buy USD Fwd Contract	Other Inc/(Exp)	(304)	(406)
Total		$ (333)	$ (430)

11. INCOME TAXES

The Company's income tax provision consisted of the following:

For the years ended December 31,	2017	2016	2015
(in thousands)			
Current:			
Federal	$ 76,178	$ 69,102	$ 68,667
State	13,406	12,949	11,335
Foreign	7,158	14,464	7,534
Total current tax	96,742	96,515	87,536
Deferred:			
Federal	17,249	(5,991)	1,286
State	1,610	2,892	2,078
Foreign	(223)	(149)	129
Total deferred tax	18,636	(3,248)	3,493
Total income tax provision	$ 115,378	$ 93,267	$ 91,029

The primary factors causing income tax expense to be different than the federal statutory rate for 2017, 2016, and 2015 are as follows:

For the years ended December 31,	2017	2016	2015
(in thousands)			
Income tax at statutory rate	$ 103,075	$ 91,222	$ 85,112
State income tax expense (net of federal benefit)	9,979	8,876	8,377
Foreign tax expense/ (benefit)	(1,613)	9,857	(1,729)
Foreign tax	(221)	(19,155)	(2,816)
Repatriation tax under TCJA	7,956	—	—
Other	(3,798)	2,467	2,085
Total income tax provision	$ 115,378	$ 93,267	$ 91,029

Other includes the release of deferred tax liabilities, tax credits, valuation allowance, and other immaterial adjustments.

On December 22, 2017 the Tax Cuts And Jobs Act ("TCJA") was signed into law. The TCJA reduced the 2018 corporate tax rate from 35.0% to 21.0% and made numerous other tax law changes. Certain tax effects of the TCJA were recognized in year ended December 31, 2017 resulting in the recording of $11.6 million of additional tax expense. The additional tax of $11.6 million related to the following components: $8.0 million related to the imposition of a tax on deemed repatriated earnings of foreign subsidiaries due to implementation of a territorial tax system, $2.9 million related to remeasurement of deferred tax assets to the 21.0% tax rate, and $0.7 million related to reductions in tax benefits on stock compensation. A provisional amount based on reasonable estimates was made with respect to the tax implications associated with the deemed repatriated earnings on foreign subsidiaries based on the initial analysis of the

TCJA. This provisional amount is based on information currently available, including estimated tax earnings and profits from foreign investments. The Company continues to gather and analyze information, including historical adjustments to earnings and profits of foreign subsidiaries, in order to complete the accounting for the effects of the estimated transition tax. The TCJA has significant complexity and implementation guidance from the Internal Revenue Service, clarifications of state tax law and the completion of the Company's 2017 tax return filings could all impact these estimates. The Company does not believe potential adjustments in future periods will materially impact the Company's financial condition or results of operations. Any such adjustments will be treated in accordance with the measurement period guidance outlined in Staff Accounting Bulletin ("SAB") No. 118. Additional guidance has been provided to address the accounting for the potential effects related to the taxation of global intangible low-taxed income (GILTI), noting that companies should make an accounting policy election to recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to include the tax expense in the year incurred. The Company has not completed its analysis of the effects of the GILTI provisions and will further consider the accounting policy election.

The provision for income taxes resulted in an effective tax rate of 39.2% on income before income taxes for the year ended December 31, 2017. The effective rate differs from the annual federal statutory rate primarily because of state and foreign income taxes and adjustments due to the TCJA partially offset by tax benefits associated with restricted stock.

For 2016 and 2015 the effective tax rate was 35.8% and 37.4%, respectively. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state and foreign income taxes, the increase of available foreign tax credit and the release of certain deferred tax liabilities.

During 2017, 2016 and 2015, the Company paid income taxes of $90.7 million, $88.8 million and $82.7 million, respectively, net of refunds.

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2017 and 2016 are as follows:

December 31,	2017	2016
(in thousands)		
Deferred tax assets:		
Termite accrual	$ 1,241	$ 1,848
Insurance and contingencies	18,374	26,560
Unearned revenues	11,152	14,610
Compensation and benefits	11,157	15,798
State and foreign operating loss carryforwards	7,035	12,817
Bad debt reserve	3,203	4,842
Foreign tax credit	7,842	18,213
Other	1,861	1,804
Net Pension liability	—	1,109
Valuation allowance	(24)	(6,507)
Total deferred tax assets	61,841	91,094
Deferred tax liabilities:		
Depreciation and amortization	(18,453)	(21,217)
Net Pension liability	(3,709)	—
Intangibles and other	(21,259)	(28,000)
Total deferred tax liabilities	(43,421)	(49,217)
Net deferred tax assets	18,420	41,877

Analysis of the valuation allowance:

December 31,	2017	2016
(in thousands)		
Valuation allowance at beginning of year	$ 6,507	$ 3,969
Change in valuation allowance	(6,483)	2,538
Valuation allowance at end of year	$ 24	$ 6,507

As of December 31, 2017, the Company has net operating loss carryforwards for foreign and state income tax purposes of approximately $148 million, which will be available to offset future taxable income. If not used, these carryforwards will expire between 2018 and 2030. Management believes that it is unlikely to be able to utilize approximately $0.1 million of foreign net operating losses before they expire and has included a valuation allowance for the effect of these unrealizable operating loss carryforwards. The valuation allowance decreased by $6.5 million due to the liquidation of a foreign subsidiary.

Earnings from continuing operations before income tax include foreign income of $22.1 million in 2017, $6.4 million in 2016 and $17 million in 2015. The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisition of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not part of the Company's current business plan.

The total amount of unrecognized tax benefits at December 31, 2017 that, if recognized, would affect the effective tax rate is $0.6 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

December 31,	2017	2016
(in thousands)		
Balance at Beginning of Year	$ 2,554	$ 2,554
Additions for tax positions of prior years	594	—
Balance at End of Year	$ 3,148	$ 2,554

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. In addition, the Company has subsidiaries in various state and international jurisdictions that are currently under audit for years ranging from 2010 through 2015. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years prior to 2012.

It is reasonably possible that the amount of unrecognized tax benefits will increase in the next 12 months.

The Company's policy is to record interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties were $0.9 million and $0.4 million as of December 31, 2017 and December 31, 2016, respectively. The Company recognized interest and penalties of $0.5 million, $0.1 million, and $0.2 million in 2017, 2016, and 2015, respectively.

12. ACCRUAL FOR TERMITE CONTRACTS

In accordance with the FASB ASC Topic 450 "*Contingencies*," the Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termiticide life expectancy and government regulation.

A reconciliation of changes in the accrual for termite contracts is as follows:

For the years ended December 31,	2017	2016
(in thousands)		
Beginning balance	$ 4,800	$ 5,085
Current year provision	3,611	3,190
Settlements, claims, and expenditures	(3,526)	(3,475)
Ending balance	$ 4,885	$ 4,800

The accrual for termite contracts is included in other current liabilities, $2.9 million and $2.7 million at December 31, 2017 and 2016, respectively and long-term accrued liabilities, $2.0 million and $2.1 million at December 31, 2017 and 2016, respectively on the Company's consolidated statements of financial position.

13. COMMITMENTS AND CONTINGENCIES

The Company leases buildings, vehicles and equipment under operating leases, some of which contain escalation clauses. The Company's operating leases expire at various dates through 2028:

For the years ended December 31,	2017	2016	2015
(in thousands)			
Rental Expense	$ 72,030	$ 66,774	$ 60,508

Future commitments under operating leases are as summarized:

(in thousands)	Operating leases
2018	$ 34,112
2019	24,890
2020	21,355
2021	17,358
2022	14,313
Thereafter	31,511
Total minimum obligation	$ 143,539

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

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

14. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

Rollins, Inc. Retirement Income Plan

The Company maintains several noncontributory tax-qualified defined benefit pension plans (the "Plans") covering employees meeting certain age and service requirements. The Plans provide 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 Plans with at least the minimum amount required by ERISA. The Company made no contribution for the year ended December 31, 2017 and $3.3 million and $5.0 million to the Plans during the years 2016 and 2015 respectively.

In 2005, the Company ceased all future benefit accruals under the Rollins, Inc. Retirement Income Plan, although the Company remains obligated to provide employees benefits earned through June 2005. In 2016, the Plan was amended to allow certain vested participants the ability to elect for a limited time the commencement of their benefit in the form of a single-sum payment, not to exceed $35,000, or an annuity starting date of December 1, 2016. In total $8.8 million was paid by the Plan during the year ended December 31, 2016, under this program. The Plan did not offer any options for the years ended December 31, 2017 and 2015.

The Company includes the Waltham Services, LLC Hourly Employee Pension Plan in the Company's financial statements. The Company accounts for these defined benefit plans in accordance with the FASB ASC Topic 715 "Compensation- Retirement Benefits", and engages an outside actuary to calculate its obligations and costs. With the assistance of the actuary, the Company evaluates the significant assumptions used on a periodic basis including the estimated future return on plan assets, the discount rate, and other factors, and makes adjustments to these liabilities as necessary.

In June 2005, the Company froze the Rollins, Inc. defined benefit pension plan. The Company currently uses December 31 as the measurement date for its defined benefit post-retirement plans. The funded status of the Plans and the net amount recognized in the statement of financial position are summarized as follows as of:

December 31,	2017	2016
(in thousands)		
CHANGE IN ACCUMULATED BENEFIT OBLIGATION		
Accumulated benefit obligation at beginning of year	$ 197,222	$ 200,375
Service cost	58	71
Interest cost	8,493	9,331
Actuarial (gain) loss	6,762	6,079
Benefits paid	(10,225)	(18,634)
Accumulated Benefit obligation at end of year	202,310	197,222
CHANGE IN PLAN ASSETS		
Market value of plan assets at beginning of year	194,342	190,640
Actual return on plan assets	35,788	19,080
Employer contribution	—	3,256
Benefits paid	(10,225)	(18,634)
Fair value of plan assets at end of year	219,905	194,342
Funded status	$ 17,595	$ (2,880)

Amounts Recognized in the Statement of Financial Position consist of:

December 31,	2017	2016
(in thousands)		
Noncurrent assets/(liabilities)	$ 17,595	$ (2,880)

Amounts Recognized in Accumulated Other Comprehensive Income consists of:

December 31,	2017	2016
(in thousands)		
Net actuarial loss	$ 61,598	$ 80,662

The accumulated benefit obligation for the defined benefit pension plans were $202.3 million and $197.2 million at December 31, 2017 and December 31, 2016, respectively. Accumulated benefit obligation and projected benefit obligation are materially the same for the Plans. Pre-tax (increases)/decreases in the pension liability which were (charged, net of tax) credited to other comprehensive income/ (loss) were $19.0 million, $3.0 million, and $14.8 million in 2017, 2016, and 2015, respectively.

The following weighted-average assumptions were used to determine the accumulated benefit obligation and net benefit cost:

December 31,	2017	2016	2015
ACCUMULATED BENEFIT OBLIGATION			
Discount rate	4.00%	4.45%	4.70%
Rate of compensation increase	N/A	N/A	N/A
NET BENEFIT COST			
Discount rate	4.45%	4.70%	4.15%
Expected return on plan assets	7.00%	7.00%	7.00%
Rate of compensation increase	N/A	N/A	N/A

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The return on plan assets reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held in the plan. The expected long-term rate of return is adjusted when there are fundamental changes in the expected returns on the plan investments.

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, for fiscal year's 2017, 2016, and 2015 the Company utilized a yield curve analysis.

The components of net periodic benefit cost are summarized as follows:

Years ended December 31,	2017	2016	2015
(in thousands)			
Service cost	$ 58	$ 71	$ 86
Interest cost	8,493	9,331	8,915
Expected return on plan assets	(13,368)	(13,219)	(12,788)
Amortization of net loss	3,322	3,263	3,761
Preliminary net periodic benefit cost/(income)	$ (1,495)	$ (554)	$ (26)
Settlement expense	53	—	—
Net periodic benefit cost	$ (1,442)	$ (554)	$ (26)

The benefit obligations recognized in other comprehensive income for the years ended December 31, 2017, 2016, and 2015 are summarized as follows:

(in thousands)	2017	2016	2015
Pretax (income)/loss	$ (15,650)	$ 218	$ (11,035)
Amortization of net loss	(3,322)	(3,263)	(3,761)
Total recognized in other comprehensive income	(18,972)	(3,045)	(14,796)
Total recognized in net periodic benefit (income)/cost and other comprehensive income	$ (20,414)	$ (3,599)	$ (14,822)

The Company expects to amortize a net loss of $3.1 million in 2018. At December 31, 2017 and 2016, the Plan's assets were comprised of listed common stocks and U.S. government and corporate securities, real estate and other. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of $32.0 million and $42.1 million at December 31, 2017 and 2016, respectively.

The Plans' weighted average asset allocation at December 31, 2017 and 2016 by asset category, along with the target allocation for 2018, are as follows:

	Target allocations for	Percentage of plan assets as of December 31,	
Asset category	2018	2017	2016
Cash and cash equivalents	0.0% - 5.0%	2.4%	3.5%
Equity securities - Rollins stock	0.0% - 40.0%	14.7%	20.7%
Domestic equity - all other	0.0% - 40.0%	21.8%	21.7%
International equity	0.0% - 30.0%	16.4%	21.0%
Debt securities - core fixed income	15.0% - 50.0%	35.2%	23.5%
Real estate	0.0% - 20.0%	6.5%	6.4%
Alternative/ Opportunistic/Special	0.0% - 20.0%	3.0%	3.2%
Total		100.0%	100.0%

For each of the asset categories in the pension plan, the investment strategy is identical – maximize the long-term rate of return on plan assets with an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class which is rebalanced as required. The plans utilize a number of investment approaches, including individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation. The Company and management are not considering making contributions to the pension plans during fiscal 2018.

Some of our assets, primarily our private equity, real estate, and hedge funds, do not have readily determinable market values given the specific investment structures involved and the nature of the underlying investments. For the December 31, 2017 plan asset reporting, publicly traded asset pricing was used where possible. For assets without readily determinable values, estimates were derived from investment manager statements combined with discussions focusing on underlying fundamentals and significant events. Additionally, these investments are categorized as NAV investments and are valued using significant non-observable inputs which do not have a readily determinable fair value. In accordance with ASU No. 2011-12 "Investments In Certain Entities That Calculate Net Asset Value per Share (Or Its Equivalent)," these investments are valued based on the net asset value per share calculated by the funds in which the plan has invested. These valuations are subject to judgments and assumptions of the funds which may prove to be incorrect, resulting in risks of incorrect valuation of these investments. The Company seeks to mitigate against these risks by evaluating the appropriateness of the funds' judgments and assumptions by reviewing the financial data included in the funds' financial statements for reasonableness.

Fair Value Measurements

The Company's overall investment strategy is to achieve a mix of approximately 70 percent of investments for long-term growth and 30 percent for near-term benefit payments, with a wide diversification of asset types, fund strategies and fund managers. Equity securities primarily include investments in large-cap and small-cap companies domiciled domestically and internationally. Fixed-income securities include corporate bonds, mortgage-backed securities, sovereign bonds, and U.S. Treasuries. Other types of investments include real estate funds and private equity funds that follow several different investment strategies. For each of the asset categories in the pension plan, the investment strategy is identical – maximize the long-term rate of return on plan assets with an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class which is rebalanced as required. The plans utilize a number of investment approaches, including but not limited to individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation.

The following table presents our plan assets using the fair value hierarchy as of December 31, 2017. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. See note 7 for a brief description of the three levels under the fair value hierarchy.

(in thousands)		Total	Level 1	Level 2	NAV
(1)	Cash and cash equivalents	$ 5,432	$ 5,432	$ —	$ —
(2)	Fixed income securities	77,214	—	77,214	—
	Domestic equity securities				
	Rollins, Inc. stock	32,049	32,049	—	—
	Other securities	48,511	16,243	32,268	—
(3)	International equity securities	36,156	—	36,156	—
(4)	Real estate	14,074	—	—	14,074
(5)	Alternative/opportunistic/special	6,469	—	—	6,469
	Total	$ 219,905	$ 53,724	$ 145,638	$ 20,543

The following table presents our plan assets using the fair value hierarchy as of December 31, 2016. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

(in thousands)		Total	Level 1	Level 2	NAV
(1)	Cash and cash equivalents	$ 6,834	$ 6,834	$ —	$ —
(2)	Fixed income securities	45,673	—	45,673	—
	Domestic equity securities				
	Rollins, Inc. stock	42,120	42,120	—	—
	Other securities	40,178	11,614	28,564	—
(3)	International equity securities	40,767	—	40,767	—
(4)	Real estate	12,527	—	—	12,527
(5)	Alternative/opportunistic/special	6,243	—	—	6,243
	Total	$ 194,342	$ 60,568	$ 115,004	$ 18,770

(1) Cash and cash equivalents, which are used to pay benefits and plan administrative expenses, are held in Rule 2a-7 money market funds.

(2) Fixed income securities are primarily valued using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

(3) International equity securities are valued using a market approach based on the quoted market prices of identical instruments in their respective markets.

(4) Real estate fund values are primarily reported by the fund manager and are based on valuation of the underlying investments, which include inputs such as cost, discounted future cash flows, independent appraisals and market based comparable data.

(5) Alternative/Opportunistic/Special funds can invest across the capital structure in both liquid and illiquid securities that are valued using a market approach based on the quoted market prices of identical instruments, or if no market price is available, instruments will be held at their fair market value (which may be cost) as reasonably determined by the investment manager, independent dealers, or pricing services.

There were no purchases, sales or transfers of assets classified as Level 3 in 2017 or 2016.

The estimated future benefit payments over the next five years are as follows:

(in thousands)	
2018	$ 11,500
2019	11,798
2020	12,105
2021	12,342
2022	12,597
Thereafter	63,788
Total	$ 124,130

Defined Contribution 401(k) Savings Plan

The Company sponsors a defined contribution 401(k) Savings Plan that is available to a majority of the Company's full-time employees the first day of the calendar quarter following completion of three months of service. The Plan is available to non full-time employees the first day of the calendar quarter following one year of service upon completion of 1000 hours in that year. The Plan provides for a matching contribution of fifty cents ($0.50) for each one dollar ($1.00) of a participant's contributions to the Plan that do not exceed 6 percent of his or her eligible compensation (which includes commissions, overtime and bonuses). The charge to expense for the Company match was approximately $12.1 million for the year ended December 31, 2017 and $11.0 million and $10.2 million for the years ended December 31, 2016 and 2015, respectively. At December 31, 2017, 2016, and 2015 approximately, 38.8%, 36.4%, and 33.5%, respectively of the plan assets consisted of Rollins, Inc. Common Stock. Total administrative fees paid by the Company for the Plan were less than $0.1 million for each of the years ended December 31, 2017, 2016 and 2015.

Nonqualified Deferred Compensation Plan

The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2 thousand per plan year minimum. The Company may make discretionary contributions to participant accounts. The Company credited accounts of participants of long service to the Company with certain discretionary amounts ("Pension Plan Benefit Restoration Contributions") in lieu of benefits that previously accrued under the Company's Retirement Income Plan up to a maximum of $245 thousand.

Accounts will be credited with hypothetical earnings, and/or debited with hypothetical losses, based on the performance of certain "Measurement Funds." Account values are calculated as if the funds from deferrals and Company credits had been converted into shares or other ownership units of selected Measurement Funds by purchasing (or selling, where relevant) such shares or units at the current purchase price of the relevant Measurement Fund at the time of the participant's selection. Deferred Compensation Plan benefits are unsecured general obligations of the Company to the participants, and these obligations rank in parity with the Company's other unsecured and unsubordinated indebtedness. The Company has established a "rabbi trust," which it uses to voluntarily set aside amounts to indirectly fund any obligations under the Deferred Compensation Plan. To the extent that the Company's obligations under the Deferred Compensation Plan exceed assets available under the trust, the Company would be required to seek additional funding sources to fund its liability under the Deferred Compensation Plan.

Generally, the Deferred Compensation Plan provides for distributions of any deferred amounts upon the earliest to occur of a participant's death, disability, retirement or other termination of employment (a "Termination Event"). However, for any deferrals of salary and bonus (but not Company contributions), participants would be entitled to designate a distribution date which is prior to a Termination Event. Generally, the Deferred Compensation Plan allows a participant to elect to receive distributions under the Deferred Compensation Plan in installments or lump-sum payments.

At December 31, 2017 the Deferred Compensation Plan had 70 life insurance policies with a net face value of $43.4 million. The cash surrender value of these life insurance policies were worth $18.3 million and $15.7 million at December 31, 2017 and 2016, respectively.

The estimated life insurance premium payments over the next five years are as follows:

(in thousands)	
2018	$ 590
2019	614
2020	638
2021	664
2022	690
Total	$3,196

Total expense related to deferred compensation was $241 thousand, $230 thousand and $231 thousand in 2017, 2016, and 2015, respectively. The Company had $18.4 million and $15.9 million in deferred compensation assets as of December 31, 2017 and 2016, respectively, included within other assets on the Company's consolidated statements of financial position and $18.4 million and $15.7 million in deferred compensation liability as of December 31, 2017 and 2016, respectively, located within long-term accrued liabilities on the Company's consolidated statements of financial position. The amounts of assets were marked to fair value.

15. STOCK-BASED COMPENSATION

Stock Compensation Plans

Time Lapse Restricted Shares and Restricted Stock Units

Time lapse restricted shares (TLRSs) have been issued to officers and other management employees under the Company's Employee Stock Incentive Plan. The Company recognizes compensation expense for the unvested portion of awards outstanding over the remainder of the service period. The compensation cost recorded for these awards is based on their closing stock price at the grant date less the cost of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures. Cash flows related to share-based payment awards to employees that result in tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as a financing activity in the accompanying consolidated statements of cash flows.

TLRSs provide for the issuance of a share of the Company's Common Stock at no cost to the holder and generally vest after a certain stipulated number of years from the grant date, depending on the terms of the issue. TLRSs vest in 20 percent increments starting with the second anniversary of the grant, over six years from the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the granted shares. The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed.

The Company issued time lapse restricted shares of 0.5, 0.5, and 0.7 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company issues new shares from its authorized but unissued share pool. At December 31, 2017, approximately 4.3 million shares of the Company's common stock were reserved for issuance. In accordance with the FASB ASC Topic 718, "*Compensation – Stock Compensation*," the Company recognizes the fair value of the award on a straight line basis over the service periods of each award. The Company estimates restricted share forfeiture rates based on its historical experience.

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense ($ in thousands):

Years ended December 31,	2017	2016	2015
Time lapse restricted stock:			
Pre-tax compensation expense	$12,399	$12,415	$12,110
Tax benefit	(4,799)	(4,805)	(4,687)
Restricted stock expense, net of tax	$ 7,600	$ 7,610	$ 7,423

As of December 31, 2017 and 2016, $32.9 million and $29.9 million, respectively, of total unrecognized compensation cost related to time-lapse restricted shares are expected to be recognized over a weighted average period of approximately 3.9 years and 3.8 years at December 31, 2017 and December 31, 2016, respectively.

The following table summarizes information on unvested restricted stock units outstanding as of December 31, 2017, 2016 and 2015:

	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested Restricted Stock Grants		
Unvested as of December 31, 2014	3,100	$14.45
Forfeited	(85)	15.71
Vested	(946)	12.04
Granted	682	22.43
Unvested as of December 31, 2015	2,751	17.21
Forfeited	(114)	19.54
Vested	(879)	14.49
Granted	503	26.45
Unvested as of December 31, 2016	2,261	20.21
Forfeited	(34)	22.38
Vested	(679)	17.21
Granted	469	34.46
Unvested as of December 31, 2017	2,017	$24.50

16. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Accumulated other comprehensive income/ (loss) consist of the following (in thousands):

	Pension Liability Adjustment	Foreign Currency Translation	Total
Balance at December 31, 2015	$ (50,905)	$ (20,273)	$ (71,178)
Change during 2016:			
Before-tax amount	3,045	(602)	2,443
Tax benefit	(1,340)	—	(1,340)
	1,705	(602)	1,103
Balance at December 31, 2016	(49,200)	(20,875)	(70,075)
Change during 2017			
Before-tax amount	18,980	9,960	28,940
Tax benefit	(4,821)	—	(4,821)
	14,159	9,960	24,119
Balance at December 31, 2017	$ (35,041)	$ (10,915)	$ (45,956)

17. RELATED PARTY TRANSACTIONS

The Company provides certain administrative services to RPC, Inc. ("RPC") (a company of which Mr. R. Randall Rollins is also Chairman and which is otherwise affiliated with the Company). The service agreements between RPC and the Company provide for the provision of services on a cost reimbursement basis and are terminable on 6 months' notice. The services covered by these agreements include administration of certain employee benefit programs, and other administrative services. Charges to RPC (or to corporations which are subsidiaries of RPC) for such services and rent totaled approximately $0.1 million for each of the years ended December 31, 2017, 2016, and 2015.

The Company rents office, hanger and storage space to LOR, Inc. ("LOR") (a company controlled by R. Randall Rollins and Gary W. Rollins). Charges to LOR (or corporations which are subsidiaries of LOR) for rent totaled $1.0 million for each of the years ended December 31, 2017, 2016, and 2015, respectively.

In 2014, P.I.A. LLC, a company owned by the Chairman of the Board of Directors, Mr. R. Randall Rollins, purchased a Lear Model 35A jet and entered into a lease arrangement with the Company for Company use of the aircraft for business purposes. The lease is terminable by either party on 30 days' notice. The Company pays $100 per month rent for the leased aircraft, and pays all variable costs and expenses associated with the leased aircraft, such as the costs for fuel, maintenance, storage and pilots. The Company has the priority right to use of the aircraft on business days, and Mr. Rollins has the right to use the aircraft for personal use through the terms of an Aircraft Time Sharing Agreement with the Company. During the years ended December 31, 2017 and 2016, the Company paid approximately $0.8 million and $0.5 million in rent and operating costs for the aircraft respectively. During 2017, the Company accounted for 100 percent of the use of the aircraft. All transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

18. UNAUDITED QUARTERLY DATA

(in thousands except per share data)	First	Second	Third	Fourth
2017				
Revenues	$ 375,247	$ 433,555	$ 450,442	$ 414,713
Gross profit (Revenues less cost of services provided)	$ 186,084	$ 229,075	$ 231,661	$ 207,194
Net income	$ 40,270	$ 53,689	$ 51,430	$ 33,735
Income per share:				
Income per share—Basic	$ 0.18	$ 0.25	$ 0.24	$ 0.15
Income per share—Diluted	$ 0.18	$ 0.25	$ 0.24	$ 0.15
2016				
Revenues	$ 352,736	$ 411,133	$ 423,994	$ 385,614
Gross profit (Revenues less cost of services provided)	$ 174,934	$ 215,190	$ 218,386	$ 192,619
Net income	$ 31,928	$ 47,783	$ 49,651	$ 38,007
Income per share:				
Income per share—Basic	$ 0.15	$ 0.22	$ 0.23	$ 0.17
Income per share—Diluted	$ 0.15	$ 0.22	$ 0.23	$ 0.17

19. CASH DIVIDEND

On January 23, 2018 the Board of Directors approved a 21.7% increase in the Company's quarterly cash dividend per common share to $0.14 payable March 9, 2018 to stockholders of record at the close of business February 9, 2018. On October 24, 2017, the Board of Directors declared its regular $0.115 per share as well as a special year-end dividend of $0.10 per share both payable December 11, 2017 to stockholders of record at the close of business November 10, 2017. The Company expects to continue to pay cash dividends to the common stockholders, subject to the earnings and financial condition of the Company and other relevant factors.

20. THREE-FOR-TWO STOCK SPLIT

On January 27, 2015, the Board of Directors at its quarterly meeting authorized a three-for-two stock split of the Company's common shares by the issuance on March 10, 2015 of one additional common share for each two common shares held of record at February 10, 2015. The stock split increased the Company's outstanding shares from 145,783,052 to 218,674,578 shares.

Below are the effects of the stock split on the Company's Stockholders' equity:

(in thousands)	December 31, 2014 (pre-split)	Adjustment	December 31, 2014 (post-split)
STOCKHOLDERS' EQUITY			
Preferred stock, without par value; 500,000 authorized, zero shares issued			
Common stock, par value $1 per share; 250,000,000 shares authorized, 218,482,907 shares issued[(1)]	145,722	72,761	218,483
Treasury Stock, par value $1 per share; 200,000 shares	(200)		(200)
Paid-in-capital	62,839		62,839
Accumulated other comprehensive loss	(65,488)		(65,488)
Retained earnings	319,803	(72,761)	247,042
Total stockholders' equity	$ 462,676		$ 462,676

(1) Shares issued increased as follows: 2014 - 72,760,969; 2013 - 72,932,222

Below are the effects of the stock split on the Company's earnings per share:

(in thousands, except per share amounts)	December 31, 2014 (pre-split)	Adjustment	December 31, 2014 (post-split)
Net income	$ 137,664	$ —	$ 137,664
Basic earnings per share	$ 0.94	$ (0.31)	$ 0.63
Diluted earnings per share	$ 0.94	$ (0.31)	$ 0.63
Shares used for computation:			
Basic	145,796	72,899	218,695
Diluted	145,796	72,899	218,695

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures—We have established disclosure controls and procedures to ensure, among other things, that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on management's evaluation as of December 31, 2017, in which the principal executive officer and principal financial officer of the Company participated, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective, at the reasonable assurance level to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting—Management's Report on Internal Control Over Financial Reporting is contained on page 38.

Changes in Internal Controls—There were no changes in our internal control over financial reporting during the fourth quarter of 2017 that materially affected or are reasonably likely to materially affect these controls.

Item 9B. Other Information

None.

PART III

Item 10.

Directors, Executive Officers and Corporate Governance

Information concerning directors and executive officers is included in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders (the "Proxy Statement"), in the section titled "Election of Directors". This information is incorporated herein by reference. Information about executive officers is contained on page 26 of this document.

Audit Committee and Audit Committee Financial Expert

Information concerning the Audit Committee of the Company and the Audit Committee Financial Expert(s) is included in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders, in the section titled "Corporate Governance and Board of Directors' Committees and Meetings – Audit Committee." This information is incorporated herein by reference.

Code of Ethics

The Company has adopted a Code of Business Conduct that applies to all employees. In addition, the Company has adopted a Code of Business Conduct and Ethics for Directors and Executive Officer and Related Party Transaction Policy. Both of these documents are available on the Company's website at www.rollins.com and a copy is available by writing to Investor Relations at 2170 Piedmont Road, Atlanta, Georgia 30324. The Company intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of its code of ethics that relates to any elements of the code of ethics definition enumerated in SEC rules by posting such information on its internet website, the address of which is provided above.

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Exchange Act is included under "Compliance with Section 16(a) of the Securities Exchange Act" in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders, which is incorporated herein by reference.

Item 11.

Executive Compensation

The information under the captions "Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," and "Executive Compensation" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2018 is incorporated herein by reference.

Item 12.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under the captions "Capital Stock" and "Election of Directors" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 24, 2018 is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding equity compensation plans as of December 31, 2017.

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by security holders	2,017,119	$ —	4,273,709
Equity compensation plans not approved by security holders	—	$ —	—
Total	2,017,119	$ —	4,273,709[1]

[1] Includes 4,273,709 shares available for grant under the 2008 Employee Stock Incentive Plan. The 2008 Employee Stock Incentive Plan provides for awards of the Company's common stock and awards that are valued in whole or in part by reference to the Company's common stock apart from stock options and SARs including, without limitation, restricted stock, performance-accelerated restricted stock, performance stock, performance units, and stock awards or options valued by reference to book value or subsidiary performance.

Item 13.

Certain Relationships and Related Party Transactions, and Director Independence

The information under the caption "Certain Relationships and Related Party Transactions" included in the Proxy Statement is incorporated herein by reference. Information concerning director independence is included in the Proxy Statement, in the section titled "Corporate Governance and Board of Directors' Committees and Meetings." This information is incorporated herein by reference.

Item 14.

Principal Accounting Fees and Services

Information regarding principal accounting fees and services is set forth under "Independent Public Accountants" in the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders, which information is incorporated herein by reference.

PART IV

Item 15.

Exhibits and Financial Statement Schedules

(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. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (b)	Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (c)	Written description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 8-K dated April 23, 2013.
(10) (d)	Forms of award agreements under the 2013 Cash Incentive Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 10-K dated February 27, 2017.
(10) (e)	2008 Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 17, 2008 Proxy Statement for the Annual Meeting of the Stockholders held on April 22, 2008.
(10) (f)	Form of Restricted Stock Grant Agreement incorporated herein by reference to Exhibit 10(d) as filed with its Form 8-K dated April 22, 2008.
(10) (g)	Form of Time-Lapse Restricted Stock Agreement incorporated herein by reference to Exhibit 10.1 as filed with its Form 10-Q for the quarter ended March 31, 2012.
(10) (h)	Summary of Compensation Arrangements with Executive Officers, incorporated herein reference to Exhibit (10)(q) as filed with its Form 10-K for the year ended December 31, 2010.
(10) (i)	Summary of Compensation Arrangements with Non-Employee Directors, incorporated herein by reference to Exhibit 10(i) filed with the Registrant's 10-K filed February 25, 2015.

(b) *Exhibits* (inclusive of item 3 above):

(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, incorporated herein by reference to Exhibit (3)(i)(A) as filed with the registrant's Form 10-Q filed August 1, 2005.
	(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit 3(i)(B) filed with the registrant's 10-K filed March 11, 2005.
	(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, incorporated herein by reference to Exhibit (3)(i)(C) filed with the registrant's Form 10-Q filed August 1, 2005.
	(D) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 25, 2006, incorporated herein by reference to Exhibit 3(i)(D) filed with the registrant's 10-Q filed October 31, 2006
	(E) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April, 26, 2011, incorporated herein by reference to Exhibit 3(i)(E) filed with the Registrant's 10-K filed February 25, 2015.
	(F) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 28, 2015, incorporated herein by reference to Exhibit 3(i)(F) filed with the Registrant's 10-Q filed on July 29, 2015.
(ii)	Revised By-laws of Rollins, Inc. dated April 25, 2017, incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-Q filed April 28, 2017.
(4)	Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10) (a)	Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (b)	Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.
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(10) (i)	Summary of Compensation Arrangements with Non-Employee Directors, incorporated herein by reference to Exhibit 10(i) filed with the Registrant's 10-K filed February 25, 2015.
(10) (j)	Revolving Credit Agreement dated as of October 31, 2012 between Rollins, Inc., SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 99.1 as filed with its Form 8-K dated November 2, 2012.
(10) (k)	First Amendment to Revolving Credit Agreement dated as of October 30, 2014 by and among Rollins, Inc., the lenders party thereto and SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 10(k) filed with the Registrant's 10-K filed February 25, 2015.

(21)	Subsidiaries of Registrant.
(23.1)	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
(24)	Powers of Attorney for Directors.
(31.1)	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	EX-101 Instance Document
(101.SCH)	EX-101 Schema Document
(101.CAL)	EX-101 Calculation Linkbase Document
(101.LAB)	EX-101 Labels Linkbase Document
(101.PRE)	EX-101 Presentation Linkbase Document
(101.DEF)	Ex-101 Definition Linkbase Document

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/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2018

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/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2018

By: /s/ Paul E. Northen

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

Date: February 26, 2018

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.

R. Randall Rollins, Director
Henry B. Tippie, Director
James B. Williams, Director
Bill J. Dismuke, Director
Thomas J. Lawley, MD, Director
Larry L. Prince, Director
John F. Wilson, Director
Pam R. Rollins, Director

/s/ Gary W. Rollins

Gary W. Rollins
As Attorney-in-Fact & Director
February 26, 2018

Rollins, Inc. and Subsidiaries

Index To Consolidated Financial Statements And Schedule

The following documents are filed as part of this report.

Financial statements and reports	Page Number From This Form 10-K
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Report of Independent Registered Public Accounting Firm On Internal Control Over Financial Reporting	39
Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements and Schedule	40
Consolidated Financial Statements	
Consolidated Statements of Financial Position as of December 31, 2017 and 2016	41
Consolidated Statements of Income for each of the three years in the period ended December 31, 2017	42
Consolidated Statements of Comprehensive Earnings for each of the three years in the period ended December 31, 2017	43
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2017	44
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2017	45
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Financial Statement Schedules	
Schedule II – Valuation and Qualifying Accounts	77
Schedules not listed above have been omitted as not applicable, immaterial or disclosed in the Consolidated Financial Statements or notes thereto.	

Rollins, Inc. And Subsidiaries

Schedule II-Valuation And Qualifying Accounts

(in thousands)	Balance at Beginning of Period	Charged to Costs and Expenses	Net (Deductions) Recoveries	Balance at End of Period
	For the years ended December 31, 2017, 2016 and 2015			
Year ended December 31, 2017				
Allowance for doubtful accounts	**$14,600**	**$10,455**	**$(10,349)**	**$14,706**
Year ended December 31, 2016				
Allowance for doubtful accounts	$ 13,636	$ 11,257	$ (10,293)	$ 14,600
Year ended December 31, 2015				
Allowance for doubtful accounts	$ 14,094	$ 10,113	$ (10,571)	$ 13,636

Rollins, Inc. And Subsidiaries

Index To Exhibits

Exhibit Number	Exhibit Description
(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, incorporated herein by reference to Exhibit (3)(i)(A) as filed with the registrant's Form 10-Q filed August 1, 2005.
	(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit 3(i)(B) filed with the registrant's 10-K filed March 11, 2005.
	(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, incorporated herein by reference to Exhibit (3)(i)(C) filed with the registrant's Form 10-Q filed August 1, 2005.
	(D) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 25, 2006, incorporated herein by reference to Exhibit 3(i)(D) filed with the registrant's 10-Q filed October 31, 2006
	(E) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April, 26, 2011, incorporated herein by reference to Exhibit 3(i)(E) filed with the Registrant's 10-K filed February 25, 2015.
	(F) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 28, 2015, incorporated herein by reference to Exhibit 3(i)(F) filed with the Registrant's 10-Q filed on July 29, 2015.
(ii)	Revised By-laws of Rollins, Inc. dated April 25, 2017, incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-Q filed April 28, 2017.
(4)	Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10.1)+	Membership Interest Purchase Agreement by and among Rollins, Inc.,Northwest Exterminating Co., Inc. NW Holdings, LLC and the stockholders of Northwest Exterminating Co., Inc. dated as of July 24, 2017
(10) (a)	Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (b)	Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.
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(10) (e)	2008 Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 17, 2008 Proxy Statement for the Annual Meeting of the Stockholders held on April 22, 2008.
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(10) (g)	Form of Time-Lapse Restricted Stock Agreement incorporated herein by reference to Exhibit 10.1 as filed with its Form 10-Q for the quarter ended March 31, 2012.
(10) (h)	Summary of Compensation Arrangements with Executive Officers, incorporated herein reference to Exhibit (10)(q) as filed with its Form 10-K for the year ended December 31, 2010.
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(10) (j)	Revolving Credit Agreement dated as of October 31, 2012 between Rollins, Inc., SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 99.1 as filed with its Form 8-K dated November 2, 2012.
(10) (k)	First Amendment to Revolving Credit Agreement dated as of October 30, 2014 by and among Rollins, Inc., the lenders party thereto and SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 10(k) filed with the Registrant's 10-K filed February 25, 2015.

(21)	Subsidiaries of Registrant.
(23.1)	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
(24)	Powers of Attorney for Directors.
(31.1)	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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(101.LAB)	EX-101 Labels Linkbase Document
(101.PRE)	EX-101 Presentation Linkbase Document
(101.DEF)	Ex-101 Definition Linkbase Document

+ Confidential treatment has been requested for certain portions of this exhibit (indicated by asterisks). Such information has been omitted and was filed separately with the securities and Exchange Commission.

I, Gary W. Rollins, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 26, 2018

/s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

I, Paul E. Northen, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 26, 2018

/s/ Paul E. Northern

Paul E. Northern
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Rollins, Inc., a Delaware corporation (the "Company"), on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: February 26, 2018

By: /s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2018

By: /s/ Paul E. Northen

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

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

Additional Annual Report Stockholder's Information

(This is not part of the Company's Form 10-K filed with the Securities and Exchange Commission)

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including all statements that look forward in time or express management's beliefs, expectations or hopes. In particular, such statements include, without limitation, statements regarding (i) our plans to continue to use training and technology to meet and surpass our customers' confidence in our brand; (ii) our belief that our bed bug service will support the hospitality industry to greatly reduce bed bug instances; and (iii) our belief that the new tax law will have a material positive impact on our financial results for years to come and our expectations about our future tax rate. All forward-looking statements are made as of the date hereof and are based on current management expectations and information available to us as of such date. The Company assumes no obligation to update any forward-looking statements because of various risks and uncertainties, including, without limitation, the possibility that we may not be able to maintain our competitive position in the future; economic conditions may adversely affect our business; our inability to identify, complete or successfully integrate acquisitions; the effect of adverse weather conditions on our operations; potential inability to attract and retain skilled workers; risks arising from any failure to protect the security of personal information about our customers, associates and third parties; the possible adverse effect of pending and ongoing litigation; potential inability to comply with regulatory and environmental laws; risks related to actions by our franchisees, subcontractors, and vendors that could harm our business; our potential inability to adequately protect our intellectual property and other proprietary rights; and all other risks identified under the title "Risk Factors" in the Company's Annual Report on Form 10-K included as a part of this Annual Report. All of the foregoing risks and uncertainties could cause its actual results to differ materially from those indicated by the forward-looking statements.

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ROLLINS

ROLLINS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE: Tuesday, April 24, 2018

TIME: 12:30 P.M EST.

PLACE: 2170 Piedmont Road, N.E., Atlanta, Georgia 30324

TO THE HOLDERS OF THE COMMON STOCK:

PLEASE TAKE NOTICE that the 2018 Annual Meeting of Stockholders of ROLLINS, INC., a Delaware corporation (the "Company"), will be held at the Company's corporate office located at 2170 Piedmont Road, N.E., Atlanta, Georgia, on Tuesday, April 24, 2018, at 12:30 P.M for the following purposes, as more fully described in the proxy statement accompanying this notice:

1. To elect three Class II nominees identified in the attached Proxy Statement to the Board of Directors;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;
3. To approve the proposed 2018 Stock Incentive Plan;
4. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournment of the meeting.

The Proxy Statement dated March 21, 2018 is attached.

The Board of Directors has fixed the close of business on February 28, 2018, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

This Proxy Statement and accompanying proxy card are being mailed to our stockholders along with the Company's 2017 Annual Report for the fiscal year ended December 31, 2017. Voting can be completed by returning the proxy card, through the telephone at **1-877-456-7915** or online at **http://proxy.georgeson.com/**.

Voting can be completed in one of four ways:

- returning the proxy card by mail
- online at www.proxyvote.com
- through the telephone at 1-877-456-7915
- or attending the meeting to vote IN PERSON

Important notice regarding the availability of proxy materials for the Annual Meeting of the Stockholders to be held on April 24, 2018: The proxy statement and annual report to security holders are available at http://www.edocumentview.com/ROL.

BY ORDER OF THE BOARD OF DIRECTORS

Elizabeth B Chandler

Elizabeth B. Chandler
Secretary

Atlanta, Georgia
March 21, 2018

Whether or not you expect to attend the annual meeting, please sign, date and return the enclosed proxy card promptly. Alternatively, you may give a proxy by telephone or over the Internet by following the instructions on your proxy card. If you decide to attend the meeting, you may, if you wish, revoke the proxy and vote your shares in person.

Proxy Statement

This Proxy Statement and a form of proxy were first mailed to stockholders on or about March 21, 2018. The following information concerning the proxy and the matters to be acted upon at the Annual Meeting of Stockholders to be held on April 24, 2018, is submitted by the Company to the stockholders in connection with the solicitation of proxies on behalf of the Company's Board of Directors.

Solicitation of and Power to Revoke Proxy

A form of proxy is enclosed. Each proxy submitted will be voted as directed, but if not otherwise specified, proxies solicited by the Board of Directors of the Company will be voted in favor of the candidates for the election to the Board of Directors, in favor of ratification of the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2018 and in favor of the 2018 Stock Incentive Plan.

A stockholder executing and delivering a proxy has power to revoke the same and the authority thereby given at any time prior to the exercise of such authority, if he so elects, by contacting either proxy holder, by timely submitting a later dated proxy changing your vote, or by attending the meeting and voting in person. However, a beneficial stockholder who holds his shares in street name must secure a proxy from his broker before he can attend the meeting and vote. All costs of solicitation have been, and will be, borne by the Company.

Householding and Delivery of Proxy Materials

The Company has adopted the process called "householding" for any proxy materials in order to reduce printing costs and postage fees. Householding means that stockholders who share the same last name and address will receive only one copy of the proxy material, unless we receive contrary instructions from any stockholder at that address. The Company will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the proxy material at the same address, additional copies will be provided to you promptly upon written or oral request. If you are a stockholder of record, you may contact us by writing to the Company at 2170 Piedmont Rd., NE, Atlanta, GA 30324 or by calling 404-888-2000. Eligible stockholders of record receiving multiple copies of the proxy material can request householding by contacting the Company in the same manner.

Capital Stock

The outstanding capital stock of the Company on February 28, 2018 consisted of 218,197,322 shares of Common Stock, par value $1.00 per share. Holders of Common Stock are entitled to one vote (non-cumulative) for each share of such stock registered in their respective names at the close of business on February 28, 2018, the record date for determining stockholders entitled to notice of and to vote at the meeting or any adjournment thereof.

A majority of the outstanding shares will constitute a quorum at the Annual Meeting. Abstentions will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. In accordance with the General Corporation Law of the state of Delaware, the election of the nominees named herein as Directors will require the affirmative vote of a plurality of the votes cast by the shares of Company Common Stock entitled to vote in the election provided that a quorum is present at the Annual Meeting. In the case of a plurality vote requirement (as in the election of directors), where no particular percentage vote is required, the outcome is solely a matter of comparing the number of votes cast for each nominee, with those nominees receiving the most votes being elected, and hence only votes for director nominees (and not abstentions or broker non-votes) are relevant to the outcome. In this case, the nominees receiving the most votes will be elected. The affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote at the meeting is required to approve the ratification of the appointment of the Company's independent registered public accounting firm for fiscal year 2018 and to approve the 2018 Stock Incentive Plan. Abstentions will have the effect of a vote against the proposals for the ratification of the appointment of the Company's independent registered public accounting firm and to approve the 2018 Stock Incentive Plan, while broker non-votes will have no effect on either proposal and will be disregarded. There are no rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon pursuant to this Proxy Statement. It is expected that shares held of record by officers and directors of the Company, which in the aggregate represent approximately 56 percent of the outstanding shares of Common Stock, will be voted for the nominees, for the ratification of the appointment of the Company's independent registered public accounting firm, and for the approval of the 2018 Stock Incentive Plan.

Stock Ownership of Certain Beneficial Owners and Management

The names of the executives recognized in the Summary Compensation Table and the name and address of each stockholder (or "group" as that term is used in Section 13(d) (3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) who owned beneficially over five percent (5%) of the shares of Common Stock of the Company on February 28, 2018, together with the number of shares owned by each such person and the percentage of outstanding shares that ownership represents, and information as to Common Stock ownership of the executive officers and directors of the Company as a group (according to information received by the Company) are set out below:

Name and Address of Beneficial Owner	Amount Beneficially Owned[(1)]	Percent of Outstanding Shares
R. Randall Rollins **Chairman of the Board** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	115,524,177[(2)]	52.9
Gary W. Rollins **Vice Chairman and Chief Executive Officer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	117,361,417[(3)]	53.8
Paul E. Northen **Vice President, Chief Financial Officer and Treasurer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	484,219[(4)]	0.2
John F. Wilson **President and Chief Operating Officer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	353,026[(5)]	0.2
Thomas E. Luczynski **Corporate Secretary** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	153,777[(6)]	0.1
All Directors and Executive Officers as a group (11 persons)	121,842,332[(7)]	55.8

(1) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

(2) Includes 7,069,464* shares of Company Common Stock held in two charitable trusts of which he is a co-trustee and as to which he shares voting and investment power. Also includes 477,661* shares of Company Common Stock held by his wife. Also includes 107,483,337* shares of Company Common Stock owned by RFPS Management Company I, L.P., a Georgia limited partnership. The general partner of RFPS Management Company I, L.P., is RFA Management Company, LLC, a Georgia limited liability company, the manager of which is LOR, Inc., a Georgia corporation. Mr. R. Randall Rollins is an officer and director of LOR, Inc. Mr. R. Randall Rollins and Mr. Gary W. Rollins have voting control of LOR, Inc. Also includes 225,100 shares of restricted stock awards for Company Common Stock, 12,888 shares of Company Common Stock in an individual retirement account and 5,409 shares of Company Stock in the Rollins 401(k) Savings Plan. Mr. R. Randall Rollins is part of a control group holding company securities that includes Mr. Gary W. Rollins, as disclosed on a Schedule 13D on file with the U.S. Securities and Exchange Commission.

(3) Includes 7,069,464* shares of the Company Common Stock held in two charitable trusts of which he is a co-trustee and as to which he shares voting and investment power. Also includes 9,890* shares of Company Common Stock held by his wife. Also includes 107,483,337* shares of Company Common Stock owned by RFPS Management Company I, L.P., a Georgia limited partnership. The general partner of RFPS Management Company I, L.P., is RFA Management Company, LLC, a Georgia limited liability company, the manager of which is LOR, Inc., a Georgia corporation. Mr. Gary W. Rollins is an officer and director of LOR, Inc. Mr. R. Randall Rollins and Mr. Gary W. Rollins have voting control of LOR, Inc. Also includes 249,400 shares of restricted stock awards for Company Common Stock, 44,060 shares of Company Common Stock in the Company's employee stock purchase plan, and 7,475 shares of Company Common Stock held in the Rollins 401(k) Savings Plan. Mr. Gary W. Rollins is part of a control group holding company securities that includes Mr. R. Randall Rollins, as disclosed on a Schedule 13D on file with the U.S. Securities and Exchange Commission.

(4) Includes 429,119 shares of Company Common Stock held by the Rollins Pension Plan as to which Mr. Northen has voting power. Also includes 49,000 shares of restricted stock awards for Company Common Stock.

(5) Includes 120,000 shares of restricted stock awards for Company Common Stock and 12,193 shares of Company Common Stock in the Company's employee stock purchase plan.

(6) Includes 18,900 shares of restricted stock awards for Company Common Stock.

(7) Shares held in trusts as to which more than one officer and/or director are co-trustees or entities in which there is common stock ownership have been included only once.

* Mr. R. Randall Rollins and Mr. Gary W. Rollins disclaim any beneficial interest in these holdings.

Stock Ownership Requirements

The Company has adopted stock ownership guidelines for the named executive officers identified in the previous table and for key executives designated by the Compensation Committee. The current guidelines as determined by the Compensation Committee include:

1. Chairman of the Board of Directors and CEO – Ownership equal to 5 times base salary
2. Rollins, Inc. President – Ownership equal to 4 times base salary
3. Other Rollins Officers and Orkin, LLC President – Ownership equal to 3 times base salary
4. Division and Brand Presidents – Ownership equal to 2 times base salary
5. Other covered executives – Ownership equal to 1 times base salary

The covered executives have a period of four years in which to satisfy the guidelines, from the date of appointment to a qualifying position. Shares counted toward this requirement will be based on shares beneficially owned by such executive (as beneficial ownership is defined by the SEC's rules and regulations) including shares owned outright by the executive, shares held in the Rollins 401(k) Savings Plan, shares held in the Rollins employee stock purchase and dividend reinvestment plan, shares obtained through stock option exercise and held, restricted stock awards whether or not vested and shares held in trust in the employee's name. Once achieved, ownership of the guideline amount must be maintained for as long as the individual is subject to the Executive Stock Ownership Guidelines and the executive is required to retain a minimum of 25% of any future equity awards.

Proposal 1:

Election of Directors

At the Annual Meeting, Messrs. Gary W. Rollins and Larry L. Prince and Ms. Pamela R. Rollins will be nominated to serve as Class II directors. The nominees for election at the 2018 Annual Meeting are now directors of the Company. The directors in Class II will serve for a term of three years. The director nominees will serve in their respective class until their successors are elected and qualified. Six other individuals serve as directors but are not standing for re-election because their terms as directors extend past this Annual Meeting pursuant to provisions of the Company's by-laws, which provide for the election of directors for staggered terms, with each director serving a three-year term. Unless authority is withheld, the proxy holders will vote for the election of each nominee named below as a director. Although management does not contemplate the possibility, in the event any nominee is not a candidate or is unable to serve as director at the time of the election, unless authority is withheld, the proxies will be voted for any nominee who shall be designated by the present Board of Directors and recommended by the Nominating and Governance Committee to fill such vacancy.

Director Qualifications

As described in more detail below, we believe that each of our directors are well suited to serve on our Board for a variety of individual reasons and because collectively they bring a wealth of experience from diverse backgrounds that have combined to provide us with an excellent mix of experiences and viewpoints. The information below has the name and age of each of our directors and each of the nominees with his or her principal occupation, together with the number of shares of Common Stock beneficially owned, directly or indirectly, by each and the percentage of outstanding shares that ownership represents, all as of the close of business on February 28, 2018 (according to information received by the Company), other board memberships and the period during which he has served us as a director.

Name	Principal Occupation(1)	Service as Director	Age	Shares of Common Stock(2)	Percent of Outstanding Shares
Names of Director Nominees					
Class II (Term Expires 2018, New Term Expires 2021)					
Gary W. Rollins(3)	Vice Chairman and Chief Executive Officer of the Company	1981 to date	73	117,361,417(7)	53.8
Larry L. Prince	Retired Chairman of the Board of Directors of Genuine Parts Company (automotive parts distributor).	2009 to date	79	22,500	*
Pamela R. Rollins(4)	Board Member for Young Harris College, National Monuments Foundation and the O. Wayne Rollins Foundation. Former Board Member of The Lovett School and an Emeritus Board Member of the Schenck School.	2015 to date	61	79,777	*
Names of Directors Whose Terms Have Not Expired					
Class III (Term Expires 2019)					
Bill J. Dismuke	Retired President of Edwards Baking Company (manufacturer of baked pies and pie pieces)	1984 to date	81	6,832	*
Thomas J. Lawley, M.D.	Retired Dean of the Emory University School of Medicine from 1996 to 2013	2006 to date	71	4,500	*
John F. Wilson	President and Chief Operating Officer of the Company	2013 to date	60	353,026	*

Continued on page 7

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Names of Directors Whose Terms Have Not Expired					
Class I (Term Expires 2020)					
R. Randall Rollins[3]	Chairman of Rollins, Inc.; Chairman of the Board of the Company; Chairman of the Board of RPC, Inc. (oil and gas field services); and Chairman of the Board of Marine Products Corporation (boat manufacturing)	1968 to date	86	115,524,177[5]	52.9
Henry B. Tippie	Presiding Director of the Company; Chairman of the Board and Chief Executive Officer of Tippie Services, Inc. (management services); Chairman of the Board of Dover Downs Gaming & Entertainment, Inc. (operator of multi-purpose gaming and entertainment complex); and Chairman of the Board of Dover Motorsports, Inc. (operator of motorsports tracks); Presiding Director of RPC, Inc. (oil and gas field services) and Marine Products Corporation (boat manufacturing)	1960 to 1970; 1974 to date	91	2,253,034[6]	1.0
James B. Williams	Retired Chairman of the Executive Committee, SunTrust Banks, Inc. (bank holding company)	1978 to date	84	151,874	*

(1) Except as noted, each of the directors has held the positions of responsibility set out in this column (but not necessarily his present title) and in their bios below for more than five years. In addition to the directorships listed in this column, the following individuals also serve on the Boards of Directors of the following companies: R. Randall Rollins: Dover Motorsports, Inc. and Dover Downs Gaming and Entertainment, Inc., Gary W. Rollins, Director Emeritus of Genuine Parts Company and Emory University. All persons named, with the exception of Pamela R. Rollins, Thomas J. Lawley, M.D., and John F. Wilson, in the above table, are directors of RPC, Inc. and Marine Products Corporation. Pamela R. Rollins is a director of Marine Products Corporation.

Larry L. Prince formerly served as a director of SunTrust Banks, Inc., Crawford & Company, Equifax John H. Harland Company and Genuine Parts Company, and James B. Williams formerly served as director of The Coca-Cola Company.

(2) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

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

(4) Pamela R. Rollins is the daughter of R. Randall Rollins and niece of Gary W. Rollins. Includes 21,854 shares of company common stock held by a charitable trust of which she is the trustee holding voting and investment power.

(5) See information contained in footnote (2) to the table appearing in the Stock Ownership of Certain Beneficial Owners and Management section.

(6) Includes 757 shares held in a wholly owned corporation and 2,277** shares held by his wife.

(7) See information contained in footnote (3) to the table appearing in Stock Ownership of Certain Beneficial Owners and Management section.

* Less than 1% of outstanding shares.

** Mr. Henry B. Tippie disclaims any beneficial interest in these holdings.

The following information is furnished as of February 28, 2018, for each of our directors and each of the nominees:

Key Attributes, Experience and Skills of Directors

R. Randall Rollins, 86, was elected a Director of Rollins, Inc. in 1968. Mr. Rollins has extensive knowledge of the Company's Business and Industry serving over 66 years at the Company. Mr. Rollins serves as Chairman of the Board of the Company. He has held the position of Chairman of the Board since October 1991. He is also Chairman of the Board for Marine Products Corporation as well as RPC, Inc. Mr. Rollins has been a Director of Dover Motorsports, Inc. since 1996 and a Director of Dover Downs Gaming & Entertainment, Inc. since 2002. Mr. Rollins served as a Director of SunTrust Banks, Inc. from 1995 to April 20, 2004.

Gary W. Rollins, 73, was elected a Director of Rollins, Inc. in 1981. Mr. Rollins has extensive knowledge of the Company's Business and Industry serving over 50 years at the Company. He serves as Vice Chairman of the Company. In addition, Mr. Rollins is the Chief Executive Officer of the Company. Since 2001, Mr. Rollins has been a Director of Marine Products Corporation and a Director of RPC, Inc. since 1984. From 2005-2017, Mr. Rollins has served as a Director of Genuine Parts Company.

Henry B. Tippie, 91, was elected a Director of Rollins, Inc. in 1974. He had previously been a director from 1960-1970. Mr. Tippie brings extensive financial and management experience to our Board of Directors serving as not only Controller but also Chief Financial Officer from 1953 until November 1970. Mr. Tippie has over 66 years of experience including being involved with publicly owned companies during the past 57 years in various positions including founder, CFO, CEO, President, Vice Chairman and Chairman of the Board as the case might be. He is currently Chairman of the Board for Dover Downs Gaming & Entertainment, Inc. as well as Dover Motorsports, Inc. and additionally also a Director for Marine Products Corporation and RPC, Inc.

James B. Williams, 84, was elected a Director of Rollins, Inc. in 1978. Mr. Williams brings extensive financial and management experience to our Board of Directors and has served over 39 years as a Director. He retired in March 1998 as Chairman of the Board and Chief Executive Officer of SunTrust Banks, Inc., a bank holding company. He is a Director of Marine Products Corporation and RPC, Inc. Mr. Williams was previously a director of The Coca-Cola Company.

Bill J. Dismuke, 81, was elected a Director of Rollins, Inc. in 1984. Mr. Dismuke brings extensive financial, management and manufacturing experience to our Board of Directors serving as Senior Vice President of Rollins, Inc. for five years from 1979 until 1984. He retired as President of Edwards Baking Company in 1995. Mr. Dismuke has been a Director of RPC, Inc. and Marine Products Corporation since January 2005.

Thomas J. Lawley, MD, 71, was elected a Director of Rollins, Inc. in 2006. Dr. Lawley brings extensive medical and management experience in the healthcare industry to the Board of Directors. He served as Dean of Emory University School of Medicine from 1996 to 2013. He has served on many boards and committees; including the National Institutes of Health study sections, the National Institute of Allergy and Infectious Diseases Council, the Grady Health System, and the Association of American Medical Colleges. Dr. Lawley has been president of the Emory Medical Care Foundation, Emory's physician practice plan at Grady Hospital, and was on the board of the Emory Children's Center. He also has served on the boards of directors of the Emory Clinic and Emory Healthcare. Dr. Lawley is currently a Professor of Dermatology at Emory University. In the past year, Thomas J. Lawley, M.D. was appointed to the Board of Trustees for the Woodruff Foundation, the Ichauway Foundation and the Woodruff Fund, Inc.

Larry L. Prince, 79, was elected a Director of Rollins, Inc. in 2009. Mr. Prince brings extensive management experience to our Board of Directors. He also served as Chairman of the Board from 1990 through February 2005 and as Chief Executive Officer from 1989 through August 2004 of Genuine Parts Company. Mr. Prince is also a Director of RPC, Inc. and Marine Products Corporation. Mr. Prince previously served as a director of SunTrust Banks, Inc., Crawford & Company, Equifax and John H. Harland Company.

John F. Wilson, 60, was elected a Director of Rollins, Inc. in 2013. He serves as President and Chief Operating Officer of the Company. He previously served as President of Orkin USA and as a Vice President of the Company. Mr. Wilson joined the Company in 1996 and has held various positions of increasing responsibility, including sales inspector, branch manager, Central Commercial region manager, Atlantic Division vice president, and president of the Southeast Division.

Pamela R. Rollins, 61, was elected a Director of Rollins, Inc. in 2015. She holds a B.A. Degree from Stephens College with a major in Family Community Studies. Ms. Rollins is a Trustee of Young Harris College and The O. Wayne Rollins Foundation, a Trustee Emeritus of The Schenck School, a Board Member of The National Monuments Foundation and a former Board Member of The Lovett School. Ms. Rollins has served as a Director of Marine Products Corporation since 2017.

Our Board of Directors recommends a vote FOR the nominees above.

Proposal 2:

Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed Grant Thornton LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018. During fiscal 2017, Grant Thornton LLP served as the Company's independent registered public accounting firm. Representatives of Grant Thornton LLP are expected to attend the annual meeting and will have the opportunity to respond to appropriate questions and, if they desire, to make a statement.

Although the Company is not required to seek ratification of this appointment, the Audit Committee and the Board of Directors believes that it is appropriate to do so. If stockholders do not ratify the appointment of Grant Thornton LLP, the current appointment will stand, but the Audit Committee will consider the stockholder action in determining whether to retain Grant Thornton LLP as the Company's independent registered public accounting firm for future fiscal years.

Our Board of Directors recommends a vote FOR the ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the 2018 fiscal year.

Proposal 3:

Approval of the 2018 Stock Incentive Plan

The 2018 Stock Incentive Plan (the "2018 Plan") is intended to replace the Company's 2008 Employee Stock Incentive Plan (the "2008 Plan"; collectively with the 2018 Plan, the "Plans"), which expired in January 2018. If the 2018 Plan is approved, all future equity compensation awards by the Company will be made under the 2018 Plan. Under the 2018 Plan, the Company can tailor incentive awards to support its corporate objectives and to keep pace with competitive business practices. Generally, the 2018 Plan is intended to strengthen the mutuality of interests between award recipients and the Company's stockholders.

The Board of Directors adopted the 2018 Plan on January 23, 2018, effective upon and subject to approval by the Company's stockholders. The 2018 Plan provides for the delivery of up to 6.0 million shares of the Company's Common Stock ("Shares").

Summary Description of the 2018 Plan

The following summarizes the major provisions of the 2018 Plan and is qualified in its entirety by the text of the 2018 Plan, which is attached as Appendix A to this Proxy Statement.

Generally, the 2018 Plan authorizes the Compensation Committee (or, if so designated by the Board of Directors, the full Board of Directors or some other committee of non-employee directors) to grant to directors, officers and other key employees ("Participants") stock options and other equity compensation more fully described below. The Compensation Committee may delegate its powers and duties under the 2018 Plan subject to the limitations set forth in the 2018 Plan.

Eligibility. Directors, officers and other key employees of the Company or its subsidiaries and affiliates who are responsible for or contribute to the growth and/or profitability of the business of the Company are eligible to be granted awards under the 2018 Plan. Notwithstanding the foregoing, incentive stock options (as defined in the 2018 Plan) may only be granted to employees of the Company and any of its subsidiaries or affiliates that are a "subsidiary corporation" (within the meaning of Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code")) and stock options and stock appreciation rights may be granted only to individuals with respect to whom the Shares will qualify as "service recipient stock" (within the meaning of Section 409A of the Code). Furthermore, no director who is not also an employee of the Company is eligible to receive incentive stock options.

Awards That May Be Issued Under the 2018 Plan. The 2018 Plan authorizes the grant of stock options, stock appreciation rights ("SARs"), and any other type of award valued by reference to (or otherwise based on) Shares, including, without limitation, restricted stock, restricted stock units, performance accelerated restricted stock, performance stock and performance units. If the Shares covered by an award are not delivered because the award is forfeited or canceled, or because the award is settled in cash or because such shares are withheld from the award or otherwise tendered, physically or by attestation, to pay the exercise or purchase price of an award granted under the 2018 Plan or to satisfy applicable tax withholding obligations incurred in connection with the award, such Shares will not be deemed delivered for purposes of determining the number of Shares remaining available for delivery. The maximum number of Shares available for delivery under the 2018 Plan will be unaffected by the availability of Shares under any plan assumed in connection with the acquisition of an interest in another company or awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired directly or indirectly by the Company or with which the Company combines.

The Compensation Committee has full authority to grant, pursuant to the terms of the 2018 Plan (i) stock options, including, without limitation, incentive stock options ("ISO"), non-qualified options ("NQOs") and premium stock options, (ii) SARs and/or (iii) other stock-based awards, including, without limitation, restricted stock, restricted stock units (stock units are grants of a right to receive shares of stock in the future), performance-accelerated restricted stock, performance stock and performance units (as such terms are defined in the 2018 Plan).

Additional Plan Limitations. The 2008 Plan imposes additional limitations. Under the 2018 Plan, no more than 6.0 million shares may be issued pursuant to ISOs. In addition, no one individual may be granted options, SARs or other stock-based awards representing over 100,000 Shares during any fiscal year. There is no maximum number of persons eligible to receive awards under the 2018 Plan. The Company estimates that approximately 175 persons are currently eligible.

Plan Administration. The 2018 Plan may be administered by the Board of Directors, or any committee (the "Committee") of at least two "non-employee directors" (as that term is defined by Rule 16b-3 under the Exchange Act). The Company expects the 2018 Plan to be administered by the Compensation Committee which will have the authority to select participants and determine the timing, type, size and terms of each award, and to make all other determinations necessary or desirable in the interpretation and administration of the 2018 Plan. The Committee may also determine whether awards may be settled in cash.

Repricing and Amendment of Awards. If the exercise or base prices of any options or SARs exceed the current fair market value (as defined in the 2018 Plan) of the Shares, the Committee may, without stockholder approval, reprice such options or SARs to a price no lower than the then-current fair market value of the Shares. The Committee may also, without stockholder approval, amend any award to provide its holder with additional rights or benefits of the type otherwise permitted by the 2018 Plan, including extending its term. However, no amendment to the terms of any outstanding award that is subject to Section 409A of the Code may cause the award to violate such Section, no amendment to the terms of an outstanding award that is not subject to Section 409A of the Code may cause the award to become subject to such Section, and the term of an outstanding award may not be extended beyond the earlier of the latest date the award would have expired by its original terms or the tenth anniversary of the original grant date of the award, except to the extent that an award cannot be exercised because such exercise would violate the federal, state or local laws, then the expiration of such award shall automatically be tolled for the period in which such exercise would violate applicable law but not more than thirty (30) days.

Termination of the Plan. The 2018 Plan will terminate ten years from the date of stockholder approval.

Transferability. Except as may be provided by the Committee, awards will not be transferable except by will or by the laws of descent and distribution.

Termination of Employment. Generally, options and SARs are forfeited if the recipient's employment or performance of services terminates before the award is exercised. However, the Committee may provide otherwise, and there are limited exceptions where employment terminates because of death, disability or retirement. Generally, if an option or SAR holder's employment terminates due to:

- death or disability, options or SARs exercisable at termination (or whose vesting was accelerated by the Committee) remain exercisable for twelve months or for the remaining term of the option, if shorter; and
- retirement, options or SARs exercisable at termination remain exercisable for a period of three months, less one day, or for the remaining term of the option, if shorter.

The Committee has discretion to alter the extension periods. Unless otherwise determined by the Committee, all unvested other stock-based awards, including without limitation restricted stock, restricted stock units and performance-accelerated restricted stock, are forfeited upon termination of the Participant's employment for any reason other than death or disability. In the event of death for disability, unless otherwise determined by the Committee, a pro rata portion of the restrictions pertaining to continued employment will lapse based on the number of full months the Participant was employed during the restriction period divided by the total number of months in the restriction period.

Option Pricing. The Committee has the authority to fix the exercise price of option awards. Generally, the exercise price of an ISO must be at least 100 percent of the fair market value of the Shares at the time of grant. However, if the grantee is a person with over ten percent of the voting power of the Company (or any subsidiary or parent of the Company), then the exercise price must be at least 110 percent of such fair market value. The exercise price of NQOs must be at least 100 percent of such fair market value. On February 28, 2018, the closing price of the Shares on the New York Stock Exchange was $50.27 per share.

Option Term. The term of each stock option will be fixed by the Committee, but no stock option shall be exercised more than ten years (or, in the case of an ISO granted to an employee who owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any of its subsidiary or parent corporations, more than five years) after the date the option is granted. Options will become exercisable at such times and in such installments as the Committee shall determine. Payment of the option price must be made in full at the time of exercise in such form (including, but not limited to, cash, unrestricted common stock held for at least six months, or any combination thereof) as the Committee may determine.

Certain ISO Restrictions. In order to comply with certain federal tax restrictions, no employee may be granted an incentive stock option if, taking into account such option, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable for the first time by such employee during any given calendar year, under this and all other incentive stock option plans of the Company, would exceed $100,000.

Cashless Exercises. If permitted by the Committee, a Participant may elect to pay the exercise price upon the exercise of an option by irrevocably authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

SARs. Upon the exercise of a SAR, the holder shall be entitled to receive an amount in cash and/or Shares equal in value to the excess of the fair market value of the Shares on the date of exercise over the fair market value of the Shares on the date of grant, multiplied by the number of SARs exercised, with the Committee having the rights to determine the form of payment.

Restricted Stock Awards. A restricted stock award is an award of a given number of shares of common stock which are subject to a restriction against transfer and to a risk of forfeiture during a period set by the Committee. During the restriction period, the Participant generally has the right to vote and receive dividends on the shares.

Performance-Based Compensation. The Committee may determine whether an award is "performance-based compensation". Any awards designated as "performance-based compensation" may be conditioned on achievement of one or more performance measures, as selected by the Committee: increase in stock price, return on capital or increase in pretax earnings of the Company and/or one or more divisions and/or subsidiaries, return on stockholders' equity of the Company, increase in earnings per share of the Company, sales of the Company and/or one or more divisions and/or subsidiaries, pretax earnings of the Company and/or one or more divisions and/or subsidiaries, net earnings of the Company and/or one or more divisions and/or subsidiaries, control of operating and/or non-operating expenses of the Company and/or one or more divisions and/or subsidiaries, margins of the Company and/or one or more divisions and/or subsidiaries, cash flow of the Company and/or one or more divisions and/or subsidiaries, market price of the Company's securities and other factors tied to the performance of the Company and/or one or more divisions and/or subsidiaries or other performance criteria.

Amendment and Termination. The 2018 Plan is subject to amendment or termination by the Board of Directors without stockholder approval but no amendment may without stockholder approval (i) increase the number of Shares that may be issued under the 2018 Plan (except by certain adjustments provided for under the 2018 Plan); (ii) change the class of persons eligible to receive ISOs under the 2018 Plan; (iii) change the requirements regarding the exercise price; or (iv) amend the 2018 Plan in a manner that would require approval of the Company's stockholders under applicable law, regulation or rule. Options may not be granted under the 2018 Plan after the date of termination of the 2018 Plan, but options granted prior to that date shall continue to be exercisable according to their terms.

Changes in Capital Structure. If the Company effects a subdivision or consolidation of Shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Company stock outstanding, without receiving compensation therefor in money, services or property, then the terms and conditions of the 2018 Plan and any then outstanding awards shall be adjusted proportionally in order to prevent dilution or enlargement of benefits or potential benefits under the 2018 Plan and awards made under the 2018 Plan.

Merger and Consolidation. In the event the Company is a party to a merger or other reorganization, outstanding awards shall be subject to the agreement of merger or reorganization. That agreement may provide, without limitation, for the assumption of outstanding awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for their cancellation, for accelerated vesting and accelerated expiration, or for settlement in cash.

New Plan Benefits

As of the date of this proxy statement, no awards had been granted under the 2018 Plan and none will be granted unless and until the 2018 Plan is approved by the Company's stockholders. Because of the discretionary nature of any future awards under the 2018 Plan, the amount of such awards is not determinable at this time with respect to the Company's directors, executive officers, including the executive officers named in the Summary Compensation Table, and the Company's other employees. Information regarding options and restricted stock granted in 2017 to certain executive officers of the Company under the Company's 2008 Plan is set forth in the table captioned "Grants of Plan-Based Awards," and information regarding outstanding options and restricted stock under the Company's stock plans is set forth in the table captioned "Outstanding Equity Awards at Fiscal Year-End." In 2017, grants of restricted stock covering 300,200 Shares were made to the non-executive employee group under the 2008 Plan. Except as referred to in the preceding sentence, there were no other grants in 2017 under Company plans. Non-employee directors have never been granted any options or other stock-based awards by the Company for service as a director.

Federal Income Tax Consequences

The following discussion addresses certain anticipated United States federal income tax and certain employment tax consequences to the Company and to recipients of awards made under the 2018 Plan who are citizens or residents of the United States for federal income tax purposes. It is based on the Code and interpretations thereof as in effect on the date of this proxy statement. This summary is not intended to be a complete statement of the law in this area and, among other things, does not describe state, local, or foreign tax consequences (which may not correspond to the federal income tax treatment described herein). Moreover, it is not intended as tax advice to any individual. The exact federal income tax treatment of transactions under the 2018 Plan will vary depending on the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with respect to all consequences arising from the grant or exercise of awards and dispositions of acquired shares.

Summary of Current Federal Income Tax Rates for Individuals. Ordinary income of individuals, such as compensation income, is currently taxed at a top marginal rate of 37%. In addition, the maximum long-term capital gains rate for individuals is currently 20%. The maximum federal income tax rate for qualifying dividends received by individuals is currently 20%. An additional 3.8% Medicare tax on "net investment income" applies to certain individuals under Section 1411 of the Code. Net investment income would generally include gross income from dividends and capital gain, less certain deductions.

Options.

Grant of Options. There will be no federal income tax consequences to the grantee of an option or the Company upon the grant of either an ISO or an NQO under the 2018 Plan.

Exercise of NQOs. Upon the exercise of an NQO, the grantee generally will recognize ordinary compensation income, subject to withholding and employment taxes, in an amount equal to: (a) the fair market value, on the date of exercise, of the acquired shares of common stock, less (b) the exercise price paid for those shares. The Company will be entitled to a tax deduction equal to the compensation income recognized by the grantee. Gains or losses recognized by the grantee upon a subsequent disposition of the shares will be treated as long-term capital gain or loss if the shares are held for more than a year from the date of exercise. Such gains or losses will be short-term gains or losses if the shares are held for one year or less. For purposes of computing gain or loss, the grantee's basis in the shares received will be the exercise price paid for the shares plus the amount of income, if any, recognized upon exercise of the option.

Exercise of ISOs. Upon the exercise of an ISO, the grantee will recognize no immediate taxable income for regular income tax purposes, provided the grantee was continuously employed by the Company or a subsidiary from the date of grant through the date which is three months prior to the date of exercise (or through the date which is one year prior to the exercise date in the case of termination of employment as a result of total disability).

The exercise of an ISO will, however, result in an item of adjustment for alternative minimum tax purposes in an amount equal to the excess of the fair market value of the shares at exercise over the exercise price. That adjustment may result in alternative minimum tax liability to the grantee upon the exercise of the ISO. Subject to certain limitations, alternative minimum tax paid in one year may be carried forward and credited against regular federal income tax liability for subsequent years. If the grantee retains the shares acquired upon the exercise of the ISO for more than two years from the date of grant and more than one year from the date of exercise, any gain on a later sale of the shares will be treated as long-term capital gain, and the Company will not be entitled to any tax deduction with respect to the ISO.

If the grantee disposes of the shares of common stock received upon the exercise of an ISO before the expiration of the two-year and one-year holding periods discussed above, a "Disqualifying Disposition" occurs. In that event, the grantee will have ordinary compensation income, and the Company will be entitled to a corresponding deduction at the time of such disposition. The amount of ordinary income and deduction generally will be equal to the lesser of: (a) the fair market value of the shares of common stock on the date of exercise minus the exercise price; or (b) the amount realized upon disposition of the common stock minus the exercise price. If the amount realized on disposition exceeds the value of the shares on the date of exercise, that additional amount will be taxable as capital gain. To be entitled to a deduction as a result of a Disqualifying Disposition, the Company must satisfy applicable reporting requirements.

Restricted Stock and Restricted Stock Units. A recipient of restricted stock or restricted stock units generally does not recognize income and the Company generally is not entitled to a deduction at the time of grant. Instead, the recipient recognizes compensation income and the Company is entitled to a deduction on the date on which vesting occurs ("Vesting Date") in the case of restricted stock, or on the date on which stock is issued or cash is paid in the case of restricted stock units. The amount of income recognized and the amount of the Company's deduction will equal the fair market value of the vested stock or stock unit on the Vesting Date in the case of restricted stock, or on the date on which stock is issued or cash is paid in the case of restricted stock units. However, the recipient may elect to include in income the fair market value of restricted stock at the time of grant by making a timely election under Section 83(b) of the Code. If such Section 83(b) election is made, the Company's deduction will equal the fair market value of the restricted stock at the time of grant.

Any dividends on restricted stock, or dividend equivalents with respect to restricted stock units, paid to the recipient prior to the Vesting Date will be includible in the recipient's income as compensation and deductible as such by the Company.

Golden Parachute Tax and Section 280G of the Internal Revenue Code. The Committee may provide for immediate vesting of all then outstanding unvested awards upon a change in control of the Company. That immediate vesting may cause certain amounts to be characterized as "parachute payments" under Section 280G of the Code for certain employees of the Company. Section 280G of the Code generally applies to employees or other individuals who perform services for the Company if, within the 12-month period preceding the change in control, the individual is an officer of the Company, a shareholder owning more than 1% of the stock of the Company, or a member of the group consisting of the lesser of the highest paid 1% of the employees of the Company or the highest paid 250 employees of the Company. An employee generally is deemed to have received a parachute payment in the amount of compensation that is contingent upon an ownership change if such compensation exceeds, in the aggregate, three times the employee's Base Amount. The "Base Amount" is generally the employee's average annual compensation for the five preceding years. An employee's "excess parachute payment" is the excess of the employee's total parachute payments over the Base Amount. An employee will be subject to a 20% excise tax under Section 4999 of the Code, and the Company will be denied a deduction for, any "excess parachute payment."

Deferred Compensation. Awards made under the 2018 Plan, including awards granted under the 2018 Plan that are considered to be deferred compensation for purposes of Section 409A of the Internal Revenue Code, must satisfy the requirements of Code Section 409A to avoid adverse tax consequences to recipients, which could include the inclusion of amounts not payable currently in income and interest and an additional tax on any amount included in income. The Company intends to structure any awards under the 2018 Plan such that the requirements under Code Section 409A are either satisfied or are not applicable to such awards.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation to each covered employee exceeds $1,000,000. It is possible that compensation attributable to awards under the 2018 Plan, when combined with all other types of compensation received by a covered employee from the Company, may cause this limitation to be exceeded in any particular year. Historically, compensation that qualifies as "performance-based compensation" under Section 162(m) of the Code could be excluded from this $1,000,000 limit. However, the "performance-based compensation" exclusion has now been repealed, effective for taxable years beginning after December 31, 2017, and will not be applicable to awards under the 2018 Plan.

Certain Interests of Directors

In considering the recommendations of the Board of Directors with respect to the 2018 Plan, stockholders should be aware that members of the Board of Directors have certain interests that may present them with conflicts of interest in connection with the proposal to approve the 2018 Plan. As discussed above, directors and employees of the Company are eligible for the grant of awards under the 2018 Plan. The Board of Directors believes that approval of the 2018 Plan will advance the interests of the Company and its stockholders by encouraging employees to make significant contributions to the long-term success of the Company.

Required Vote

The affirmative vote of a majority of votes is required to approve this proposal. For purposes of qualifying the shares authorized under the proposed plan for listing on the NYSE, the total votes cast on the proposal must represent over 50% of shares outstanding. Broker non-votes are not considered to be votes cast for this purpose.

Our Board of Directors Recommends a Vote for the Proposal to Approve the 2018 Stock Incentive Plan.

Corporate Governance and Board of Directors' Committees and Meetings

Board Meetings and Compensation

The Board of Directors met five times during the year ended December 31, 2017. No director attended fewer than 75 percent of the Board meetings held during such director's term of service and meetings of committees on which he/she served during 2017. In addition, the Company has from time to time formed a special committee for the purpose of evaluating and approving certain transactions in which other directors of the Company have an interest. During 2017, the Company had no such committee.

The Board of Directors has an Audit Committee, Compensation Committee, Diversity Committee and a Nominating and Governance Committee.

Below is a summary of our committee structure and membership information.

Board of Directors	Audit Committee	Compensation Committee	Diversity Committee	Executive Committee	Nominating & Governance Committee
R. Randall Rollins[1]				Member	
Henry B. Tippie[2]	Chair	Chair	Chair		Chair
James B. Williams[2]	Member	Member	Member		Member
Bill J. Dismuke[2]	Member				
Gary W. Rollins[3]				Member	
Thomas J. Lawley M.D.					
Larry L. Prince[2]	Member	Member	Member		Member
John F. Wilson					
Pamela R. Rollins					

(1) Chairman of the Board of Directors

(2) Financial Expert

(3) Vice Chairman and Chief Executive Officer

Audit Committee

The Audit Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman), James B. Williams, Bill J. Dismuke and Larry L. Prince. The Audit Committee held five meetings during the fiscal year ended December 31, 2017 including a meeting to review the Company's Form 10-K for the year ending December 31, 2016. The Board of Directors has determined that all of the members of the Audit Committee are independent as that term is defined by the rules of the Securities and Exchange Commission ("SEC") and the New York Stock Exchange ("NYSE"). The Board of Directors has also determined that all of the Audit Committee members are "Audit Committee Financial Experts" as defined in the SEC rules. The Audit Committee meets with the Company's independent public accountants, Director of Internal Audit, and Chief Financial Officer to review the scope and results of audits and recommendations made with respect to internal and external accounting controls, specific accounting, and financial reporting issues. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from the Company for, outside legal, accounting or other advisors, as it deems necessary to carry out its duties. The Audit Committee charter is available on the Company's website at www.rollins.com, under the Governance section.

Compensation Committee

The Compensation Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman), James B. Williams and Larry L. Prince. It held five meetings during the fiscal year ended December 31, 2017. The function of the Compensation Committee is to set the base salary and cash based incentive compensation of all of the executive officers of the Company. The Compensation

Committee also administers the Rollins, Inc. Employee Stock Incentive Plan. The Compensation Committee does not have a formal charter, and is not required to have one under the "controlled company" exemption under the NYSE rules, as described in the section titled "Director Independence and NYSE Requirements" below.

Diversity Committee

The Diversity Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman), James B. Williams and Larry L. Prince. It held one meeting during the fiscal year ended December 31, 2017. The function of the Diversity Committee is to monitor compliance with applicable non-discrimination laws.

Nominating and Governance Committee

The Nominating and Governance Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman), James B. Williams, and Larry L. Prince, each of whom is independent, as discussed previously. The Committee was formed in 2002 pursuant to a resolution passed by the Board of Directors for the following purposes:

- to recommend to our Board of Directors nominees for director and to consider any nominations properly made by a stockholder;
- upon request of our Board of Directors, to review and report to the Board with regard to matters of corporate governance; and
- to make recommendations to our Board of Directors regarding the agenda for our annual stockholders' meetings and with respect to appropriate action to be taken in response to any stockholder proposals.

The Nominating and Governance Committee held one meeting during the fiscal year ended December 31, 2017. We are not required by law or by New York Stock Exchange rules to have a nominating committee since we are a controlled corporation as described below under the heading "Director Independence and NYSE Requirements." We established the Nominating and Corporate Governance Committee to promote responsible corporate governance practices and we currently intend to maintain the Committee going forward.

Director Nominations

Under Delaware law, there are no statutory criteria or qualifications for directors. The Board has prescribed no criteria or qualifications at this time. The Nominating and Governance Committee does not have a charter or a formal policy with regard to the consideration of director candidates. As such, there is no formal policy relative to diversity, although as noted below, it is one of many factors that the Nominating and Corporate Governance Committee has the discretion to factor into its decision-making. This discretion would extend to how the Committee might define diversity in a particular instance – whether in terms of background, viewpoint, experience, education, race, gender, national origin or other considerations. However, our Nominating and Corporate Governance Committee acts under the guidance of the corporate governance guidelines approved by the Board of Directors on January 27, 2004, as amended January 25, 2005, and posted on the Company's website at www.rollins.com under the Governance section. The Board believes that it should preserve maximum flexibility in order to select directors with sound judgment and other desirable qualities. According to the Company's corporate governance guidelines, the Board of Directors will be responsible for selecting nominees for election to the Board of Directors. The Board delegates the screening process involved to the Nominating and Governance Committee. This Committee is responsible for determining the appropriate skills and characteristics required of Board members in the context of the then current make-up of the Board. This determination takes into account all factors, which the Committee considers appropriate, such as independence, experience, strength of character, mature judgment, technical skills, diversity, age, and the extent to which the individual would fill a present need on the Board. The Company's by-laws provide that any stockholder entitled to vote for the election of directors may make nominations for the election of directors. Nominations must comply with an advance notice procedure which generally requires, with respect to nominations for directors for election at an annual meeting, that written notice be addressed to: Secretary, Rollins Inc., 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and received not less than ninety nor more than 130 days prior to the anniversary of the prior year's annual meeting and set forth, among other requirements set forth in detail in the Company's by-laws, the name, age, business address and, if known, residence address of the nominee proposed in the notice, the principal occupation or employment of the nominee for the past five years, the nominee's qualifications, the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and any other information relating to the person that would be required to be disclosed in a proxy statement or other filings. Other requirements related to the notice are contained in the Company's by-laws, and stockholders are advised to carefully review those requirements to ensure that nominations comply with the by-laws. The Committee will consider nominations from stockholders who satisfy these requirements. The Committee is responsible for screening the nominees that are selected by the Board of Directors for nomination to the Board and for service on committees of the Board. The Company has not received a recommendation for a director nominee from a shareholder. All of the nominees for directors being voted upon at the Annual Meeting to be held on April 24, 2018 are directors standing for re-election.

Board Leadership

Since July 2001, the Company has had separate persons serving as its Chairman of the Board and Chief Executive Officer. R. Randall Rollins is our Chairman and chairs our Board meetings. Gary W. Rollins is our Vice Chairman and Chief Executive Officer. John F. Wilson is our President and Chief Operating Officer. We believe that it represents the appropriate structure for us at this time; the Chairman of the Board provides general oversight and strategic planning for the Company while the Chief Executive Officer and President and Chief Operating Officer focus on optimizing operational efficiencies.

Risk Oversight by Board

Our Board's oversight of risk has not been delegated to any Board Committee. "Risk" is an extremely broad concept that extends to multiple functional areas and crosses multiple disciplines. As such, risk may be addressed from time to time by the full Board or by one or more of our Committees. Senior management is responsible for identifying and managing material risks that we face while insurable risks and litigation risks are handled primarily by the risk management department. Senior management provides the Board with a summary of insurance coverage annually and updates as deemed necessary. Liquidity risk, credit risk and risks associated with our credit facilities and cash management are handled primarily by our finance department, which regularly provides a financial report to both the Audit Committee and to the full Board. Operational, business, regulatory and political risks are handled primarily by senior executive management, which regularly provides various operational reports to, among others, the full Board or to the Executive Committee.

Director Independence and NYSE Requirements

Controlled Company Exemption. We have elected to be treated as a "controlled company" as defined by New York Stock Exchange Section 303A.00. This Section provides that a controlled company need not comply with the requirements of Sections 303A.01, 303A.04 and 303A.05 of the New York Stock Exchange Listed Company Manual. Section 303A.01 requires that listed companies have a majority of independent directors. As a controlled company, this Section does not apply to us. Sections 303A.04 and 303A.05 require that listed companies have a nominating and corporate governance committee and a compensation committee, in each case composed entirely of independent directors, and that each of these committees must have a charter that addresses both the committee's purpose and responsibilities and the need for an annual performance evaluation by the committee. While we have a nominating and corporate governance committee and a compensation committee, we are not required to and do not comply with all of the provisions of Sections 303A.04 and 303A.05. We are a "controlled company" because a group that includes the Company's Chairman, R. Randall Rollins and his brother, Gary W. Rollins, who is the Company's Vice Chairman and Chief Executive Officer of the Company and certain companies under their control, possesses in excess of fifty percent of our voting power. This means that they have the ability to determine the outcome of the election of directors at our annual meetings and to determine the outcome of many significant corporate transactions, many of which only require the approval of a majority of our voting power. Such a concentration of voting power could also have the effect of delaying or preventing a third party from acquiring us at a premium.

The Company's Audit Committee is composed of four "independent" directors as defined by the Company's Corporate Governance Guidelines, the New York Stock Exchange rules, the Securities Exchange Act of 1934, SEC regulations thereunder, and the Company's Audit Committee Charter. The members of the Compensation and Nominating and Corporate Governance Committees are also entirely composed of "independent" directors. The Board of Directors has also concluded that all of the members of the Audit Committee and Thomas J. Lawley are "independent directors" under the Company's Corporate Governance Guidelines and the New York Stock Exchange listing standards.

Independence Guidelines. Under New York Stock Exchange listing standards, to be considered independent, a director must be determined to have no material relationship with the Company other than as a director. The New York Stock Exchange standards set forth a nonexclusive list of relationships, which are conclusively deemed material.

The Company's Independence Guidelines (Appendix A to the Company's Corporate Governance Guidelines) are posted on the Company's website at www.rollins.com under the Governance section and include categorical standards for determining independence in specified situations.

Audit Committee Charter. Under the Company's Audit Committee Charter, in accordance with New York Stock

Exchange listing requirements and the Exchange Act, all members of the Audit Committee must be independent of management and the Company. A member of the Audit Committee is considered independent as long as he or she (i) does not accept any consulting, advisory, or compensatory fee from the Company, other than as a director or committee member; (ii) is not an affiliated person of the Company or its subsidiaries; and (iii) otherwise meets the independence requirements of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

Nonmaterial Relationships. After reviewing all of the relationships between the members of the Audit Committee, and Thomas J. Lawley, M.D., on the one hand, and the Company, on the other hand, the Board of Directors determined that none of them had any relationships not included within the categorical standards set forth in the Independence Guidelines and discussed above except as follows:

1. Mr. Tippie was employed by the Company from 1953 to 1970, and held several offices with the Company during that time, including as Executive Vice President – Finance, Secretary, Treasurer and Chief Financial Officer.

2. Mr. Tippie is Chairman of the Board of Directors of Dover Motorsports, Inc. and Dover Downs Gaming and Entertainment, Inc. R. Randall Rollins is also a director of these companies.

3. Mr. Tippie is a co-trustee of The O. Wayne Rollins Foundation and of the Rollins Children's Trust. O. Wayne Rollins is the father of R. Randall Rollins and Gary W. Rollins. The beneficiaries of the Rollins Children's Trust include the immediate family members of R. Randall Rollins and Gary W. Rollins.

4. Mr. Dismuke was employed by the company from 1979 to 1984, and held several offices with the Company during that time, including Senior Vice President.

5. Each of Messrs. Dismuke, Prince, Tippie and Williams also serve on the Boards of RPC, Inc. and Marine Products Corporation. Ms. Pamela R. Rollins serves on the Board of Marine Products Corporation. Messrs. Gary and Randall Rollins are directors of RPC, Inc. and Marine Products Corporation, and have voting control over these companies. These companies are held by a control group of which Messrs. Randall and Gary Rollins are a part. Mr. Randall Rollins is an executive officer of Marine Products Corporation. Ms. Pamela R. Rollins was employed by the Company in various roles from 1997-2008.

6. Thomas J. Lawley, M.D. was the Dean of the Emory University School of Medicine from 1996 to 2013. Various charitable contributions have been made by the O. Wayne Rollins Foundation to Emory University in the past, including charitable contributions made by the Foundation to the Emory University School of Medicine and to the Emory University School of Public Health. Gary Rollins is Director Emeritus of Emory University.

7. Mr. James B. Williams is the Chairman of the Board of the Woodruff Foundation, the Ichauway Foundation and the Woodruff Fund, Inc. Mr. R. Randall Rollins serves on the Woodruff Fund board and Dr. Lawley is on the Board of Trustees of all three boards.

As required by the Independence Guidelines, the Board of Directors unanimously concluded that the above listed relationships would not affect the independent judgment of the independent directors, based on their experience, character and independent means, and therefore do not preclude an independence determination. All of the members of the Audit Committee are also independent under the heightened standards required for Audit Committee members.

In accordance with the NYSE corporate governance listing standards, Mr. Henry B. Tippie was elected as the Presiding Director. The Company's non-management directors meet at regularly scheduled executive sessions without management. Mr. Tippie presides during these executive sessions.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines to formalize and promote better understanding of our policies and procedures. At least annually, the Board reviews these guidelines. A copy of our current Corporate Governance Guidelines may be found at our website (www.rollins.com) under the heading "Governance." As required by the rules of the New York Stock Exchange, our Corporate Governance Guidelines require that our non-management directors meet in regularly scheduled executive sessions per year without management, and such meetings are currently required to occur at least twice annually.

At the Company's website (www.rollins.com), under the heading "Governance," you may access a copy of our Corporate Governance Guidelines, our Audit Committee Charter, our Code of Business Conduct and our Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transaction Policy.

Code of Business Conduct

The Company has adopted a Code of Business Conduct applicable to all directors, officers and employees generally, as well as a supplemental Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transaction Policy applicable to the directors and the principal executive officer, principal financial officer, principal accounting officer or controller or person performing similar functions for the Company. Both codes are available on the Company's website at www.rollins.com.

Director Communications

The Company also has a process for interested parties, including stockholders, to send communications to the Board of Directors, Presiding Director, any of the Board Committees or the non-management directors as a group. Such communications should be addressed as follows:

Mr. Henry B. Tippie
c/o Internal Audit Department
Rollins, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324

The above instructions for communications with the directors are also posted on our website at www.rollins.com under the Governance section. All communications received from interested parties are forwarded to the Board of Directors. Any communication addressed solely to the Presiding Director or the non-management directors will be forwarded directly to the appropriate addressee(s).

Compensation Committee Interlocks and Insider Participation

None of the directors named on pages 6 and 7 who serve on the Company's Compensation Committee are currently employees of the Company. Mr. Tippie was employed by the Company from 1953 to 1970, and held several offices with the Company during that time, including as Executive Vice President – Finance, Secretary, Treasurer and Chief Financial Officer.

Director Compensation

The following table sets forth compensation to our directors for services rendered as a director for the year ended December 31, 2017. Three of our directors, Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson are our employees. The compensation for Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson are set forth in the Summary Compensation Table under Executive Compensation. Other than Messrs. Henry B. Tippie, Bill J. Dismuke and Ms. Pamela R. Rollins, the directors listed below have never been employed by the Company or paid a salary or bonus by the Company, have never been granted any options or other stock based awards, and do not participate in any Company sponsored retirement plans. Mr. Henry B. Tippie has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock based awards, and has not participated in any Company sponsored retirement plans since his employment with the Company ceased in 1970. Mr. Bill J. Dismuke has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock based awards, and has not participated in any Company sponsored retirement plans since his employment with the Company ceased in 1984. Ms. Pamela R. Rollins has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock based awards, and has not participated in any Company sponsored retirement plans since her employment with the Company ceased in 2008.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
Henry B. Tippie	130,000	—	—	130,000
Larry L. Prince	78,000	—	—	78,000
James B. Williams	78,000	—	—	78,000
Bill J. Dismuke	65,000	—	—	65,000
Thomas J. Lawley, M.D.	52,500	—	—	52,500
Pamela R. Rollins	52,500	—	—	52,500

Directors that are our employees do not receive any additional compensation for services rendered as a director.

Under the compensation arrangements effective since January 1, 2015, non-management directors each receive an annual retainer fee of $40,000. This retainer fee was increased to $50,000 effective January 1, 2018. In addition, the Chairman of the Audit Committee receives an annual retainer of $20,000, the Chairman of the Compensation Committee receives an annual retainer of $10,000 and the Chairman of each of the Corporate Governance/Nominating Committee and Diversity Committee receives an annual retainer of $6,000. A director that chairs more than one committee receives a retainer with respect to each Committee he chairs. All of the retainers are paid on a quarterly basis. Current per meeting fees for non-management directors are as follows:

- For meetings of the Board of Directors, $2,500.
- For meetings of the Compensation Committee, $2,000.
- For meetings of the Corporate Governance/Nominating Committee and Diversity Committee $1,500
- For meetings of the Audit Committee in person and telephonic, $2,500.
- In addition, the Chairman of the Audit Committee receives an additional $2,500 for preparing to conduct each quarterly Board and Board committee meeting.

All non-management directors are also entitled to reimbursement of expenses for all services as a director, including committee participation or special assignments.

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the Report of the Audit Committee shall not be incorporated by reference into any such filings.

Report of the Audit Committee

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The Audit Committee's responsibility is generally to monitor and oversee these processes, as described in the Audit Committee Charter. It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles, that is the responsibility of management.

In fulfilling its oversight responsibilities with respect to the year ended December 31, 2017, the Audit Committee:

- Approved the terms of engagement of Grant Thornton LLP as the Company's independent registered public accounting firm for the year ended December 31, 2017;
- Reviewed with management the interim financial information included in the Forms 10-Q prior to their being filed with the SEC. In addition, the Committee reviewed all earnings releases with management and the Company's independent public accounting firm prior to their release;
- Reviewed and discussed with the Company's management and the Company's independent registered public accounting firm, the audited consolidated financial statements of the Company as of December 31, 2017 and 2016 and for the three years ended December 31, 2017;
- Reviewed and discussed with the Company's management and the independent registered public accounting firm, management's assessment that the Company maintained effective control over financial reporting as of December 31, 2017;
- Discussed with the independent registered public accounting firm matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board; and
- Received from the independent registered public accounting firm the written disclosures and the letter in accordance with the requirements of the Public Company Accounting Oversight Board regarding the firm's communications with the Committee concerning independence, and discussed with such firm its independence from the Company.

Based upon the review and discussions referred to previously, the Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company and subsidiaries as of December 31, 2017 and 2016 and for the three years ended December 31, 2017 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the Securities and Exchange Commission.

In giving its recommendation to the Board of Directors, the Audit Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and (ii) the report of the Company's independent registered public accounting firm with respect to such financial statements.

Submitted by the Audit Committee of the Board of Directors.

Henry B. Tippie, Chairman
James B. Williams
Bill J. Dismuke
Larry L. Prince

Compensation Discussion and Analysis

Compensation Committee

During the fiscal year ended December 31, 2017, the members of our Compensation Committee held primary responsibility for determining executive compensation levels. The Committee is composed of three of our non-management directors who do not participate in the Company's compensation plans. The Committee determines the compensation and administers the performance-based cash compensation plan for our executive officers. In addition, the Committee also administers our Stock Incentive Plan for all the employees.

The members of our Compensation Committee have extensive and varied experience with various public and private corporations as investors and stockholders, as senior executives, and as directors charged with the oversight of management and the setting of executive compensation levels. Henry B. Tippie, the Chairman of the Compensation Committee, has served on the board of directors of twelve different publicly traded companies and has been involved in setting executive compensation levels at all of these companies. Messrs. James B. Williams and Larry L. Prince have served on the board of directors of several different publicly traded companies and have similarly been involved in setting executive compensation levels at many of these companies.

The Compensation Committee has authority to engage attorneys, accountants and consultants, including executive compensation consultants, to solicit input from management concerning compensation matters, and to delegate any of its responsibilities to one or more directors or members of management where it deems such delegation appropriate and permitted under applicable law. The Committee has not used the services of any compensation consultants in determining or recommending the amount of form of executive compensation.

The Compensation Committee believes that determinations relative to executive compensation levels are best left to the discretion of the Committee. In addition to the extensive experience and expertise of the Committee's members and their familiarity with the Company's performance and the performance of our executive officers, the Committee is able to draw on the experience of other directors and on various legal and accounting executives employed by the Company, and the Committee has access to the wealth of readily available public information relative to structuring executive compensation programs and setting appropriate compensation levels. The Committee also believes that the structure of our executive compensation programs should not become overly complicated or difficult to understand.

The Committee solicits input from our Chief Executive Officer with respect to the performance of our executive officers and their compensation levels.

The Role of Shareholder Say-on-Pay Votes

The Company provides its shareholders with the opportunity to cast an every three years advisory vote on executive compensation (a "say-on-pay proposal"). At the Company's annual meeting of shareholders held in April 2017, a substantial majority of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes this affirms shareholders' support of the Company's approach to executive compensation. The shareholders voted to hold a say-on-pay advisory vote on executive compensation every three years, and the Board resolved to accept the shareholders' recommendation. As a result, the advisory vote on executive compensation will be held again at the 2020 Annual Meeting. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

General Compensation Objectives and Guidelines

The Company is engaged in a highly competitive industry. The success of the Company depends on our ability to attract and retain highly qualified and motivated executives. In order to accomplish this objective, we have endeavored to structure our executive compensation in a fashion that gives our Compensation Committee the flexibility to take into account our operating performance and the individual performance of the executive.

The Compensation Committee endorses the philosophy that executive compensation should reflect Company performance and the contribution of executive officers to that performance. The Company's compensation policy is designed to achieve three fundamental objectives: (i) attract and retain qualified executives, (ii) motivate performance to achieve Company objectives, and (iii) align the interests of our executives with the long-term interests of the Company's stockholders.

The Committee recognizes that there are many intangibles involved in evaluating performance and in motivating performance, and that determining an appropriate compensation level is a highly subjective endeavor. The analysis of the Committee is not based upon a structured formula and the objectives referred to above are not weighted in any formal manner.

Pursuant to our compensation philosophy, the total annual compensation of our executive officers is primarily made up of one or more of three elements. The three elements are salary, annual performance-based incentive compensation and grants of stock based awards such as restricted stock. In addition, the Company provides retirement compensation plans, group welfare benefits and certain perquisites.

We believe a competitive base salary is important to attract, retain and motivate top executives. We believe annual performance-based incentive compensation is valuable in recognizing and rewarding individual achievement. Finally, we believe equity-based compensation makes executives "think like owners" and, therefore, aligns their interests with those of our stockholders.

Effective November 1, 2006, we adopted formal Stock Ownership Guidelines for our executive officers and note that our executive officers are significant stockholders of the Company, as disclosed elsewhere in this Proxy Statement. The purpose of these Guidelines is to align the interests of executives with the interests of stockholders and further promote our longstanding commitment to sound corporate governance.

The Committee is mindful of the stock ownership of our directors and executive officers but does not believe that it is appropriate to provide a mechanism or formula to take stock ownership (or gains from prior option or stock awards) into account when setting compensation levels. As do many public companies, we have historically provided in our insider trading policies that directors and executive officers may not sell Company securities short and may not sell puts, calls or other derivative securities tied to our Common Stock.

As a result of the Tax Cuts and Jobs Act, starting with compensation payable in 2018, Section 162(m) of the Internal Revenue Code will limit us from deducting compensation, including performance-based compensation, in excess of $1,000,000 paid to our executive officers. The only exception to this rule is for compensation (including performance-based compensation) that is paid pursuant to a binding contract in effect on November 2, 2017, that would otherwise have been deductible under the prior Section 162(m) rules. Going forward, the Compensation Committee will, as before, retain full discretion to award compensation packages that best attract, retain and reward successful executive officers. Therefore, the Compensation Committee anticipates that it will award compensation that is not fully deductible under Section 162(m).

Our executive bonus agreements contain a provision that provides that, among other things, if any bonus amount is paid as a result of misrepresented or inaccurate performance, the Company may require repayment of some or all of the excess bonus paid, subject to applicable laws. This recoupment policy reflects the Company's high ethical standards and strict compliance with accounting and other regulations applicable to public companies. As all incentives and awards remain within the discretion of the Compensation Committee, the Committee also retains the ability to take any restatements or adjustments into account in subsequent years. In addition, the Sarbanes-Oxley Act requires in the case of accounting restatements that result from material non-compliance with SEC financial reporting requirements, that the Chief Executive Officer and Chief Financial Officer must disgorge bonuses and other incentive-based compensation and profits on stock sales received during the 12 months following publication of the misstated financials, if the non-compliance results from misconduct.

Salary

The salary of each executive officer is determined by the Compensation Committee. In making its determinations, the Committee gives consideration to our operating performance for the prior fiscal year and the individual executive's performance. The Committee solicits input from our Chief Executive Officer with respect to the performance of our executive officers and their compensation levels. Effective January 1, 2017, the following adjustments were made to the base salaries of our executive officers: Gary W. Rollins $1,000,000 (no change from 2016); Paul E. Northen $450,000 ($50,000 increase from 2016): R. Randall Rollins $900,000 (no change from 2016); John F. Wilson $700,000 ($50,000 increase from 2016) and Thomas E. Luczynski $280,000 ($12,990 increase from 2016). Effective January 1, 2018, the following adjustments were made to the base salaries of our executive officers: Gary W. Rollins $1,000,000 (no change from 2017); Paul E. Northen $500,000 ($50,000 increase from 2017): R. Randall Rollins $900,000 (no change from 2017); John F. Wilson $775,000 ($75,000 increase from 2017) and Thomas E. Luczynski $300,000 ($20,000 increase from 2017).

Performance-Based Plan

At the annual meeting of stockholders held on April 23, 2013, the stockholders approved the terms of the Company's Performance-Based Incentive Cash Compensation Plan for Executive Officers (the "Cash Incentive Plan"). Under the Cash Incentive Plan, executive officers have an opportunity to earn bonuses of up to 100 percent of their annual salaries, not to exceed a maximum amount of their respective base salary, upon achievement of bonus performance goals which are pre-set every year by the Compensation Committee upon its approval of the performance bonus program for that year. For 2017, these performance goals for Messrs. R. Randall Rollins and Gary W. Rollins were based on targeted revenue growth of the Company and targeted pre-tax profit growth of the Company. For 2017, the performance goal for Messrs. John F. Wilson and Paul E. Northen are based on targeted revenue growth of the Company, targeted pre-tax profit growth of the Company, and individual Key Operating Initiatives that are determined yearly based on Company performance.

For the Company revenue to plan performance goal, Messrs. R. Randall Rollins and Gary W. Rollins were eligible to earn bonuses of between 0 and 40 percent of their respective annual salary. Messrs. John F. Wilson was eligible to earn a bonus between 0 percent and 30 percent of his annual salary and Messrs. Paul E Northen was eligible to earn a bonus of between 0 percent and 18 percent of his annual salary. The minimum achievement of revenue to plan for these persons to be eligible to earn a bonus under this element of the Cash Incentive Plan for 2017 was 95 percent. This performance goal for the plan in 2017 was a 6.28% increase in revenue. Because the actual increase in Company revenue to plan in 2017 was 100.1 percent, this resulted in bonuses of 40 percent of salary for Messrs. R. Randall Rollins and Gary W. Rollins, 30 percent of salary for Messrs. John F. Wilson and 18 percent for Paul E. Northen.

For the Company pre-tax profit to plan performance goal, Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson were eligible to earn bonuses of between 0 and 60 percent of their respective annual base salary. Mr. Paul E Northen was eligible to receive a bonus of between 0 and 36 percent of his annual salary. Mr. Thomas E. Luczynski was eligible to receive a bonus of between 0 and 24 percent of his annual salary. The minimum growth in the Company's pre-tax profit for 2017 to the corresponding amount in 2016 to be eligible for a bonus was 95 percent and the Company's 2017 performance resulted in an actual achievement in pre-tax profit to plan of 100 percent. This resulted in bonuses of 60 percent of salary for Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson, 36 percent of salary for Mr. Paul E. Northen and 24 percent of salary for Mr. Thomas E. Luczynski.

Messrs. John F. Wilson, Paul E. Northen , and Thomas E. Luczynski also participate in an individual Key Operating Initiative. Under this element, the participants may receive a bonus of their respective annual salary for achievement of the initiatives tied to Customer Service Index for Mr. John F. Wilson, Trade Receivables for Mr. Paul E. Northen and International Franchise profit to plan and revenue growth for Mr. Thomas E. Luczynski. Messrs. John F. Wilson was eligible to earn between 0 and 10 percent for improvement in Customer Service Index, Paul E. Northen was eligible to earn between 0 and 6 percent for improvement in Trade Receivables and Thomas E. Luczynski was eligible to earn between 0 and 16 percent for International Franchise profit to plan, revenue growth and growth of number of franchises. The Company's performance in 2017 resulted in 0 percent payout for both Customer Service Index and Trade Receivables and 9.3 percent payout on International Franchise profit to plan and revenue growth.

The amount of bonuses under each performance component of the Company's Cash Incentive Plan is determined based upon straight-line interpolation of the applicable formula for each such component without the use of discretion. In addition to any bonuses earned under the Cash Incentive Plan, the Compensation Committee has the authority to award discretionary bonuses. No discretionary bonuses were awarded for 2017.

Equity Based Awards

Our Stock Incentive Plan allows for a wide variety of stock based awards such as stock options and restricted stock awards. We last issued stock options in fiscal year ended 2003 and have no immediate plans to issue additional stock options. Partially in response to changes relative to the manner in which stock options are accounted for under generally accepted accounting principles, we have modified the structure and composition of the long-term equity based component of our executive compensation. In recent years, we have awarded time-lapse restricted stock in lieu of granting stock options. The terms and conditions of these awards are described in more detail below.

Awards under the Company's Stock Incentive Plan are purely discretionary, are not based upon any specific formula and may or may not be granted in any given fiscal year. For the past three years, we have granted time-lapse restricted stock to various employees, including our executive officers, in early January during our regularly scheduled meeting of the Compensation Committee during which the Committee reviews executive compensation. Consistent with this practice, we granted restricted stock awards to our executive officers in January 2016, 2017 and 2018 as follows:

Name	2016	2017	2018
Gary W. Rollins	63,000	63,000	58,000
R. Randall Rollins	57,000	57,000	52,000
Paul E. Northen	12,500	15,000	15,000
John F. Wilson	30,000	30,000	30,000
Thomas E. Luczynski	3,500	3,300	5,000

The amount of the aggregate stock based awards to our executive officers in any given year is influenced by the Company's overall performance. The amount of each grant to our executive officers is influenced in part by the Committee's subjective assessment of each individual's respective contributions to achievement of the Company's long-term goals and objectives. In evaluating individual performance for these purposes, the Committee considers the overall contributions of executive management as a group and the Committee's subjective assessment of each individual's relative contribution to that performance rather than specific aspects of each individual's performance over a short-term period. It is our expectation to continue yearly grants of restricted stock awards to selected executives although we reserve the right to modify or discontinue this or any of our other compensation practices at any time.

To date, all of our restricted stock awards have had the same features. The shares vest one-fifth per year beginning on the second anniversary of the grant date. Restricted shares have full voting and dividend rights. However, until the shares vest, they cannot be sold, transferred or pledged. Should the executive leave our employment for any reason prior to the vesting dates (other than due to death, disability or retirement on or after age 65), the unvested shares will be forfeited. In the event of a "change in control" as determined by the Board of Directors, all unvested restricted shares shall vest immediately.

Grants are made under our Stock Incentive Plan and the plan is administered pursuant to Rule 16b-3 of the Securities Exchange Act of 1934. When considering the grant of stock based awards, the Committee considers the overall performance and the performance of individual employees.

Employment Agreements

There are no agreements or understandings between the Company and any executive officer that guarantee continued employment or guarantee any level of severance or compensation, including incentive or bonus payments.

Retirement Plans

The Company maintains a defined benefit plan (Rollins, Inc. Retirement Income Plan) for employees hired prior to January 1, 2002, a non-qualified retirement plan (Rollins, Inc. Deferred Compensation Plan) for our executives and highly compensated employees, and a Rollins 401(k) Savings Plan for the benefit of all of our eligible employees.

The Company froze the Rollins, Inc. Retirement Income Plan effective June 30, 2005. The Rollins, Inc. Deferred Compensation Plan also provides other benefits as described below under "Nonqualified Deferred Compensation" on page 34.

Other Compensation

Other compensation to our executive officers includes group welfare benefits including group medical, dental and vision coverage, and group life insurance. The Company provides certain perquisites to its executive officers, which are described below under "Executive Compensation." The Company requires that its Chairman and Vice Chairman and CEO use Company or other private aircraft for air travel whenever practicable for security reasons.

The following Compensation Committee Report shall not be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended (the "Securities Act"), except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Compensation Committee Report

We have reviewed and discussed the above Compensation Discussion and Analysis with management.

Based upon this review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

Henry B. Tippie, Chairman
James B. Williams
Larry L. Prince

Compliance with Section 16(a) of the Securities Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent stockholders are required to furnish the Company with copies of all Section 16(a) forms they file.

Based on our review of the copies of such forms, we believe that during fiscal year ended December 31, 2017, all filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were timely satisfied. Each of these transactions were exempt from Section 16(b) of the Securities and Exchange Act of 1934 by reason of Rule 16(b)(3).

Executive Compensation

Shown below is information concerning the annual compensation for the fiscal years ended December 31, 2017, 2016, and 2015 of those persons who were employed during December 31, 2017 as:

- our Principal Executive Officer and Principal Financial Officer; and
- our three other most highly compensated executive officers as of December 31, 2017 whose total annual salary exceeded $100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Cash Bonus ($)	Stock awards ($)[2]	Non-equity incentive plan compensation ($)[1][3]	Change in pension value and non-qualified deferred compensation earnings($)[4]	All other compensation ($)[5]	Total ($)
Gary W. Rollins	2017	1,000,000	—	2,134,440	1,000,000	10,544	182,281	4,327,265
Chief Executive Officer	2016	1,000,000	—	1,666,350	951,733	7,107	222,427	3,847,617
	2015	1,000,000	—	1,412,880	1,000,000	59	236,875	3,649,814
Paul E. Northen[6]	2017	450,000	—	508,200	243,000	—	25,234	1,226,434
Chief Financial Officer	2016	400,000	—	330,625	213,511	—	23,287	967,423
	2015	309,615	—	339,300	160,417	—	15,764	825,096
R. Randall Rollins	2017	900,000	—	1,931,160	900,000	10,544	77,920	3,819,624
Chairman of the Board	2016	900,000	—	1,507,650	856,587	7,107	83,181	3,354,525
	2015	900,000	—	1,278,320	900,000	59	99,119	3,177,498
John F. Wilson	2017	700,000	—	1,016,400	630,000	277,737	25,815	2,649,952
President and Chief Operating Officer	2016	650,000	—	793,500	618,720	120,088	19,169	2,201,477
	2015	600,000	—	672,800	600,000	4,134	18,914	1,895,848
Thomas E. Luczynski	2017	280,000	—	111,804	93,300	167,287	22,185	674,576
Corporate Secretary	2016	267,010	—	92,575	122,090	69,808	16,029	567,512
	2015	259,000	—	141,288	113,256	1,542	16,108	531,194

(1) John F. Wilson deferred $145,641 in salary and bonus compensation in 2017 related to his 2016 salary and bonus compensation that was paid in 2017 and deferred $120,000, and $47,877 in salary and bonus compensation related to 2015 and 2014, respectively that was paid in 2016 and 2015. Thomas J. Luczynski deferred $44,868 in salary and bonus compensation in 2017 related to his 2016 salary and bonus compensation that was paid in 2017.

(2) These amounts represent the aggregate grant date fair value of restricted Common Stock awarded under our Stock Incentive Plan during the fiscal years 2017, 2016 and 2015, respectively, in accordance with FASB ASC Topic 718. Please refer to Note 15 to our consolidated financial statements contained in our Form 10-K for the period ending December 31, 2017 for a discussion of the assumptions used in these computations. When calculating the amounts shown in this table, we have disregarded all estimates of forfeitures. Our Form 10-K has been included in our Annual Report and provided to our stockholders.

(3) Bonuses under the performance-based incentive cash compensation plan are accrued in the fiscal year earned and paid in the following fiscal year.

(4) Pension values decreased as followed: In 2017, R. Randall Rollins ($23,901), in 2016, R. Randall Rollins ($33,699), John F. Wilson ($7,161) in 2016, and Thomas E. Luczynski ($15,756) in 2016.

(5) All other compensation includes the following items for:

Mr. Gary W. Rollins:	$8,100 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; $104,623 of incremental costs to the Company for personal use of the Company's airplane (calculated based on the actual variable costs to the Company for such usage); auto allowance and related vehicle expenses; incremental costs to the Company for use of the Company's executive dining room; and use of Company storage space.
Mr. Paul E. Northen:	$8,100 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; and incremental cost to the Company for use of the Company's executive dining room.
Mr. R. Randall Rollins:	$8,100 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; incremental costs to the Company for use of the Company's executive dining room; and use of Company storage space.
Mr. John F. Wilson:	$8,100 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; and incremental cost to the Company for use of the Company's executive dining room.
Mr. Thomas E. Luczynski:	$8,100 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; and incremental cost to the Company for use of the Company's executive dining room.

(6) Mr. Paul E. Northen was named Chief Financial Officer effective May 1, 2015 and named Vice President January 26, 2016. Prior to his appointment as Chief Financial Officer, he served as the Company's Chief Financial Officer in training. The compensation listed in the table includes his compensation from the Company for the entire year.

Pay Ratio Disclosure

Pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd - Frank Act"), the Securities and Exchange Commission ("SEC") adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). The Company's PEO is Mr. Gary W. Rollins. The purpose of the new required disclosure is to provide a measure of the equitability of pay within the organization. The Company believes its compensation philosophy and process yield an equitable result.

Median Employee total annual compensation	$ 83,369
Mr. Gary W. Rollins ("PEO") total annual compensation	$4,327,265
Ratio of PEO to Median Employee Compensation	51.9:1

In determining the median employee, a listing was prepared of all employees as of October 31, 2017. Employees from our foreign subsidiaries in Australia and United Kingdom, both of which combined were less than 5% of our total employees, were excluded (other than seasonal or temporary employees) and employees on leave of absence were excluded and wages and salaries were annualized for those employees that were not employed for the full year of 2017. The median amount was selected from the annualized list. For simplicity, the value of the Company's 401(k) plan and medical benefits provided was excluded as all employees including the PEO are offered the exact same benefits and the Company utilizes the Internal Revenue Service safe harbor provision for 401(k) discrimination testing. As of December 31, 2017 the Company employed 13,126 persons of whom 285 were employed in Australia and the United Kingdom.

Grants of Plan-Based Awards In 2017

The shares of Common Stock disclosed in the table below represent grants of restricted Common Stock under our Stock Incentive Plan awarded in fiscal year 2017 to the executives named in our *SUMMARY COMPENSATION TABLE.* All grants of restricted Common Stock vest one-fifth per year beginning on the second anniversary of the grant date. Restricted shares have full voting and dividend rights. However, until the shares vest, they cannot be sold, transferred or pledged. Should the executive leave the Company's employment for any reason prior to the vesting dates (other than due to death, retirement on or after age 65 or, with respect to restricted stock awards under the Company's 2008 Stock Incentive Plan, disability), the unvested shares will be forfeited. We have not issued any stock options in the past three fiscal years and have no immediate plans to issue additional stock options.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards				
	Grant Date	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards [(3)] ($)
Gary W. Rollins	01/24/17 [(1)]	1	937,500	1,000,000		
	01/24/17				63,000	2,134,440
Paul E. Northen	01/24/17 [(2)]	1	253,125	270,000		
	01/24/17				15,000	508,200
R. Randall Rollins	01/24/17 [(1)]	1	843,750	900,000		
	01/24/17				57,000	1,931,160
John F. Wilson	01/24/17 [(1)]	1	656,250	700,000		
	01/24/17				30,000	1,016,400
Thomas E. Luczynski	01/24/17 [(1)]	1	118,125	126,000		
	01/24/17				3,300	111,804

(1) These amounts represent possible payouts of awards granted under the Cash Incentive Plan in January 2017. The payment of actual awards was approved in January 2018. The amounts of the actual payments are included in the Summary Compensation Table.

(2) These amounts represent possible payouts of awards granted under the Cash Incentive Plan and the Home Office Cash Incentive Plan in January 2017. The payment of actual awards was approved in January 2018. The amounts of the actual payments are included in the Summary Compensation Table.

(3) These amounts represent aggregate grant date fair value for grants of restricted Common Stock awarded in fiscal year 2017 under our Stock Incentive Plan computed in accordance with ASC Topic 718. Please refer to Note 15 to our Financial Statements contained in our Form 10-K for the period ending December 31, 2017 for a discussion of assumptions used in this computation. Our Form 10-K has been included in our Annual Report and provided to our stockholders.

There are no agreements or understandings between the Company and any executive officer that guarantee continued employment or guarantee any level of compensation, including incentive or bonus payments, or severance payments, to the executive officer. All of the named executive officers participate in the Company's Cash Incentive Plan. Bonus awards under the Cash Incentive Plan provide participants an opportunity to earn an annual bonus in a maximum amount of 100 percent of base salary (which was revised to 115 percent under the 2018 Cash Incentive Plan) or $2 million per individual per year (which was revised to $1.15 million under the 2018 Cash Incentive Plan), whichever is less. Under the Cash Incentive Plan, whether a bonus is payable, and the amount of any bonus payable, is contingent upon achievement of certain performance goals, which are set in the annual program adopted under the plan. For 2017, these performance goals were measured by obtaining specific levels of the following: revenue to plan growth and pre-tax profit to plan growth of the Company. Messrs. John F. Wilson, Paul E. Northen and Thomas Luczynski also participate in an individual Key Operating Initiative and may receive a bonus for achievement of the initiative. The Compensation Committee set a maximum award for fiscal year 2017 of 100 percent of the executive's base salaries for Messrs. R. Randall Rollins, Gary W. Rollins, and John F. Wilson. Mr. Paul E. Northen had a maximum award of 60 percent of his base salary for fiscal year 2017 and Thomas Luczynski has a maximum award of 40 percent of his base salary for fiscal year 2017. Unless sooner amended or terminated by the Compensation Committee, the current Cash Incentive Plan will be in place until April 24, 2023.

The named executive officers while employed are also eligible to receive options and restricted stock under the Company's stock incentive plan, in such amounts and with such terms and conditions as determined by the Compensation Committee at the time of grant. All of the executive officers are eligible to participate in the Company's Deferred Compensation Plan. The executive officers participate in the Company's regular employee benefit programs, including the 401(k) Plan with Company match, group life insurance, group medical and dental coverage and other group benefit plans. The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2,000 per plan year minimum. The Company may make discretionary credits to participant accounts.

Outstanding Equity Awards at Fiscal Year-End

The Company does not have any outstanding option awards to the executives named in our Summary Compensation Table. The table below sets forth the total number of restricted shares of Common Stock outstanding at December 31, 2017 and held by the executives named in our Summary Compensation Table but which have not yet vested, together with the market value of these unvested shares based on the $46.53 the closing price of our Common Stock on December 31, 2017.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[1]	Market Value of Shares or Units of Stock That Have Not Vested ($)
Gary W. Rollins	—	—	—	—	259,200	12,060,576
Paul E. Northen	—	—	—	—	39,500	1,837,935
R. Randall Rollins	—	—	—	—	234,300	10,901,979
John F. Wilson	—	—	—	—	120,000	5,583,600
Thomas E. Luczynski	—	—	—	—	21,620	1,005,979

(1) The Company has granted restricted shares for the named executive officers that vest 20% annually beginning on the second anniversary of the grant date.

Shares of the restricted stocks granted to the executive officers that have not fully vested as of December 31, 2017 are summarized in the table that follows:

Name	Number of shares Granted	Grant Date	Date fully vested
Gary W. Rollins	75,000	1/24/2012	1/24/2018
	75,000	1/22/2013	1/22/2019
	63,000	1/28/2014	1/28/2020
	63,000	1/27/2015	1/27/2021
	63,000	1/26/2016	1/26/2022
	63,000	1/24/2017	1/24/2023
Paul E. Northen	15,000	2/24/2015	2/24/2021
	12,500	1/26/2016	1/26/2022
	15,000	1/24/2017	1/24/2023
R. Randall Rollins	67,500	1/24/2012	1/24/2018
	67,500	1/22/2013	1/22/2019
	57,000	1/28/2014	1/28/2020
	57,000	1/27/2015	1/27/2021
	57,000	1/26/2016	1/26/2022
	57,000	1/24/2017	1/24/2023
John F. Wilson	30,000	1/24/2012	1/24/2018
	30,000	1/22/2013	1/22/2019
	30,000	1/28/2014	1/28/2020
	30,000	1/27/2015	1/27/2021
	30,000	1/26/2016	1/26/2022
	30,000	1/24/2017	1/24/2023
Thomas E. Luczynski	15,000	1/24/2012	1/24/2018
	7,500	1/22/2013	1/22/2019
	6,300	1/28/2014	1/28/2020
	6,300	1/27/2015	1/27/2021
	3,500	1/26/2016	1/26/2022
	3,300	1/24/2017	1/24/2023

Option Exercises and Stock Vested

The following table sets forth:

- the number of shares of Common Stock acquired by the executives named in the Summary Compensation Table upon the exercise of stock options during the fiscal year ended December 31, 2017.
- the aggregate dollar amount realized on the exercise date for such options computed by multiplying the number of shares acquired by the difference between the market value of the shares on the exercise date and the exercise price of the options;
- the number of shares of restricted Common Stock acquired by the executives named in the Summary Compensation Table upon the vesting of shares during the fiscal year ended December 31, 2017.
- the aggregate dollar amount realized on the vesting date for such restricted stock computed by multiplying the number of shares which vested by the market value of the shares on the vesting date.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Gary W. Rollins	—	—	70,200	2,423,196
Paul E. Northen	—	—	3,000	110,700
R. Randall Rollins	—	—	63,300	2,185,119
John F. Wilson	—	—	31,500	1,089,555
Thomas E. Luczynski	—	—	10,200	345,535

Pension Benefits

The Company's Retirement Income Plan, a trustee defined benefit pension plan, provides monthly benefits upon retirement at or after age 65 to eligible employees. In the second quarter of 2005, the Company's Board of Directors approved a resolution to cease all future retirement benefit accruals under the Retirement Income Plan effective June 30, 2005. Retirement income benefits are based on the average of the employee's compensation from the Company for the five consecutive complete calendar years of highest compensation during the last ten consecutive complete calendar years ("final average compensation") immediately preceding June 30, 2005. The estimated annual benefit payable at the later of retirement or age 65 is $0 for Mr. Gary W. Rollins, $0 for Mr. Paul E. Northen, $82,059 for Mr. R. Randall Rollins, $11,674 John F. Wilson and $28,512 for Thomas E. Luczynski. The Plan also provides reduced early retirement benefits under certain conditions.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[3] ($)	Payments During Last Fiscal Year ($)
Gary W. Rollins [1]	Pension Plan	35	—	—
Paul E. Northen	Pension Plan	—	—	—
R. Randall Rollins	Pension Plan	21	436,474	82,059
John F. Wilson	Pension Plan	8	130,232	—
Thomas E. Luczynski	Pension Plan	19	342,332	—

(1) Pursuant to a Qualified Domestic Relations Order, during 2013 Mr. Rollins' retirement income benefit was awarded in its entirety to his former spouse.

(2) The actuarial present value of the executive's accumulated benefit under the Retirement Income Plan is computed as of the measurement date used for financial statement reporting purposes and the valuation method and material assumptions applied are set forth in Note 14 to our Financial Statements contained in our Form 10-K for the period ending December 31, 2017. Our Form 10-K has been included in our Annual Report and provided to our stockholders.

Nonqualified Deferred Compensation

On June 13, 2005, the Company approved the Rollins, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") that is designed to comply with the provisions of the American Jobs Creation Act of 2004 (including Section 409A of the Internal Revenue Code). The Deferred Compensation Plan provides that employees eligible to participate in the Deferred Compensation Plan include those who are both members of a group of management or highly compensated employees selected by the committee administering the Deferred Compensation Plan. All of the named executive officers are eligible.

Name	Executive contributions in last FY ($)[1]	Registrant contributions in last FY ($)[2]	Aggregate earnings/(losses) in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at last FYE ($)
Gary W. Rollins	—	—	10,544	—	82,191
Paul E. Northen	—	—	—	—	—
R. Randall Rollins	—	—	10,544	—	82,191
John F. Wilson	145,641	—	265,258	—	1,576,874
Thomas E. Luczynski	44,868	—	137,210	—	766,570

(1) Reflects the amounts related to the base salary for 2017, which have been deferred by the executive officers pursuant to the Deferred Compensation Plan, and the bonus compensation amounts deferred related to 2016 that were paid in 2017, which are included in the Summary Compensation Table on page 27.

(2) Reflects the amounts for each of the named executive officers, which are reported as compensation to such named executive officer in the "All Other Compensation" column of the Summary Compensation Table on page 27.

The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2,000 per plan year minimum. The Company may make discretionary contributions to participant accounts.

Under the Deferred Compensation Plan, salary and bonus deferrals are fully vested. Any discretionary contributions are subject to vesting in accordance with the matching contribution-vesting schedule set forth in the Rollins 401(k) Savings Plan in which a participant participates.

Accounts will be credited with hypothetical earnings, and/or debited with hypothetical losses, based on the performance of certain "Measurement Funds." Account values are calculated as if the funds from deferrals and Company credits had been converted into shares or other ownership units of selected Measurement Funds by purchasing (or selling, where relevant) such shares or units at the current purchase price of the relevant Measurement Fund at the time of the participant's selection. Deferred Compensation Plan benefits are unsecured general obligations of the Company to the participants, and these obligations rank in parity with the Company's other unsecured and unsubordinated indebtedness. The Company has established a "rabbi trust," which it uses to voluntarily set aside amounts to indirectly fund any obligations under the Deferred Compensation Plan. To the extent that the Company's obligations under the Deferred Compensation Plan exceed assets available under the trust, the Company would be required to seek additional funding sources to fund its liability under the Deferred Compensation Plan.

Generally, the Deferred Compensation Plan provides for distributions of any deferred amounts upon the earliest to occur of a participant's death, disability, retirement or other termination of employment (a "Termination Event"). However, for any deferrals of salary and bonus (but not Company contributions), participants would be entitled to designate a distribution date which is prior to a Termination Event. Generally, the Deferred Compensation Plan allows a participant to elect to receive distributions under the Deferred Compensation Plan in installments or lump-sum payments.

401(k) Plan

Effective October 1, 1983, the Company adopted a qualified retirement plan designed to meet the requirements of Section 401(k) of the Code ("401(k) Plan"). The forms of benefit payment under the Rollins 401(k) Savings Plan are dependent upon the vested account balance. If the vested assets are greater than $1,000 up to and including $5,000, a participant may roll their money into another qualified plan or it will be rolled into a Prudential Individual Retirement Account. If the participant has more than $5,000 invested assets, they can leave their funds in the Plan, take a full or partial lump sum distribution, take systematic distributions or roll their vested assets into another qualified plan. If the account balance is equal to or less than $1,000, the participant may roll their vested balance into another qualified plan or take a lump sum distribution. Under the Rollins 401(k) Savings Plan, the full amount of a participant's vested benefit is payable upon his termination of employment, retirement, total and permanent disability, death or age 59½. A participant may withdraw a certain amount of his pre-tax and rollover contributions upon specified instances of financial hardship. A participant may withdraw all or any portion of his after-tax account at any time and for any reason. Amounts contributed by the Company to the accounts of Named Executives under this plan are included in the "All Other Compensation" column of the Summary Compensation Table on page 27.

Potential Payments Upon Termination or Change in Control

The following table describes the potential payments and benefits under the Company's compensation and benefit plans and arrangements to which the named executive officers would be entitled upon termination of employment. There are no other agreements, arrangements or plans that entitle executive officers to severance, perquisites, or other enhanced benefits upon termination of their employment except as described below. Any agreement to provide additional payments or benefits to a terminating executive officer would be in the discretion of the Compensation Committee. The executive officers are not entitled to additional benefits at death or disability per the terms of the defined benefit plan. The amounts payable at retirement are disclosed in the "Pension Benefits" section on page 33. The executive officers can choose to receive the amounts accumulated in the Deferred Compensation Plan either as a lump sum or in installments at retirement, death or disability. These amounts have been disclosed under the "Nonqualified Deferred Compensation" section on page 34. The table below shows the incremental restricted shares that would become vested as of December 31, 2017, at the closing market price of $46.53 per share for our Common Stock, as of that date, in the case of retirement, death, disability or change in control.

Name		Stock Awards	
		Number of shares underlying unvested stock (#)	Unrealized value of unvested stock ($)
Gary W. Rollins	Retirement	—	—
	Death	259,200	12,060,576
	Disability	118,300	5,504,499
	Change in Control	259,200	12,060,576
Paul E. Northen	Retirement	—	—
	Death	39,500	1,837,935
	Disability	11,951	556,098
	Change in Control	39,500	1,837,935
R. Randall Rollins	Retirement	—	—
	Death	234,300	10,901,979
	Disability	106,846	4,971,535
	Change in Control	234,300	10,901,979
John F. Wilson	Retirement	—	—
	Death	120,000	5,583,600
	Disability	53,333	2,481,598
	Change in Control	120,000	5,583,600
Thomas E. Luczynski	Retirement	—	—
	Death	21,620	1,005,979
	Disability	11,956	556,327
	Change in Control	21,620	1,005,979

Accrued Pay and Regular Retirement Benefits. The amounts shown in the table on page 36 do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. These include:

- Accrued salary and vacation pay
- Distributions of plan balances under the 401(k) plan, as described on page 35
- Nonqualified Deferred Compensation

Change in Control or Severance. The Company does not have any severance for its executive officers. However, upon the occurrence of a "Change in Control," as determined by the Board of Directors, all unvested Time-Lapse Restricted Stock shall immediately vest.

Certain Relationships and Related Party Transactions

A group that includes the Company's Vice Chairman and Chief Executive Officer Gary W. Rollins and his brother Chairman of the Board R. Randall Rollins and certain companies under their control possesses in excess of fifty percent of the Company's voting power. Please refer to the discussion on pages 15-36 under the heading, "Corporate Governance and Board of Directors' Committees and Meetings, Director Independence and NYSE Requirements, Controlled Company Exemption." The group discussed above also controls in excess of fifty percent of the voting power of RPC, Inc. and Marine Products, Inc. All of the Company's directors, with the exception of Thomas J. Lawley, M.D., John F. Wilson and Pamela R. Rollins, are also directors of RPC, Inc. and Marine Products Corporation.

Our Code of Business Ethics and Related Party Transactions Policy for Executive Officers and Directors provides that related party transactions, as defined in Regulation S-K, Item 404(a), must be reviewed, approved and/or ratified by our Nominating and Corporate Governance Committee. As set forth in our Code, our Nominating and Corporate Governance Committee has the responsibility to ensure that it only approve or ratify related party transactions that are in compliance with applicable law, consistent with the Company's corporate governance policies (including those relative to conflicts of interest and usurpation of corporate opportunities) and on terms that are deemed to be fair to the Company. The Committee has the authority to hire legal, accounting, financial or other advisors, as it may deem necessary or desirable and/or to delegate responsibilities to executive officers of the Company in connection with discharging its duties. A copy of the Code is available at our website (www.rollins.com) under the heading "Corporate Governance." All covered related party transactions for fiscal year ended December 31, 2017 were reviewed, approved and/or ratified by the Nominating and Corporate Governance Committee in accordance with the Code.

The Company provides certain administrative services to RPC, Inc. ("RPC") (a company of which Mr. R. Randall Rollins is also Chairman and which is otherwise affiliated with the Company). The service agreements between RPC and the Company provide for the provision of services on a cost reimbursement basis and are terminable on six months' notice. The services covered by these agreements include administration of certain employee benefit programs and other administrative services. Charges to RPC (or to corporations which are subsidiaries of RPC) for such services and rent totaled approximately $0.1 million for each of the years ended December 31, 2017, 2016, and 2015.

The Company rents office, hanger and storage space to LOR, Inc. ("LOR") (a company controlled by R. Randall Rollins and Gary W. Rollins). Charges to LOR (or corporations which are subsidiaries of LOR) for rent totaled $1.0 million for each of the years ended December 31, 2017, 2016, and 2015, respectively.

In 2014, P.I.A. LLC, a company owned by the Chairman of the Board of Directors, R. Randall Rollins, purchased a Lear Model 35A jet and entered into a lease arrangement with the Company for Company use of the aircraft for business purposes. The lease is terminable by either party on 30 days' notice. The Company pays $100.00 per month rent for the leased aircraft, and pays all variable costs and expenses associated with the leased aircraft, such as the costs for fuel, maintenance, storage and pilots. The Company has the priority right to use of the aircraft on business days, and Mr. Rollins has the right to use the aircraft for personal use through the terms of an Aircraft Time Sharing Agreement with the Company. During the years ended December 31, 2017 and 2016, the Company paid approximately $0.8 million and $0.5 million in rent and operating costs for the aircraft respectively. During 2017, the Company accounted for 100 percent of the use of the aircraft. All transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

All of the above related party transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

Independent Public Accountants

Principal Auditor

Grant Thornton has served as the Company's independent registered public accountants for the fiscal years ended December 31, 2017 and 2016.

The Audit Committee has appointed Grant Thornton as Rollins, Inc.'s independent public accountants for the fiscal year ending December 31, 2018. Grant Thornton has served as the Company's independent auditors for many years and is considered by management to be well qualified. Representatives of Grant Thornton are expected to be present at the annual meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Audit Fees

	2017	2016
Audit Fees [(1)]	$1,500,000	$1,416,500
Audit-Related Fees	—	—
All Other Fees	—	—
Total	$1,500,000	$1,416,500

(1) Audit fees represent fees for professional services provided in connection with the audit of our internal control over financial reporting, audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

Pre-approval of Services

All of the services described above were pre-approved by the Company's Audit Committee. The Audit Committee has determined that the payments made to its independent public accountants for these services are compatible with maintaining such auditors' independence. All of the hours expended on the principal accountant's engagement to audit the financial statements of the Company for the years 2017 and 2016 were attributable to work performed by full-time, permanent employees of the principal accountant. The Committee has no pre-approval policies or procedures other than as set forth below.

The Audit Committee is directly responsible for the appointment and termination, compensation, and oversight of the work of the independent public accountants, including resolution of disagreements between management and the independent public accountants regarding financial reporting. The Audit Committee is responsible for pre-approving all audit and non-audit services provided by the independent public accountants and ensuring that they are not engaged to perform the specific non-audit services proscribed by law or regulation. The Audit Committee has delegated pre-approval authority to its Chairman with the stipulation that his decision is to be presented to the full Committee at its next scheduled meeting.

Stockholder Proposals

Appropriate proposals of stockholders intended to be presented at the Company's 2019 Annual Meeting of the Stockholders must be received by the Company by November 21, 2018 in order to be included, pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, in the proxy statement and form of proxy relating to that meeting. With regard to such stockholder proposals, if the date of the next annual meeting of stockholders is advanced or delayed more than 30 calendar days from April 24, 2018, the Company will, in a timely manner, inform its stockholders of the change and of the date by which such proposals must be received. Stockholders desiring to present business at the 2018 Annual Meeting of Stockholders outside of the stockholder proposal rules of Rule 14a-8 of the Securities Exchange Act of 1934 and instead pursuant to Article Twenty-Seventh of the Company's by-laws must prepare a written notice regarding such proposal addressed to Secretary, Rollins, Inc., 2170 Piedmont Road, NE, Atlanta, Georgia 30324, and deliver to or mailed and received no later than January 24, 2019 and no earlier than December 15, 2018. Stockholders should consult the by-laws for other specific requirements related to such notice and proposed business.

With respect to stockholder nomination of directors, the Company's by-laws provide that nominations for the election of directors may be made by any stockholder entitled to vote for the election of directors. Nominations must comply with an advance notice procedure which generally requires with respect to nominations for directors for election at an annual meeting, that written notice be addressed to: Secretary, Rollins, Inc., 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and be received not less than ninety nor more than 130 days prior to the anniversary of the prior year's annual meeting and set forth, among other requirements specified in the by-laws, the name, age, business address and, if known, residence address of the nominee proposed in the notice, the principal occupation or employment of the nominee for the past five years, the nominee's qualifications, the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and any other information relating to the person that would be required to be disclosed in a proxy statement or other filings. Other specific requirements related to such notice, including required disclosures concerning the stockholder intending to present the nomination, are set forth in the Company's by-laws. Notices of nominations must be received by the Secretary of the Company no later than January 24, 2019 and no earlier than December 15, 2018, with respect to directors to be elected at the 2018 Annual Meeting of Stockholders.

Expenses of Solicitiation

The Company will bear the solicitation cost of proxies. Upon request, the Company will reimburse brokers, dealers and banks, or their nominees, for reasonable expenses incurred in forwarding copies of the proxy material to their beneficial stockholders of record. Solicitation of proxies will be made primarily by mail. Proxies also may be solicited in person or by telephone, facsimile or other means by our directors, officers and regular employees. These individuals will receive no additional compensation for these services. The Company has retained Georgeson, LLC to conduct a broker search and to send proxies by mail for an estimated fee of approximately $6,500 plus shipping expenses.

Annual Report

Our Annual Report as of and for the year ended December 31, 2017 is being provided to you with this proxy statement. The Annual Report includes our Form 10-K (without exhibits). The Annual Report is not considered proxy-soliciting material.

Form 10-K

On written request of any record or beneficial stockholder, we will provide, free of charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2017, which includes the consolidated financial statements. Requests should be made in writing and addressed to: Paul E. Northen, Vice President, Chief Financial Officer and Treasurer, Rollins, Inc., 2170 Piedmont Road, NE Atlanta, Georgia 30324. We will charge reasonable out-of-pocket expenses for the reproduction of exhibits to Form 10-K should a stockholder request copies of such exhibits.

Other Matters

Our Board of Directors knows of no business other than the matters set forth herein, which will be presented at the meeting. Since matters not known at this time may come before the meeting, the enclosed proxy gives discretionary authority with respect to such matters as may properly come before the meeting and it is the intention of the persons named in the proxy to vote in accordance with their judgment on such matters.

BY ORDER OF THE BOARD OF DIRECTORS

Elizabeth B. Chandler
Secretary

Atlanta, Georgia
March 21, 2018

Appendix A

Rollins, Inc.
2018 Stock Incentive Plan

SECTION 1. Purposes; Definitions

The purpose of the Rollins, Inc. 2018 Stock Incentive Plan (the "Plan") is to enable Rollins, Inc. (the "Company") to attract, retain and reward directors and key employees of the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such persons and the Company's shareholders, by offering such persons performance-based stock incentives and/or other equity interests or equity-based incentives in the Company, as well as performance-based incentives payable in cash.

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

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

2. "Award" shall mean any award or benefit granted under this Plan, including, without limitation, the grant of Options, SARs, Restricted Stock Unit Awards, Restricted Stock Awards, Performance Stock Awards and Performance Unit Awards. "Award Agreement" shall have the meaning provided in Section 10(h) below.

3. "Board" means the Board of Directors of the Company.

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

5. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable rulings, regulations and guidance thereunder, and any successors to such Code and applicable rulings, regulations and guidance.

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

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

8. "Disability" means disability as determined under procedures established by the Committee for purposes of this Plan and shall in all events be consistent with the definition of "disabled" provided in Sections 422(c)(6) and 22(e)(3) of the Code; provided, however, that with respect to an Award subject to Section 409A of the Code that is paid or settled on account of a Participant's "disability," the payment or settlement of the Award shall be made only if the Participant has a "disability" as defined in Section 409A of the Code.

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

10. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

11. "Fair Market Value" means, unless otherwise determined by the Committee, in good faith and having due regard to Section 409A of the Code, as of any given date (the "Valuation Date"):

    (i) if the Stock is listed on an established stock exchange or exchanges, the closing price of one share of the Stock as reported on such exchange on the Valuation Date, or if no sale of Stock has been made on any exchange on the Valuation Date, on the next preceding day on which there was a sale of Stock;

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

    (iii) if the Stock is not listed on any exchange or traded over-the-counter, the fair market value of the Stock determined by the Committee in good faith and pursuant to a reasonable application of a reasonable valuation method in accordance with the relevant provisions of Section 409A of the Code.

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

13. "Non-Employee Director" shall have the meaning set forth in Rule 16b-3 promulgated pursuant to the Securities Exchange Act of 1934, as amended.

14. "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

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

16. "Other Stock-Based Award" means an Award granted to a Participant under Section 7 below that is valued in whole or in part by reference to, or is otherwise based on, Stock, including, without limitation, Restricted Stock, Restricted Stock Units, Performance-Accelerated Restricted Stock, Performance Stock, Performance Units and Awards (other than Options or SARs) valued by reference to Book Value or Subsidiary performance.

17. "Outstanding Stock" shall include all outstanding shares of Common Stock, $1.00 par value, of the Company as well as the number of shares of Common Stock into which then outstanding shares of capital stock of the Company, of whatever class, are convertible as of the year-end immediately preceding the date of calculation thereof (as adjusted by the Committee for certain events).

18. "Participants" shall include those persons who are granted one or more Awards under this Plan, subject to the terms and conditions of this Plan as the Committee shall determine and designate, from time to time, from among those eligible for Award grants hereunder.

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

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

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

22. "Plan" means this Rollins, Inc. 2018 Stock Incentive Plan, as hereafter amended from time to time.

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

24. "Retirement" means Normal or Early Retirement.

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

26. "Restricted Stock Unit" means a bookkeeping entry representing a right granted to a Participant to receive one share of Stock, a cash payment equal to the value of one share of Stock, or a combination thereof, as determined in the sole discretion of the Committee.

27. "Stock" means the Common Stock, $1.00 par value per share, of the Company.

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

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

30. "Subsidiary" means any present or future subsidiary corporation of the Company within the meaning of Section 424(f) of the Code, and any present or future business venture designated by the Committee in which the Company has a significant interest, as determined in the discretion of the Committee.

31. "Substitute Awards" means Awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired (directly or indirectly) by the Company or with which the Company combines.

SECTION 2. ADMINISTRATION

This Plan shall be administered by the Board or by a Committee of not less than two Non-Employee Directors, who shall be members of the Board and who shall serve at the pleasure of the Board, such Committee to be designated by the Board. Except as otherwise directed by the Board, the functions of the Committee specified in this Plan shall be exercised by the Compensation Committee of the Board.

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

In particular, the Committee shall have the authority:

(a) subject to Section 4 hereof, to select the Participants to whom Stock Options, Stock Appreciation Rights and/or Other Stock-Based Awards may from time to time be granted hereunder;

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

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

(d) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder (including, but not limited to, the Award price (if any) and any restriction or limitation, or any vesting, acceleration or waiver of forfeiture restrictions regarding any Stock Option or other Award and/or the shares of Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion);

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

(f) to the extent that Options or SARs have exercise or base prices that exceed the current Fair Market Value of the Stock, the Committee has the discretion, without obtaining shareholder approval, to re-price such Options or SARs and lower their exercise or base prices to prices not lower than the Fair Market Value of the Stock on the date of the action taken to effect the re-pricing. The Committee may also, without obtaining shareholder approval, amend any outstanding Award to provide the holder thereof with additional rights or benefits of the type otherwise permitted by this Plan, including without limitation, extending the term thereof; *provided, however,* that:

   (i) no amendment to the terms of an outstanding Award that is subject to Section 409A of the Code shall cause the Award to violate Section 409A of the Code;

   (ii) no amendment to the terms of an outstanding Award that is not subject to 409A of the Code shall cause the Award to become subject to 409A of the Code; and

   (iii) the term of an outstanding Award shall not be extended beyond the earlier of the latest date the Award would have expired by its original terms or the tenth anniversary of the original grant date of the Award, except that to the extent an Award cannot be exercised because such exercise would violate Federal, state or local laws, then the expiration of such Award shall automatically be tolled for the period during which such exercise would violate applicable law, but no more than 30 days.

The Committee shall have the authority to adopt, alter and repeal such rules, guidelines and practices governing this Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan.

The Committee may delegate its powers and duties under this Plan to one or more Directors (including a Director who is also an officer of the Company) or a committee of Directors, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion; provided, however, that the Committee shall not delegate its powers and duties under this Plan with regard to officers or Directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act. In addition, the Committee may authorize one or more officers of the Company to grant Options under this Plan, subject to the limitations of Section 157 of the Delaware

General Corporation Law; provided, however, that such officers shall not be authorized to grant Options to officers or Directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act.

Except as otherwise provided by the Committee, Awards under this Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.

Except as otherwise specifically provided herein, all decisions made by the Committee pursuant to the provisions of this Plan shall be made in the Committee's sole discretion, shall not be subject to review by any person, and shall be final and binding on all persons, including the Company and all Plan Participants.

SECTION 3. STOCK SUBJECT TO PLAN; ADJUSTMENTS

(a) Aggregate Maximum Shares Available. Subject to adjustment in accordance with paragraph (d) of this Section 3, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under this Plan shall be 6,000,000 shares of Stock.

(b) Calculation of Shares Delivered. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary for any of the following reasons, such shares shall not be deemed delivered for purposes of determining the number of shares of Stock remaining available for delivery under this Plan, and will therefore be available for re-grant or re-issuance:

(i) the Award is forfeited or canceled;

(ii) the Award is settled in cash; or

(iii) such shares are withheld from the Award or otherwise tendered, physically or by attestation, to pay the exercise or purchase price of an Award granted under this Plan, or to satisfy applicable tax withholding obligations incurred in connection with the Award.

The maximum number of shares of Stock available for delivery under this Plan shall not be reduced for shares subject to plans assumed by the Company in an acquisition of an interest in another company or for Substitute Awards.

(c) Award Limitations. Subject to the aggregate maximum set forth in (a) above and to adjustment in accordance with paragraph (d) of this Section 3 (so long as such adjustment will not affect the status of any Award intended to qualify as an Incentive Stock Option), the following additional maximums are imposed under this Plan:

(i) The full number of shares of Stock available for delivery under this Plan may be delivered pursuant to Incentive Stock Options;

(ii) The maximum number of shares of Stock that may be covered by Awards granted to any one individual pursuant to Sections 5 and 6 (relating to Options and SARs) shall be 100,000 during any fiscal year; and

(iii) The maximum number of shares of Stock that may be covered by Awards granted to any one individual pursuant to Section 7 (relating to Other Stock-Based Awards) shall be 100,000 during any fiscal year.

(d) Adjustments.

(i) *In general*. Except as provided in this Section 3(d), the existence of outstanding Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

Furthermore, except as expressly provided in this Section 3 or otherwise expressly provided for in a writing approved by the Board or Committee, (i) the issuance by the Company of shares of stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than Shares, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Stock Options or other Awards theretofore granted or the purchase or repurchase price per Share.

(ii) *Changes in Capital Structure*. If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Stock outstanding, without receiving compensation therefor in money, services or property, then the terms and conditions of this Plan and any then outstanding Awards shall be adjusted proportionately in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under this Plan and Awards made hereunder as follows:

(a) the number and type of shares that may be granted subject to Awards granted under this Plan;

(b) the number and type of Awards that may be granted to any individual under this Plan;

(c) the terms of any SAR;

(d) the purchase price or repurchase price of any Stock Award;

(e) the exercise price and number and class of securities issuable under each outstanding Option; and

(f) the repurchase price of any securities substituted for shares underlying Awards that are subject to repurchase rights.

The specific adjustments to be made to effectuate the intent of the preceding sentence shall be determined by the Board or Committee, whose determination in this regard shall be final and binding on all parties. In the event of any other change to the capital structure of the Company, the Board or Committee shall have the discretion to determine what if any adjustments shall be made. Unless the Board or Committee specifies otherwise, any securities issuable as a result of any such adjustments shall be rounded down to the next lower whole security. The Board or Committee need not adopt the same rules for each Award or each holder of Awards.

(iii) *Merger and Consolidation*. Any other provision hereof to the contrary notwithstanding (except the preceding paragraphs of this Section 3(d)), in the event the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding Awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for their cancellation, for accelerated vesting and accelerated expiration, or for settlement in cash. Notwithstanding the foregoing, any action taken in connection with such merger or reorganization shall not (i) cause an Award that is not otherwise subject to Section 409A of the Code to become subject to such section or (ii) cause an Award that is subject to Section 409A of the Code to violate such section.

SECTION 4. ELIGIBILITY

Directors, officers and other key employees of the Company or its Subsidiaries and Affiliates who, in the judgment of the Committee, are responsible for or contribute to the growth and/or profitability of the business of the Company and/or its Subsidiaries and Affiliates are eligible to be granted Awards under this Plan. Notwithstanding the foregoing, Stock Options and SARs may be granted only to individuals with respect to whom the Company's Stock will qualify as "Service Recipient Stock" under Section 409A of the Code and Incentive Stock Options may be granted only to employees of the Company and any of its Subsidiaries or Affiliates that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. Furthermore, no director who is not also an employee of the Company shall be eligible to receive Incentive Stock Options.

SECTION 5. STOCK OPTIONS

Stock Options may be granted under this Plan, in such form as the Committee may from time to time approve.

Stock Options granted under this Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. Incentive Stock Options and Non-Qualified Stock Options may be issued as Premium Stock Options at the discretion of the Board.

Subject to the restrictions contained in Section 4 hereof concerning the grant of Incentive Stock Options, the Committee shall have the authority to grant to any Participant Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options. To the extent that the Fair Market Value of the shares with respect to which Incentive Stock Options first become exercisable by an optionee during any calendar year (under this Plan and any other plans granting Incentive Stock Options which are established by the Company or its Subsidiaries) exceeds $100,000, such Options shall be treated as Non-Qualified Stock Options.

Options granted under this Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

(a) EXERCISE PRICE. The exercise price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant; *provided that*:

(i) The exercise price shall not be less than 100% of the Fair Market Value of the Stock on the date of Stock Option grant; and

(ii) In the case of an Incentive Stock Option granted to an employee who owns stock representing more than 10% of the total combined voting power of all classes of capital stock of the Company or of any of its subsidiary or parent corporations, the exercise price shall not be less than 110% of the Fair Market Value of the Stock on the date of Stock Option grant.

Notwithstanding the foregoing, a Stock Option (whether an Incentive Stock Option or a Non-Qualified Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Stock Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

(b) OPTION TERM. The term of each Stock Option shall be determined by the Committee at grant, but no Stock Option shall be exercised more than ten years (or, in the case of an Incentive Stock Option granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiary or parent corporations, more than five years) after the date the Option is granted, except that to the extent a Stock Option cannot be exercised because such exercise would violate Federal, state or local laws, then the expiration of such Option shall automatically be tolled for the period during which such exercise would violate applicable law, but no more than 30 days.

(c) EXERCISABILITY. Stock Options shall be exercised at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time after the grant date in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) METHOD OF EXERCISE. Subject to whatever installment exercise provisions or other restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option term, by giving written notice of exercise to the Company specifying the number of shares to be purchased; provided, however, that unless otherwise permitted by the Committee, if exercised in part, a Stock Option may not be exercised for fewer than 100 shares, unless the remaining balance of the Stock Option is less than 100 shares, in which case the Stock Option may be exercised for the remaining balance.

Such notice shall be accompanied by payment in full of the purchase price, either by cash or such instrument as the Committee may accept. Payment in full or in part may also be made in the form of unrestricted Stock already owned by the optionee for a period of at least six months, based, in each case, on the Fair Market Value of the Stock on the date the Stock Option is exercised, unless it shall be determined by the Committee, at or after grant, in its sole discretion, that unrestricted Stock is not a permissible form of payment with respect to any Stock Option or Options.

If permitted by the Committee, a Plan Participant may elect to pay the exercise price upon the exercise of an Option by irrevocably authorizing a third party to promptly sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

Subject to the immediately preceding paragraph, no shares of Stock shall be issued until full payment therefor has been made. Subject to Section 10(a) and any other limitations set forth in this Plan or relevant Award Agreement, an optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Stock Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if so requested, has given any representations requested pursuant in Section 10(a).

(e) TERMINATION BY DEATH. Subject to Section 3(d), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised to the extent such option was exercisable at the time of death or on such accelerated basis as the Committee may determine at grant (or as may be determined in accordance with procedures established by the Committee), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of twelve months (or such other period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(f) TERMINATION BY REASON OF DISABILITY. Subject to Section 3(d), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee or his/her guardian, to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at grant (or as may be determined in accordance with procedures established by the Committee), for a period of one year (or such other period as the Committee may specify at grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that, if the optionee dies within such one-year period (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable only pursuant to Section 5(e).

(g) TERMINATION BY REASON OF RETIREMENT. Subject to Section 3(d), if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may be exercised by the optionee, to the extent it was exercisable at the time of such Retirement, for a period of three months, less one day (or such other period as the Committee may specify at grant), from the date of such termination, or the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such period of three months less one day (or such other period as the Committee may specify at grant), any unexercised Stock Option held by such optionee shall thereafter be exercisable only pursuant to Section 5(e).

(h) OTHER TERMINATION. Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at grant, if an optionee's employment by the Company and/or any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement, including without limitation in the case of voluntary or involuntary resignation of employment by the optionee, the entire Stock Option shall thereupon terminate and shall be immediately forfeited, regardless of its vesting status.

(i) BUYOUT PROVISIONS. The Committee may at any time offer to buy out for a payment in cash or Stock a Stock Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(j) FRACTIONAL SHARE. If any adjustment referred to herein shall result in a fractional share for any optionee under any Stock Option hereunder, such fraction shall be completely disregarded and the optionee shall only be entitled to the whole number of shares resulting from such adjustment.

(k) COMPLIANCE WITH SECTION 422 OF THE CODE. To the extent that any Stock Option which is designated as an Incentive Stock Option hereunder fails for any reason to comply with the provisions of Section 422 of the Code it shall be treated as a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) GRANT AND EXERCISE. The Committee may grant Stock Appreciation Rights under this Plan.

(b) TERMS AND CONDITIONS. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of this Plan, as shall be determined from time to time by the Committee, including the following:

(i) The term of each Stock Appreciation Right shall be fixed by the Committee at grant, and no such Stock Appreciation Right shall be exercised more than ten years after the date it is granted, except that, to the extent a Stock Appreciation Right cannot be exercised during its initial term because such exercise would violate Federal, state or local laws, then the expiration of such Award shall automatically be tolled for the period during which such exercise would violate applicable law, but no more than 30 days.

(ii) Stock Appreciation Rights shall be exercised at such time or times and subject to such terms and conditions as shall be determined by the Committee at grant. If the Committee provides, in its sole discretion, that any Stock Appreciation Right is exercisable only in installments, the Committee may waive such installment exercise provisions at any time after grant in whole or in part, based on such factors as the Committee shall determine in its sole discretion.

(iii) Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive an amount in cash and/or shares of Stock equal in value to the excess of Fair Market Value of the Stock on the date of exercise over the Fair Market Value of the Stock on the date of grant (the "Base Price") multiplied by the number of Stock Appreciation Rights exercised, with the Committee having the right to determine the form of payment.

(iv) Subject to whatever installment exercise provisions or other restrictions apply hereunder, Stock Appreciation Rights may be exercised in whole or in part at any time during the term thereof by giving written notice of exercise to the Company specifying the number of rights to be exercised.

(v) Sections 5(e) through (j) hereof shall apply equally to all Stock Appreciation Rights granted pursuant to this Plan, as if each reference therein to a "Stock Option" was instead a reference to a "Stock Appreciation Right."

SECTION 7. OTHER STOCK-BASED AWARDS

(a) ADMINISTRATION. The Committee may grant such Other Stock-Based Awards not described above that the Committee determines to be consistent with the purpose of this Plan and the interests of the Company. Subject to the provisions of this Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Other Stock-Based Awards shall be made, the number of shares of Stock to be awarded pursuant to such Other Stock-Based Awards, and all other conditions of the Other Stock-Based Awards. The Committee may also provide for the grant of Stock upon the completion of a specified performance period or event.

The Committee may designate whether any such Awards being granted to any Participant are intended to be "performance-based compensation". Any such Awards designated as intended to be "performance-based compensation" may be conditioned on the achievement of one or more performance measures. The performance measures that may be used by the Committee for such Awards may be based on any one or more of the following, as selected by the Committee: increase in stock price, return on capital or increase in pretax earnings of the Company and/or one or more divisions and/or subsidiaries, return on stockholders' equity of the Company, increase in earnings per share of the Company, sales of the Company and/or one or more divisions and/or subsidiaries, pretax earnings of the Company and/or one or more divisions and/or subsidiaries, net earnings of the Company and/or one or more divisions and/or subsidiaries, control of operating and/or non-operating expenses of the Company and/or one or more divisions and/or subsidiaries, margins of the Company and/or one or more divisions and/or subsidiaries, cash flow of the Company and/or one or more divisions and/or subsidiaries, market price of the Company's securities, and other factors tied to the performance of the Company and/or one or more divisions and/or subsidiaries or other performance criteria.

The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

(b) TERMS AND CONDITIONS. Other Stock-Based Awards made pursuant to this Section 7 shall be subject to the following terms and conditions:

(i) *Transferability.* Subject to the provisions of this Plan and the Award Agreement, Other Stock-Based Awards and shares subject to such Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, in the case of shares of Stock, prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses, and in all other cases, not at all.

(ii) *Dividends and Interest.* Subject to the provisions of this Plan and the Award Agreement and unless otherwise determined by the Committee at grant, the recipient of an Award under this Section 7 shall be entitled to receive interest or dividends or interest or dividend equivalents with respect to the number of shares covered by the Award, as determined at the time of the Award by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Stock or otherwise reinvested.

(iii) *Vesting and Forfeiture.* Any Award under this Section 7 and any Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion, at grant.

(iv) *Settlement.* In the case of any Other Stock-Based Award that is not subject to Section 8(a) below and that is subject to Section 409A of the Code, and that provides for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in this Plan or Award Agreement or other governing document, the distribution shall be made no later than March 15 of the year following the calendar year in which receipt of such distribution is no longer subject to a "*substantial risk of forfeiture*" within the meaning of Section 409A of the Code.

(v) *Waivers and Acceleration.* In the event of the Participant's Retirement, Disability or death, and in other instances, the Committee may, in its sole discretion, waive in whole or in part any or all of the remaining limitations, performance requirements or restrictions imposed (if any) with respect to any or all of an Award under this Section 7 and/or accelerate the payment of cash or Stock pursuant to any such Award; provided, however, that such acceleration of payment shall not result in such Award violating Section 409A of the Code.

(vi) *Consideration.* Stock (including securities convertible into Stock) issued on a bonus basis under this Section 7 may be issued for no cash consideration, subject to Section 11(a) below.

(vii) *Restricted Stock - Death or Disability.* Unless otherwise determined by the Committee at grant, and except as otherwise provided by the Committee or permitted by this Plan, if a Participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death or Disability, a pro rata portion of the restrictions pertaining to continued employment on any Restricted Stock will lapse, based on the number of full months the Participant was employed during the restriction period divided by the total number of months in the restriction period.

(viii) *Other Termination of Employment.* Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at grant, and except as otherwise provided by the Committee or permitted by this Plan, all unvested Other Stock-Based Awards shall be immediately forfeited upon the termination of a Participant's employment by the Company and/or any Subsidiary or Affiliate for any reason other than death or Disability, including without limitation in the case of voluntary or involuntary resignation of employment by the Participant.

(ix) *Repurchase.* The Committee may at any time offer to buy out for a payment in cash or Stock an Other Stock-Based Award previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made.

SECTION 8. RESTRICTED STOCK UNITS; PERFORMANCE STOCK AND UNITS

In addition to the other terms and provisions of this Plan (including the terms and provisions of Section 7) which apply to Restricted Stock Units, Performance Stock and Performance Units as an Award which is an Other Stock-Based Award, the following terms and provisions shall apply to Restricted Stock Units, Performance Stock and Performance Units:

(a) *Settlement.* In all cases, payment of any Restricted Stock Unit, share of Performance Stock or Performance Unit will be made no later than March 15 of the year following the calendar year in which receipt of the payment thereon is no longer subject to a "*substantial risk of forfeiture*" within the meaning of Section 409A of the Code.

(b) *Performance Stock and Units - Death or Disability*. Unless otherwise determined by the Committee at grant, and except as otherwise provided by the Committee or permitted by this Plan, if a Participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death or Disability, the estate of the Participant or the Participant, as applicable, will receive a pro rata portion of the payment or Stock the Participant would have received for Performance Stock or Performance Units, based on the number of full months in the performance period prior to the Participant's death or Disability, divided by the total number of months in the performance period. All such pro rata payments with respect to Performance Stock and Units shall be made no later than 90 days following the date of the Participant's death or Disability, as applicable.

(c) *Restricted Stock Units - Death and Disability*. Unless otherwise determined by the Committee at grant and except as otherwise provided by the Committee or permitted by this Plan, if a Participant's employment by the Company and/or any Subsidiary or Affiliate terminates by reason of death or Disability, a pro rata portion of the restrictions pertaining to continued employment on any time-vested Restricted Stock Unit will lapse, based on the number of full months the Participant was employed during the restriction period divided by the total number of months in the restriction period. To the extent that any Restricted Stock Unit is subject to performance conditions, the estate of the Participant or the Participant, as applicable, will receive a pro rata portion of the payment or Stock the Participant would have received based on the number of full months in the performance period prior to the Participant's death or Disability, divided by the total number of months in the performance period. All such pro rata payments of Restricted Stock Units shall be made no later than 90 days following the date of the Participant's death or Disability, as applicable.

SECTION 9. AMENDMENTS AND TERMINATION

The Board may amend, alter, or discontinue this Plan, but, except as otherwise provided herein, no amendment, alteration, or discontinuation shall be made which would impair the rights of a Participant under a Stock Option, Stock Appreciation Right or Other Stock-Based Award theretofore granted, without the Participant's consent, or which, without the approval of the Company's stockholders, would:

(i) increase the number of shares that may be issued under this Plan (except by certain adjustments provided for under this Plan);

(ii) change the class of persons eligible to receive Incentive Stock Options under this Plan;

(iii) change the requirements of Section 5 hereof regarding the exercise price; or

(iv) amend this Plan in a manner that would require approval of the Company's shareholders under applicable law, regulation or rule.

Notwithstanding any of the foregoing, adjustments pursuant to Section 3 shall not be subject to the foregoing limitations of this Section 9.

Options may not be granted under this Plan after the date of termination of this Plan, but Options granted prior to that date shall continue to be exercisable according to their terms.

Subject to the above provisions, the Board shall have broad authority to amend this Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments, without regard to whether such amendment adversely affects an individual Award or the rights of a holder thereof.

Notwithstanding the foregoing provisions of this Section 9 and any other provision of this Plan to the contrary, no action shall be taken under this Section 9 or any other provision of this Plan that would: (i) cause an Award that is not otherwise subject to Section 409A of the Code to become subject to such section or (ii) cause an Award subject to Section 409A of the Code to violate such section.

SECTION 10. UNFUNDED STATUS OF PLAN

This Plan is intended to constitute an "unfunded" plan. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Stock or payments in lieu of or with respect to Awards hereunder; provided, however, that, unless the Committee otherwise determines with the consent of the affected Participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of this Plan.

SECTION 11. GENERAL PROVISIONS

(a) *Compliance with Applicable Law.* Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Stock under any Award if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter–dealer quotation system or other forum in which shares of Stock are quoted or traded (including, without limitation, 409A and 422 of the Code), and, as a condition of any sale or issuance of shares of Stock under an Award, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. This Plan, the grant and exercise of Awards hereunder, and the obligation of the Company to sell and deliver shares of Stock, shall be subject to all applicable laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

In particular, the Company shall not be obligated to sell or issue any shares pursuant to any Option or other Award unless the shares underlying the Award are at the time effectively registered or exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The Company shall have no obligation to register pursuant to the 1933 Act any shares of Stock issued pursuant to this Plan. The Committee may require each person acquiring shares pursuant to an Award under this Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares for investment and without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under this Plan shall be subject to such conditions, stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

The Company shall not issue any shares of Stock under this Plan before the Company has received the consideration to be paid therefor, to the extent required in order for such shares to be "fully paid" under Section 152 of the Delaware General Corporations Law, such consideration to have a value not less than the par value of such shares to the extent required by Section 153 of the Delaware General Corporation Law.

(b) *Other Compensation.* Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

(c) *No Right to Employment.* The adoption of this Plan shall not confer upon any employee of the Company or of any Subsidiary or Affiliate any right to continued employment with the Company or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) *Tax Withholding.* No later than the date as of which an amount first becomes includable in the gross income of the Participant for federal income tax purposes with respect to the exercise of any Option or Stock Appreciation Right or any Award under this Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(e) *Dividend Reinvestment.* The actual or deemed reinvestment of dividends or dividend equivalents in additional types of Awards at the time of any dividend payment shall only be permissible if sufficient shares of Stock are available under Section 3 for such reinvestment, taking into account other Awards then outstanding.

(f) *Governing Law.* This Plan and all Awards made and actions taken hereunder shall be governed by and construed in accordance with the Delaware General Corporation Law, to the extent applicable, and in accordance with the laws of the State of Georgia in all other respects.

(g) *Other Benefits.* The value of Awards made pursuant to this Plan shall not be included as part of the definition of "cash compensation" in connection with any other benefit offered by the Company.

(h) *Award Agreements; Electronic Delivery.* An Award under this Plan shall be subject to such terms and conditions, not inconsistent with this Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document or other evidence (including evidence in an electronic medium) as is approved by the Committee. A copy of such document or evidence shall be provided to the Participant. Such document or evidence is referred to in this Plan as an "Award Agreement" regardless of whether any Participant signature is required. The Company may deliver by email or other electronic means (including posting on a web site maintained by the Company or by a third party under contract with the Company) all documents relating to this Plan or any Award thereunder (including without limitation prospectuses required by the SEC) and all other documents that the Company is required to deliver to its security holders (including without limitation annual reports and proxy statements).

(i) *Severability.* If any provision of this Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction as to any Person or Award, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award and the remainder of this Plan and any such Award shall remain in full force and effect.

(j) *No Liability.* Subject to applicable law: (i) no Director shall be liable for anything whatsoever in connection with the exercise of authority under this Plan or the administration of this Plan except such Director's own willful misconduct; (ii) under no circumstances shall any Director be liable for any act or omission of any other Director; and (iii) in the performance of its functions with respect to this Plan, the Board of Directors or Committee, as the case may be, shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Board or Committee deems necessary, and no Director shall be liable for any action taken or not taken in good faith reliance upon any such advice.

SECTION 12. EFFECTIVE DATE OF PLAN

This Plan shall be effective as the date of its approval by the stockholders of the Company (the "Effective Date").

SECTION 13. TERM OF PLAN

No Stock Option, Stock Appreciation Right or Other Stock-Based Award shall be granted pursuant to this Plan on or after the tenth anniversary of the Effective Date of this Plan, but Awards granted prior to such tenth anniversary may extend beyond that date.

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SHAREHOLDER INFORMATION

ROLLINS®

STOCK LISTING

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

STOCK TRANSFER AGENT, REGISTRAR OF STOCK, DIVIDEND DISBURSING AGENT AND OTHER SHAREHOLDER SERVICES

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

American Stock Transfer and Trust
6201 15th Street
Brooklyn, NY 11219
866-708-5581

ROL LISTED NYSE

DIVIDEND REINVESTMENT PLAN

This Plan provides a simple, convenient, and inexpensive way for shareholders to invest cash dividends in additional Rollins, Inc. shares. For further information, contact Investor Relations at the mailing address below.

ANNUAL SHAREHOLDER MEETING

The Annual Meeting of the Shareholders will be held at 12:30 p.m., April 24, 2018, at the Company's corporate offices in Atlanta, Georgia.

EXECUTIVE 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

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 of Rollins, Inc.,
Chairman of the Board of RPC, Inc. (oil and gas field services) and Chairman of the Board of Marine Products Corporation (boat manufacturing)

James B. Williams †

Retired Chairman of the Executive Committee of SunTrust Banks, Inc. (bank holding company)

Gary W. Rollins *

Vice Chairman and Chief Executive Officer of Rollins, Inc.

Bill J. Dismuke +

Retired President of Edwards Baking Company

Thomas J. Lawley, M.D.

Former Dean of the Emory University School of Medicine

Larry L. Prince †

Retired Chairman of the Board and
Chief Executive Officer of Genuine Parts Company

John F. Wilson

President and Chief Operating Officer of Rollins, Inc.

Pamela R. Rollins

Community Leader

• Chairman of the Audit Committee, Compensation Committee, Nominating & Governance Committee, and Diversity Committee
* Member of the Executive Committee
† Member of the Audit Committee, Compensation Committee, Nominating & Governance Committee, and Diversity Committee
+ Member of the Audit Committee

ROLLINS, INC.

Worldwide pest brands

orkincanada.ca

orkin.com

orkinau.com

pestdefense.com

westernpest.com

callnorthwest.com

crittercontrol.com

indfumco.com

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