

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM 10-K

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

For the fiscal year ended December 31, 1999

or

Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-8351

CHEMED CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

31-0791746  
(I.R.S. Employer  
Identification Number)

2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726  
(Address of principal executive offices) (Zip Code)

(513) 762-6900  
(Registrant's telephone number, including area code)

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

Title of each class -----	Name of each exchange on which registered -----
------------------------------	---

Capital Stock - Par Value \$1 Per Share	New York Stock Exchange
---	-------------------------

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange -Composite Transaction Listing on March 17, 2000 (\$31.125 per share), was \$302,080,940.

At March 17, 2000, 10,236,277 shares of Chemed Corporation Capital Stock (par value \$1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document -----	Where Incorporated -----
1999 Annual Report to Stockholders (Specified Portions) Proxy Statement for Annual Meeting to be held May 15, 2000.	Parts I, II and IV Part III

CHEMED CORPORATION  
1999 FORM 10-K ANNUAL REPORT  
TABLE OF CONTENTS

PAGE

## PART I

Item 1. Business.....	1
Item 2. Properties.....	5
Item 3. Legal Proceedings.....	8
Item 4. Submission of Matters to a Vote of Security Holders.....	8
-- Executive Officers of the Registrant.....	8

## PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.....	9
Item 6. Selected Financial Data.....	10
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	
Item 8. Financial Statements and Supplementary Data.....	10
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	11

## PART III

Item 10. Directors and Executive Officers of the Registrant.....	11
Item 11. Executive Compensation.....	11
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	11
Item 13. Certain Relationships and Related Transactions.....	11

## PART IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.....	11
---	----

## PART I

## ITEM 1. BUSINESS

## GENERAL

Chemed Corporation was incorporated in Delaware in 1970 as a subsidiary of W. R. Grace & Co. and succeeded to the business of W. R. Grace & Co.'s Specialty Products Group as of April 30, 1971 and remained a subsidiary of W. R. Grace & Co. until March 10, 1982. As used herein, "Company" refers to Chemed Corporation, "Chemed" refers to Chemed Corporation and its subsidiaries and "Grace" refers to W. R. Grace & Co. and its subsidiaries.

On March 10, 1982, the Company transferred to Dearborn Chemical Company, a wholly owned subsidiary of the Company, the business and assets of the Company's Dearborn Group, including the stock of certain subsidiaries within the Dearborn Group, plus \$185 million in cash, and Dearborn Chemical Company assumed the Dearborn Group's liabilities. Thereafter, on March 10, 1982 the Company transferred all of the stock of Dearborn Chemical Company to Grace in exchange for 16,740,802 shares of the capital stock of the Company owned by Grace with the result that Grace no longer has any ownership interest in the Company.

On December 31, 1986, the Company completed the sale of substantially all of the business and assets of Vestal Laboratories, Inc., a wholly owned subsidiary. The Company received cash payments aggregating approximately \$67.4 million over the four-year period following the closing, the substantial portion of which was received on December 31, 1986.

On April 2, 1991, the Company completed the sale of DuBois Chemicals, Inc. ("DuBois"), a wholly owned subsidiary, to the Diversey Corporation ("Diversey"), then a subsidiary of The Molson Companies Ltd. Under the terms of the sale, Diversey agreed to pay the Company net cash payments aggregating \$223,386,000, including deferred payments aggregating \$32,432,000.

On December 21, 1992, the Company acquired The Veratex Corporation and related businesses ("Veratex Group") from Omnicare, Inc., a publicly traded company in which Chemed currently maintains a .5 percent ownership interest. The purchase price was \$62,120,000 in cash paid at closing, plus a post-closing payment of \$1,514,000 (paid in April 1993) based on the net assets of Veratex.

Effective January 1, 1994, the Company acquired all the capital stock of Patient Care, Inc. ("Patient Care"), for cash payments aggregating \$20,582,000, including deferred payments with a present value of \$6,582,000, plus 17,500 shares of the Company's Capital Stock. An additional cash payment of \$1,000,000 was made on March 31, 1996 and another payment of \$1,000,000 was made on March 31, 1997.

In July 1995, the Company's Omnia Group (formerly Veratex Group) completed the sale of the business and assets of its Veratex Retail division to Henry Schein, Inc. ("HSI") for \$10 million in cash plus a \$4.1 million note for which payment was received in December 1995.

Effective September 17, 1996, the Company completed a merger of a subsidiary of the Company, Chemed Acquisition Corp., and Roto-Rooter, Inc. pursuant to a Tender Offer

commenced on August 8, 1996 to acquire any and all of the outstanding shares of Common Stock of Roto-Rooter, Inc. for \$41.00 per share in cash.

On September 24, 1997, the Company completed the sale of its wholly owned businesses comprising the Omnia Group to Banta Corporation for \$50 million in cash and \$2.3 million in deferred payments.

Effective September 30, 1997, the Company completed a merger between its 81-percent-owned subsidiary, National Sanitary Supply Company, and a wholly owned subsidiary of Unisource Worldwide, Inc. for \$21.00 per share, with total payments of \$138.3 million.

The Company now conducts its business operations in three segments: Roto-Rooter Group ("Roto-Rooter"), Patient Care and Service America Systems, Inc. ("Service America").

#### FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The required segment and geographic data for the Company's continuing operations (as described below) for the three years ended December 31, 1997, 1998 and 1999, are shown in the "Segment Data" on pages 26 and 27 of the 1999 Annual Report to Stockholders and are incorporated herein by reference.

#### DESCRIPTION OF BUSINESS BY SEGMENT

The information called for by this item is included within Note 1 of the Notes to Financial Statements appearing on page 17 of the 1999 Annual Report to Stockholders and is incorporated herein by reference.

#### PRODUCT AND MARKET DEVELOPMENT

Each segment of Chemed's business engages in a continuing program for the development and marketing of new services and products. While new products and services and new market development are important factors for the growth of each active segment of Chemed's business, Chemed does not expect that any new products and services or marketing effort, including those in the development stage, will require the investment of a material amount of Chemed's assets.

#### RAW MATERIALS

The principal raw materials needed for Chemed's United States manufacturing operations are purchased from United States sources. No segment of Chemed experienced any material raw material shortages during 1999, although such shortages may occur in the future. Products manufactured and sold by Chemed's active business segments generally may be reformulated to avoid the adverse impact of a specific raw material shortage.

#### PATENTS, SERVICE MARKS AND LICENSES

The Roto-Rooter(R) trademark and service mark have been used and advertised since 1935 by Roto-Rooter Corporation, a wholly owned subsidiary of Roto-Rooter, Inc., a 100 percent-owned subsidiary of the Company. The Roto-Rooter(R) marks are among the most highly recognized trademarks and service marks in the United States. Chemed considers the Roto-Rooter(R) marks to be a valuable asset and a significant factor in the marketing

of Roto-Rooter's franchises, products and services and the products and services provided by its franchisees.

#### COMPETITION

##### ROTO-ROOTER

All aspects of the sewer, drain, and pipe cleaning, HVAC services and plumbing repair businesses are highly competitive. Competition is, however, fragmented in most markets with local and regional firms providing the primary competition. The principal methods of competition are advertising, range of services provided, speed and quality of customer service, service guarantees, and pricing.

No individual customer or market group is critical to the total sales of this segment.

##### PATIENT CARE

The home healthcare services industry and, in particular, the nursing and personal care segment is highly competitive. Patient Care competes with numerous local, regional and national home healthcare services companies. Patient Care competes on the basis of quality, cost-effectiveness and its ability to service its referral base quickly throughout its regional markets.

Patient Care has contracts with several customers, the loss of any one or more of which could have a material adverse effect on this segment.

##### SERVICE AMERICA

All aspects of the HVAC and appliance repair and maintenance service industry are highly competitive. Competition is, however, fragmented in most markets with local and regional firms providing the primary competition. The principal methods of competition are advertising, range of services provided, speed and quality of customer service, service guarantees, and pricing.

No individual customer or market group is critical to the total sales of this segment.

#### RESEARCH AND DEVELOPMENT

Chemed engages in a continuous program directed toward the development of new products and processes, the improvement of existing products and processes, and the development of new and different uses of existing products. The research and development expenditures from continuing operations have not been nor are they expected to be material.

#### GOVERNMENT REGULATIONS

Roto-Rooter's franchising activities are subject to various federal and state franchising laws and regulations, including the rules and regulations of the Federal Trade Commission (the "FTC") regarding the offering or sale of franchises. The rules and regulations of the FTC require that Roto-Rooter provide all prospective franchisees

with specific information regarding the franchise program and Roto-Rooter in the form of a detailed franchise offering circular. In addition, a number of states require Roto-Rooter to register its franchise offering prior to offering or selling franchises in the state. Various state laws also provide for certain rights in favor of franchisees, including (i) limitations on the franchisor's ability to terminate a franchise except for good cause, (ii) restrictions on the franchisor's ability to deny renewal of a franchise, (iii) circumstances under which the franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of such laws, and (iv) provisions relating to arbitration. Roto-Rooter's ability to engage in the plumbing repair business is also subject to certain limitations and restrictions imposed by state and local licensing laws and regulations.

Service America's operations are regulated by the Florida and Arizona Departments of Insurance. In accordance with certain Florida regulatory requirements, Service America maintains cash with the Department of Insurance and is also required to maintain additional unencumbered reserves. In addition, Service America's air conditioning and appliance repair and maintenance business is also subject to certain limitations imposed by state and local business laws and regulations.

Patient Care's activities are subject to various federal and state laws and regulations. Changes in the law, new interpretations of existing laws, or changes in payment methodology, may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payors. In addition to specific legislative and regulatory influences, efforts to reduce the growth of the federal budget and the Medicare and the Medicaid programs have resulted in enactment of the Balanced Budget Act of 1997. This law contains several provisions affecting Medicare payment for the coverage of home healthcare services which directly or indirectly, together with Medicaid payments, accounted for 70 percent of Patient Care's net revenue in 1999. Certain of these provisions could have an adverse effect on Patient Care. In addition, state legislatures periodically consider various healthcare reform proposals. Congress and state legislatures can be expected to continue to review and assess alternative healthcare delivery systems and payment methodologies, and public debate of these issues can be expected to continue in the future. The ultimate timing or effect of such additional legislative efforts cannot be predicted and may impact Patient Care in different ways. No assurance can be given that any such efforts will not have a material adverse effect on Patient Care.

Certain of Patient Care's employees are subject to state laws and regulations governing professional practice. Patient Care's operations are subject to periodic survey by governmental and private accrediting entities to assure compliance with applicable state licensing, and Medicare and Medicaid certification and accreditation standards, as the case may be. From time to time in the ordinary course of business, Patient Care, like other healthcare companies, receives survey reports containing deficiencies for alleged failure to comply with applicable requirements. Patient Care reviews such reports and takes appropriate corrective action. The failure to effect such action or to obtain, renew or maintain any of the required regulatory approvals, certifications or licences could materially adversely affect Patient Care's business, and could prevent the programs involved from offering products and services to patients. There can be no assurance that either the states or the federal government will not impose additional regulations upon the activities of Patient Care which might materially adversely affect Patient Care.

## ENVIRONMENTAL MATTERS

Roto-Rooter's operations are subject to various federal, state, and local laws and regulations regarding environmental matters and other aspects of the operation of a sewer and drain cleaning, HVAC and plumbing services business. For certain other activities, such as septic tank pumping, Roto-Rooter is subject to state and local environmental health and sanitation regulations. Service America's operations are also subject to various federal, state and local laws and regulations regarding environmental matters and other aspects of the operation of a HVAC and appliance repair and maintenance service industry.

In connection with the sale of DuBois to the Diversey Corporation, the Company contractually assumed for a period of ten years the estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois up to a maximum of \$25,500,000. Based upon an updated assessment of the Company's environmental-related liability by the Company's environmental adviser, the Company has accrued \$4,157,000 at December 31, 1999 to cover these costs. Prior to the sale of DuBois, DuBois had been designated as a Potentially Responsible Party ("PRP") at fourteen Superfund sites by the U.S. Environmental Protection Agency ("USEPA"). With respect to all of these sites, the Company has been unable to locate any records indicating it disposed of waste of any kind at such sites. Nevertheless, it settled claims at five such sites at minimal cost. In addition, because there was a number of other financially responsible companies designated as PRPs relative to these sites, management believes that it is unlikely that such actions will have a material effect on the Company's financial condition or results of operations. With respect to one of these sites, the Company's involvement is based on the location of one of its manufacturing plants. Currently, the USEPA and the state governmental agency are attempting to resolve jurisdictional issues, and action against PRPs is not proceeding.

Chemed, to the best of its knowledge, is currently in compliance in all material respects with the environmental laws and regulations affecting its operations. Such environmental laws, regulations and enforcement proceedings have not required Chemed to make material increases in or modifications to its capital expenditures and they have not had a material adverse effect on sales or net income. Capital expenditures for the purposes of complying with environmental laws and regulations during 2000 and 2001 with respect to continuing operations are not expected to be material in amount; there can be no assurance, however, that presently unforeseen legislative or enforcement actions will not require additional expenditures.

## EMPLOYEES

On December 31, 1999, Chemed had a total of 7,817 employees; 7,769 were located in the United States and 48 were in Canada.

## ITEM 2. PROPERTIES

Chemed has plants and offices in various locations in the United States and Canada. The major facilities operated by Chemed are listed below by industry segment. All "owned" property is held in fee and is not subject to any major encumbrance. Except as otherwise shown, the leases have terms ranging from one year to eight years. Management does not foresee any difficulty in renewing or replacing the remainder of its current leases. Chemed considers all of its major operating properties to be maintained in good operating condition and to be generally adequate for present and anticipated needs.

Location -----	Type ----	Owned -----	Leased -----
ROTO-ROOTER GROUP			
Cincinnati, OH (1)	Office and service facilities	29,000 sq. ft.	28,000 sq. ft.
West Des Moines, IA	Office, manufacturing and distribution center facilities	29,000 sq. ft.	--
Northeastern U.S. Area (2)	Office and service facilities	31,000 sq. ft.	50,000 sq. ft.
Central U.S. Area (3)	Office and service facilities	26,000 sq. ft.	72,000 sq. ft.
Mid-Atlantic U.S. Area (4)	Office and service facilities	19,000 sq. ft.	30,000 sq. ft.
Southeastern U.S. Area (5)	Office and service facilities	18,000 sq. ft.	49,000 sq. ft.
Western Central U.S. Area (6)	Office and service facilities	19,000 sq. ft.	30,000 sq. ft.
Western U.S. Area (7)	Office and service facilities	--	60,000 sq. ft.
Canada (8)	Office and service facilities	--	13,000 sq. ft.
PATIENT CARE			
New Jersey (9)	Office	--	56,000 sq. ft.
Connecticut (10)	Office	--	42,000 sq. ft.
New York (11)	Office	--	41,000 sq. ft.
Illinois (12)	Office	--	2,000 sq. ft.
Ohio (13)	Office	--	3,000 sq. ft.
Kentucky (14)	Office	--	4,000 sq. ft.
Georgia (15)	Office	--	2,000 sq. ft.
Washington, DC (16)	Office	--	2,000 sq. ft.
Virginia (17)	Office	--	2,000 sq. ft.

Location -----	Type ----	Owned ----	Leased -----
Maryland (18)	Office	--	2,000 sq. ft.
SERVICE AMERICA			
Florida (19)	Office and service facilities	46,000 sq. ft.	46,000 sq. ft.
Arizona (20)	Office and service facilities	--	17,000 sq. ft.
CORPORATE			
Cincinnati, OH (21)	Corporate offices and related facilities	8,000 sq. ft.	38,000 sq. ft.

- 
- (1) Includes 6,000 square feet that formerly housed a service facility.
  - (2) Comprising locations in Stoughton and Woburn, Massachusetts; West Stratford; Connecticut; Farmingdale, Hawthorne, and Staten Island, New York; Pennsauken and Brunswick, New Jersey; Levittown and Philadelphia, Pennsylvania; Cranston, Rhode Island; and Newark, Delaware.
  - (3) Comprising locations in Adamsville and Birmingham, Alabama; Columbus, Ohio; Indianapolis, Indiana; Memphis and Nashville, Tennessee; Wilmerding and Pittsburgh, Pennsylvania; Buffalo, Rochester and West Seneca, New York; Unionville, Connecticut; West Springfield, Massachusetts; and St. Paul, Minnesota.
  - (4) Comprising locations in Baltimore and Jessup, Maryland; Independence, Ohio; Virginia Beach and Fairfax, Virginia; Charlotte, Raleigh and Durham, North Carolina; and Newnan, Georgia.
  - (5) Comprising locations in Atlanta, Decatur and Kennesaw, Georgia; Ft. Lauderdale, Jacksonville, Miami, Orlando, Longwood, Tampa and Daytona Beach, Florida
  - (6) Comprising locations in Minneapolis and Oakdale, Minnesota; Addison, Thornton, Schaumburg and Glenview, Illinois; and St. Louis, Missouri.
  - (7) Comprising locations in Houston, San Antonio and Austin, Texas; Commerce City, Colorado; Honolulu, Hawaii; Menlo Park, California; and Tacoma and Bremerton, Washington.
  - (8) Comprising locations in Port Coquitlam, British Columbia; Montreal, Quebec; and Winnipeg, Manitoba.
  - (9) Comprising locations in Princeton, Jersey City; Ridgewood, Montclair, Westfield, and West Orange, New Jersey.

- (10) Comprising locations in Greenwich, Madison, Naugatuch, Newington, Norwalk, New Haven, Stratford, Bridgeport and Danbury, Connecticut.
- (11) Comprising locations in Brooklyn, Manhattan, Queens, Bronx and Staten Island, New York.
- (12) Comprising locations in Chicago and Glenview, Illinois.
- (13) Comprising location in Columbus, Ohio.
- (14) Comprising location in Louisville, Kentucky.
- (15) Comprising location in Conyers, Georgia.
- (16) Comprising location in Washington, D.C.
- (17) Comprising location in Alexandria, Virginia.
- (18) Comprising locations in Towson and Rockville, Maryland.
- (19) Comprising locations in Pompano Beach, Miami, Fort Myers, St. Petersburg, Orlando, West Palm Beach, Deerfield Beach and Delray Beach, Florida.
- (20) Comprising locations in Phoenix and Tucson, Arizona.
- (21) Excludes 90,000 square feet in current Cincinnati, Ohio office facilities that are sublet to outside parties - portions of this space may revert to the Company beginning in 2000. Includes 36,000 square feet leased for the Company's corporate office facilities.

ITEM 3. LEGAL PROCEEDINGS

On November 9, 1998, Paul Voet, who is an Executive Vice President and a director of the Company, filed a lawsuit against the Company in the Court of Common Pleas, Hamilton County, Ohio, in connection with the Company's sale of its majority owned subsidiary, National Sanitary Supply Company, alleging that the Company breached his employment agreement due to a material reduction in his title, authority or responsibility. Mr. Voet is seeking a money judgment in the principal amount of \$6 million. The Company disputes these claims and believes that the disposition of this matter will not have a material effect on the financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Office	First Elected
Edward L. Hutton	80	Chairman and Chief Executive Officer	November 3, 1993 (1)
Kevin J. McNamara	46	President	August 2, 1994 (2)

Paul C. Voet	53	Executive Vice President	May 20, 1991 (3)
Timothy S. O'Toole	44	Executive Vice President and Treasurer	May 18, 1992 (4)
Sandra E. Laney	56	Senior Vice President and Chief Administrative Officer	November 3, 1993 (5)
Arthur V. Tucker, Jr.	50	Vice President and Controller	May 20, 1991 (6)

- (1) Mr. E. L. Hutton is the Chairman and Chief Executive Officer of the Company and has held these positions since November 1993. Previously, from April 1970 to November 1993, Mr. E. L. Hutton held the positions of President and Chief Executive Officer of the Company. Mr. E. L. Hutton is the father of Mr. T. C. Hutton, a director and a Vice President of the Company.
- (2) Mr. K. J. McNamara is President of the Company and has held this position since August 1994. Previously, he served as an Executive Vice President, Secretary and General Counsel of the Company, since November 1993, August 1986 and August 1986, respectively. He previously held the position of Vice President of the Company, from August 1986 to May 1992.
- (3) Mr. P. C. Voet is an Executive Vice President of the Company and has held this position since May 1991. From May 1988 to November 1993, he served the Company as Vice Chairman.
- (4) Mr. T. S. O'Toole is an Executive Vice President and the Treasurer of the Company and has held these positions since May 1992 and February 1989, respectively. Mr. O'Toole is Chairman and Chief Executive Officer of Patient Care, Inc. and has held these positions since April 1995.
- (5) Ms. S. E. Laney is Senior Vice President and the Chief Administrative Officer of the Company and has held these positions since November 1993 and May 1991, respectively. Previously, from May 1984 to November 1993, she held the position of Vice President of the Company.
- (6) Mr. A. V. Tucker, Jr. is a Vice President and Controller of the Company and has held these positions since February 1989. From May 1983 to February 1989, he held the position of Assistant Controller of the Company.

Each executive officer holds office until the annual election at the next annual organizational meeting of the Board of Directors of the Company which is scheduled to be held on May 15, 2000.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Capital Stock (par value \$1 per share) is traded on the New York Stock Exchange under the symbol CHE. The range of the high and low sale prices on the New York Stock Exchange and dividends paid per share for each quarter of 1998 and 1999 are set forth below.

## Closing

-----

High

Low

Dividends Paid  
Per Share

## 1999

First Quarter	\$33 13/16	\$25 3/4	\$.53
Second Quarter	33 7/8	26 5/16	.53
Third Quarter	33 7/16	29 1/4	.53
Fourth Quarter	30 1/8	24 15/16	.53

## 1998

First Quarter	\$42-5/16	\$38	\$.53
Second Quarter	41-1/4	32-9/16	.53
Third Quarter	34-11/16	25-9/16	.53
Fourth Quarter	34-7/8	28-1/8	.53

In November 1999, the Board of Directors adopted a new dividend policy, whereby future dividends were reduced from \$.53 per quarter to \$.10 per quarter.

Future dividends are necessarily dependent upon the Company's earnings and financial condition, compliance with certain debt covenants and other factors not presently determinable.

As of March 17, 2000, there were approximately 4,118 stockholders of record of the Company's Capital Stock. This number only includes stockholders of record and does not include stockholders with shares beneficially held for them in nominee name or within clearinghouse positions of brokers, banks or other institutions.

## ITEM 6. SELECTED FINANCIAL DATA.

The information called for by this Item for the five years ended December 31, 1999 is set forth on pages 28 and 29 of the 1999 Annual Report to Stockholders and is incorporated herein by reference.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information called for by this Item is set forth on pages 32 through 35 of the 1999 Annual Report to Stockholders and is incorporated herein by reference.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company has an insignificant number of financial instruments held for trading purposes and does not hedge any of its market risks with derivative instruments.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 1, 2000, appearing on pages 11 through 27 of the 1999 Annual Report to Stockholders, along with the Supplementary Data (Unaudited Summary of Quarterly Results) appearing on page 31, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The directors of the Company are:

Edward L. Hutton	Sandra E. Laney
Rick L. Arquilla	Spencer S. Lee
James H. Devlin	Kevin J. McNamara
Charles H. Erhart, Jr.	John M. Mount
Joel F. Gemunder	Timothy S. O'Toole
Patrick P. Grace	Donald E. Saunders
Thomas C. Hutton	Paul C. Voet
Walter L. Krebs	George J. Walsh III

The additional information required under this Item with respect to the directors and executive officers is set forth in the Company's 2000 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information required under this Item is set forth in the Company's 2000 Proxy Statement, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required under this Item is set forth in the Company's 2000 Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required under this Item is set forth in the Company's 2000 Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.

EXHIBITS

- 3.1 Certificate of Incorporation of Chemed Corporation.\*
- 3.2 By-Laws of Chemed Corporation.\*
- 4.1. Offer to Exchange Chemed Capital Trust Convertible Preferred Securities for Shares of Capital Stock, dated as of December 23, 1999.\*

- 14
- 4.2 Chemed Capital Trust, dated as of December 23, 1999.\*
  - 4.3 Amended and Restated Declaration of Trust of Chemed Capital Trust, dated February 7, 2000.\*
  - 10.1 Agreement and Plan of Merger among Diversey U.S. Holdings, Inc., D. C. Acquisition Inc., Chemed Corporation and DuBois Chemicals, Inc., dated as of February 25, 1991.\*
  - 10.2 Stock Purchase Agreement between Omnicare, Inc. and Chemed Corporation, dated as of August 5, 1992.\*
  - 10.3 Agreement and Plan of Merger among National Sanitary Supply Company, Unisource Worldwide, Inc. and TFBD, Inc. dated as of August 11, 1997.\*
  - 10.4 1981 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
  - 10.5 1983 Incentive Stock Option Plan, as amended through May 20, 1991.\*,\*\*
  - 10.6 1986 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
  - 10.7 1988 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
  - 10.8 1993 Stock Incentive Plan.\*,\*\*
  - 10.9 1995 Stock Incentive Plan.\*,\*\*
  - 10.10 1997 Stock Incentive Plan.\*,\*\*
  - 10.11 1999 Stock Incentive Plan. \*\*
  - 10.12 1999 Long-Term Employee Incentive Plan.
  - 10.13 Employment Contracts with Executives.\*,\*\*
  - 10.14 Amendment to Employment Contracts with Executives.\*\*
  - 10.15 Amendment No. 3 to Employment Contract with James H. Devlin.\*,\*\*
  - 10.16 Employment Contracts with John M. Mount and Walter L. Krebs.\*,\*\*
  - 10.17 Employment Contract with Lawrence J. Gillis.\*,\*\*
  - 10.18 Amendment No. 7 to Employment Agreement with Edward L. Hutton.\*,\*\*
  - 10.19 Excess Benefits Plan, as restated and amended, effective April 1, 1997.\*,\*\*
  - 10.20 Non-Employee Directors' Deferred Compensation Plan.\*,\*\*
  - 10.21 Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999.\*,\*\*
  - 10.22 Stock Purchase Agreement by and Among Banta Corporation, Chemed Corporation and OCR Holding Company as of September 24, 1997.\*
  - 10.25 Directors Emeriti Plan.\*,\*\*

15

- 10.26 Second Amendment to Split Dollar Agreement with Executives.\*\*
- 10.27 Split Dollar Agreement - II with James H. Devlin.\*,\*\*
- 10.28 Split Dollar Agreement with Sandra E. Laney.\*,\*\*
- 10.29 Split Dollar Agreement with Executives.\*,\*\*
- 10.30 Split Dollar Agreement with Edward L. Hutton.\*,\*\*
- 10.31 Split Dollar Agreement with Paul C. Voet.\*,\*\*
- 10.32 Split Dollar Agreement with John M. Mount\*\*
- 10.33 Split Dollar Agreement with Spencer S. Lee\*\*
- 10.34 Split Dollar Agreement with Rick L. Arquilla\*\*
- 10.35 Form of Promissory Note under the Executive Stock Purchase Plan.\*\*

13. 1999 Annual Report to Stockholders.

21. Subsidiaries of Chemed Corporation.

23. Consent of Independent Accountants.

24. Powers of Attorney.

27. Financial Data Schedule +

\* This exhibit is being filed by means of incorporation by reference (see Index to Exhibits on page E-1). Each other exhibit is being filed with this Annual Report on Form 10-K.

\*\* Management contract or compensatory plan or arrangement.

+ Not filed herewith.

#### FINANCIAL STATEMENT SCHEDULE

See Index to Financial Statements and Financial Statement Schedule on page S-1.

#### REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1999.

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.

CHEMED CORPORATION

March 29, 2000

By /s/ Edward L. Hutton

-----  
Edward L. Hutton  
Chairman and Chief Executive Officer

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.

Signature -----	Title -----	Date -----
/s/ Edward L. Hutton ----- Edward L. Hutton	Chairman and Chief Executive Officer and a Director (Principal Executive Officer)	
/s/ Timothy S. O'Toole ----- Timothy S. O'Toole	Executive Vice President and Treasurer and a Director (Principal Financial Officer)	
/s/ Arthur V. Tucker, Jr. ----- Arthur V. Tucker, Jr.	Vice President and Controller (Principal Accounting Officer)	March 29, 2000
Rick L. Arquilla* James H. Devlin* Charles H. Erhart, Jr.* Joel F. Gemunder* Patrick P. Grace* Thomas C. Hutton* Walter L. Krebs*	Sandra E. Laney* Spencer S. Lee* Kevin J. McNamara* John M. Mount* Donald E. Saunders* Paul C. Voet* George J. Walsh III*	--Directors

\* Naomi C. Dallob by signing her name hereto signs this document on behalf of each of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

March 29, 2000

/s/ Naomi C. Dallob

-----  
Date

-----  
Naomi C. Dallob  
(Attorney-in-Fact)6-14

## CHEMED CORPORATION AND SUBSIDIARY COMPANIES

## INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

1997, 1998 AND 1999

CHEMED CORPORATION CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE	PAGE(s)
Report of Independent Accountants.....	11*
Statement of Accounting Policies.....	12*
Consolidated Statement of Income.....	13*
Consolidated Balance Sheet.....	14*
Consolidated Statement of Cash Flows.....	15*
Consolidated Statement of Changes in Stockholders' Equity.....	16*
Consolidated Statement of Comprehensive Income.....	16*
Notes to Financial Statements.....	17-25*
Segment Data.....	26-27*
Report of Independent Accountants on Financial Statement Schedule.....	S-2
Schedule II -- Valuation and Qualifying Accounts.....	S-3-S-4

\* Indicates page numbers in Chemed Corporation 1999 Annual Report to Stockholders.

-----

The consolidated financial statements of Chemed Corporation listed above, appearing in the 1999 Annual Report to Stockholders, are incorporated herein by reference. The Financial Statement Schedule should be read in conjunction with the consolidated financial statements listed above. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto as listed above.

REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors  
of Chemed Corporation

Our audits of the consolidated financial statements referred to in our report dated February 1, 2000 appearing on page 11 of the 1999 Annual Report to Stockholders of Chemed Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14 of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

-----  
PRICEWATERHOUSECOOPERS LLP

Cincinnati, Ohio  
February 1, 2000

## SCHEDULE II

CHEMED CORPORATION AND SUBSIDIARY COMPANIES  
VALUATION AND QUALIFYING ACCOUNTS (a)  
(in thousands)  
Dr/(Cr)

Description	Balance at Beginning of Period	ADDITIONS			Deductions (c)	Balance at End of Period
		(Charged) Credited to Costs and Expenses	(Charged) Credited to Other Accounts (b)	Applicable to Companies Acquired in Period		
Allowances for doubtful accounts (d)						
For the year 1999.....	\$ (3,601) =====	\$(2,235) =====	\$ - =====	\$ (25) =====	\$ 1,307 =====	\$ (4,554) =====
For the year 1998.....	\$ (2,626) =====	\$(2,452) =====	\$ - =====	\$ (15) =====	\$ 1,492 =====	\$ (3,601) =====
For the year 1997.....	\$ (1,583) =====	\$ (702) =====	\$ - =====	\$ (974) =====	\$ 633 =====	\$ (2,626) =====
Allowances for doubtful accounts - notes receivable (e)						
For the year 1999.....	\$ (23) =====	\$ - =====	\$ - =====	\$ - =====	\$ 23 =====	\$ - =====
For the year 1998.....	\$ (23) =====	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ (23) =====
For the year 1997.....	\$ (120) =====	\$ - =====	\$ - =====	\$ - =====	\$ 97 =====	\$ (23) =====

Description	Balance at Beginning of Period	(Charged) Credited to Costs and Expenses	(Charged) Credited to Other Accounts (b)	Applicable to Companies Acquired in Period	Deductions (c)	Balance at End of Period
Valuation allowance for available-for-sale securities						
For the year 1999.....	\$ 20,406 =====	\$ - =====	\$(10,525) =====	\$ - =====	\$ (4,661) =====	\$ 5,220 =====
For the year 1998.....	\$ 30,705 =====	\$ - =====	\$ 2,290 =====	\$ - =====	\$(12,589) =====	\$ 20,406 =====
For the year 1997.....	\$ 40,096 =====	\$ - =====	\$ 2,844 =====	\$ - =====	\$(12,235) =====	\$ 30,705 =====

- 
- (a) Amounts are presented on a continuing operations basis.
- (b) With respect to the valuation allowance for available-for-sale securities, amounts charged or credited to other accounts comprise decreases or increases in net unrealized holding gains.
- (c) With respect to allowances for doubtful accounts, deductions include accounts considered uncollectible or written off, payments, companies divested, etc. With respect to valuation allowance for available-for-sale securities, deductions comprise net realized gains on sales of investments.
- (d) Classified in consolidated balance sheet as a reduction of accounts receivable.
- (e) Classified in consolidated balance sheet as a reduction of other assets.

## INDEX TO EXHIBITS

Page Number  
or  
Incorporation by Reference  
-----

Exhibit Number -----		File No. and Filing Date -----	Previous Exhibit No. -----
3.1	Certificate of Incorporation of Chemed Corporation	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	By-Laws of Chemed Corporation	Form 10-K 3/28/89	2
4.1	Offer to Exchange Chemed Capital Trust Convertible Trust Preferred Securities for Shares of Capital Stock, dated as of 12/23/99	Form T-3 12/23/99	T3E-1
4.2	Chemed Capital Trust, dated as of 12/23/99	Schedule 13E-4 12/23/99	(b)(1)
4.3	Amended and Restated Declaration of Trust of Chemed Capital Trust, dated February 7, 2000	Schedule 13E-4A 2/7/00, Amendment No. 2	(b)(2)
10.1	Agreement and Plan of Merger among Diversey U.S. Holdings, Inc., D.C. Acquisition Inc., Chemed Corporation and DuBois Chemicals, Inc., dated as of February 25, 1991	Form 8-K 3/11/91	1
10.2	Stock Purchase Agreement between Omnicare, Inc. and Chemed Corporation dated as of August 5, 1992	Form 10-K 3/25/93	5
10.3	Agreement and Plan of Merger among National Sanitary Supply Company, Unisource Worldwide, Inc. and TFBD, Inc.	Form 8-K 10/13/97	1
10.4	1981 Stock Incentive Plan, as amended through May 20, 1991	Form 10- K 3/27/92	7
10.5	1983 Incentive Stock Option Plan, as amended through May 20, 1991	Form 10-K 3/27/92	8
10.6	1986 Stock Incentive Plan, as amended through May 20, 1991	Form 10-K 3/27/92	9
10.7	1988 Stock Incentive Plan, as amended through May 20, 1991	Form 10-K 3/27/92	10

Page Number  
or  
Incorporation by Reference  
-----

Exhibit Number -----		File No. and Filing Date -----	Previous Exhibit No. -----
10.8	1993 Stock Incentive Plan	Form 10-K 3/29/94	10.8
10.9	1995 Stock Incentive Plan	Form 10-K 3/28/96	10.14
10.10	1997 Stock Incentive Plan	Form 10-K 3/27/98	10.10
10.11	1999 Stock Incentive Plan	*	
10.12	1999 Long-Term Employee Incentive Plan	*	
10.13	Employment Contracts with Executives	Form 10-K 3/28/89	10.12
10.14	Amendment to Employment Contracts with Executives	*	
10.15	Amendment No. 3 to Employment Contract with James H. Devlin	Form 10-K 3/27/98	10.22
10.16	Employment Contracts with John M. Mount and Walter L. Krebs	Form 10-K 3/27/98	10.23
10.17	Employment Contract with Lawrence J. Gillis	Form 10-K 3/27/98	10.24
10.18	Amendment No. 7 to Employment Agreement with Edward L. Hutton	Form 10-K 3/27/97	10.18
10.19	Excess Benefits Plan, as restated and amended, effective April 1, 1997	Form 10-K 3/27/98	10.9
10.20	Non-Employee Directors' Deferred Compensation Plan	Form 10-K 3/24/88	10.10
10.21	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999	Form 10-K 3/25/99	10.25

Page Number  
or  
Incorporation by Reference  
-----

Exhibit Number -----		File No. and Filing Date -----	Previous Exhibit No. -----
10.22	Stock Purchase Plan by and among Banta Corporation, Chemed Corporation and OCR Holding Company	Form 8-K 10/13/97	10.21
10.25	Directors Emeriti Plan	Form 10-Q 5/12/88	10.11
10.26	Second Amendment to Split Dollar Agreement with Executives	*	
10.27	Split Dollar Agreement - II with James H. Devlin	Form 10-K 3/25/99	10.27
10.28	Split Dollar Agreement with Sandra E. Laney	Form 10-K 3/25/99	10.27
10.29	Split Dollar Agreements with Executives	Form 10-K 3/28/96	10.15
10.30	Split Dollar Agreement with Edward L. Hutton	Form 10-K 3/28/96	10.16
10.31	Split Dollar Agreement with Paul C. Voet	Form 10-K 3/28/96	10.17
10.32	Split Dollar Agreement with John M. Mount	*	
10.33	Split Dollar Agreement with Spencer S. Lee	*	
10.34	Split Dollar Agreement with Rick L. Arquilla	*	
10.35	Form of Promissory Note under the Executive Stock Purchase Plan	*	
13	1999 Annual Report to Stockholders	*	
21	Subsidiaries of Chemed Corporation	*	
23	Consent of Independent Accountants	*	

24	Powers of Attorney	*
27	Financial Data Schedule	*

- - - - -

\* Filed herewith.

=====

-----

CHEMED CORPORATION  
1999 STOCK INCENTIVE PLAN  
MAY 17, 1999

-----

=====

CHEMED CORPORATION  
1999 STOCK INCENTIVE PLAN

1. PURPOSES: The purposes of this Plan are (a) to secure for the Corporation the benefits of incentives inherent in ownership of Capital Stock by Key Employees, (b) to encourage Key Employees to increase their interest in the future growth and prosperity of the Corporation and to stimulate and sustain constructive and imaginative thinking by Key Employees, (c) to further the identification of interest of those who hold positions of major responsibility in the Corporation and its Subsidiaries with the interests of the Corporation's stockholders, (d) to induce the employment or continued employment of Key Employees and (e) to enable the Corporation to compete with other organizations offering similar or other incentives in obtaining and retaining the services of competent executives.

2. DEFINITIONS: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this Section 2.

BOARD OF DIRECTORS: The Board of Directors of the Corporation.

CAPITAL STOCK: The Capital Stock of the Corporation, par value \$1.00 per share, or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 8.

CORPORATION: Chemed Corporation, a Delaware corporation.

FAIR MARKET VALUE: As applied to any date, the mean between the high and low sales prices of a share of Capital Stock on the principal stock exchange on which the Corporation is listed, or, if it is not so listed, the mean between the bid and the ask prices of a share of Capital Stock in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System on such date or, if no such sales or prices were made or quoted on such date, on the next preceding date on which there were sales or quotes of Capital Stock on such exchange or market, as the case may be; provided, however, that, if the Capital Stock is not so listed or quoted, Fair Market Value shall be determined in accordance with the method approved by the Compensation/Incentive Committee, and, provided further, if any of the foregoing methods of determining Fair Market Value shall not be consistent with the regulations of the Secretary of the Treasury or his delegate at the time applicable to a Stock Incentive of the type involved, Fair Market Value in the case of such Stock Incentive shall be determined in

accordance with such regulations and shall mean the value as so determined.

**COMPENSATION/INCENTIVE COMMITTEE:** The Compensation/Incentive Committee designated to administer this Plan pursuant to the provisions of Section 10.

**INCENTIVE COMPENSATION:** Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or discretionary or required to be paid pursuant to an agreement, resolution or arrangement, and whether payable currently or on a deferred basis, in cash, Capital Stock or other property, awarded by the Corporation or a Subsidiary prior or subsequent to the date of the approval and adoption of this Plan by the stockholders of the Corporation.

**KEY EMPLOYEE:** An employee of the Corporation or of a Subsidiary who in the opinion of the Compensation/Incentive Committee can contribute significantly to the growth and successful operations of the Corporation or a Subsidiary. The grant of a Stock Incentive to an employee by the Compensation/Incentive Committee shall be deemed a determination by the Compensation/Incentive Committee that such employee is a Key Employee. For the purposes of this Plan, a director or officer of the Corporation or of a Subsidiary shall be deemed an employee regardless of whether or not such director or officer is on the payroll of, or otherwise paid for services by, the Corporation or a Subsidiary.

**OPTION:** An option to purchase shares of Capital Stock.

**PERFORMANCE UNIT:** A unit representing a share of Capital Stock, subject to a Stock Award, the issuance, transfer or retention of which is contingent, in whole or in part, upon attainment of a specified performance objective or objectives, including, without limitation, objectives determined by reference to or changes in (a) the Fair Market Value, book value or earnings per share of Capital Stock, or (b) sales and revenues, income, profits and losses, return on capital employed, or net worth of the Corporation (on a consolidated or unconsolidated basis) or of any one or more of its groups, divisions, Subsidiaries or departments, or (c) a combination of two or more of the foregoing factors.

**PLAN:** The 1999 Stock Incentive Plan herein set forth as the same may from time to time be amended.

**STOCK AWARD:** An issuance or transfer of shares of Capital Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking to issue or

transfer such shares in the future, including, without limitation, such an issuance, transfer or undertaking with respect to Performance Units.

STOCK INCENTIVE: A stock incentive granted under this Plan in one of the forms provided for in Section 3.

SUBSIDIARY: A corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are owned or controlled, directly or indirectly, by the Corporation.

### 3. GRANTS OF STOCK INCENTIVES:

(a) Subject to the provisions of this Plan, the Compensation/Incentive Committee may at any time, or from time to time, grant Stock Incentives under this Plan to, and only to, Key Employees.

(b) Stock Incentives may be granted in the following forms:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

### 4. STOCK SUBJECT TO THIS PLAN:

(a) Subject to the provisions of paragraph (c) and (d) of this Section 4 and of Section 8, the aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed 450,000 shares; provided, however, that the maximum aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives in the form of Stock Awards, shall not exceed 135,000 shares.

(b) The maximum aggregate number of shares of Capital Stock which may be issued or transferred under the Plan to directors of the Corporation or of a Subsidiary shall not exceed 100,000 shares.

(c) Authorized but unissued shares of Capital Stock and shares of Capital Stock held in the treasury, whether acquired by the Corporation specifically for use under this Plan or otherwise, may be used, as the Compensation/Incentive Committee may from time to time determine, for purposes of this Plan, provided, however, that any shares acquired or held by the Corporation for the purposes of this Plan shall, unless and until transferred to a Key Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Corporation, irrespective of whether such

shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

(d) If any shares of Capital Stock subject to a Stock Incentive shall not be issued or transferred and shall cease to be issuable or transferable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Corporation or a Subsidiary because of an employee's failure to comply with the terms and conditions of a Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Corporation or a Subsidiary shall no longer be charged against any of the limitations provided for in paragraphs (a) or (b) of this Section 4 and may again be made subject to Stock Incentives.

5. STOCK AWARDS: Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) A Stock Award shall be granted only in payment of Incentive Compensation that has been earned or as Incentive Compensation to be earned, including, without limitation, Incentive Compensation awarded concurrently with or prior to the grant of the Stock Award.

(b) For the purposes of this Plan, in determining the value of a Stock Award, all shares of Capital Stock subject to such Stock Award shall be valued at not less than 100 percent of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued or transferred to the Key Employee and whether or not such shares are subject to restrictions which affect their value.

(c) Shares of Capital Stock subject to a Stock Award may be issued or transferred to the Key Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Compensation/Incentive Committee shall determine. In the event that any such issuance or transfer shall not be made to the Key Employee at the time the Stock Award is granted, the Compensation/Incentive Committee may provide for payment to such Key Employee, either in cash or in shares of Capital Stock from time to time or at the time or times such shares shall be issued or transferred to such Key Employee, of amounts not exceeding the dividends which would have been payable to such Key Employee in respect of such shares (as adjusted under Section 8) if they had been issued or transferred to such Key Employee at the time such Stock Award was granted. Any amount payable in shares of Capital Stock under the terms of a Stock Award may, at the discretion of the Corporation, be paid in cash, on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on

such date of the shares which would otherwise have been delivered.

(d) A Stock Award shall be subject to such terms and conditions, including, without limitation, restrictions on sale or other disposition of the Stock Award or of the shares issued or transferred pursuant to such Stock Award, as the Compensation/Incentive Committee may determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a stockholder of the Corporation fully entitled to receive dividends, to vote and to exercise all other rights of a stockholder except to the extent otherwise provided in the Stock Award. Each Stock Award shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided the Stock Award is consistent with this Plan and incorporates it by reference.

6. OPTIONS: Stock Incentives in the form of Options shall be subject to the following provisions:

(a) The maximum aggregate number of Stock Incentives in the form of Options which may be granted to an individual employee of the Corporation or a Subsidiary in any calendar year shall not exceed 50,000 Options.

(b) Upon the exercise of an Option, the purchase price shall be paid in cash or, if so provided in the Option or in a resolution adopted by the Compensation/Incentive Committee (and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee), in shares of Capital Stock or in a combination of cash and such shares. Shares of Capital Stock thus delivered shall be valued at their Fair Market Value on the date of exercise. Subject to the provisions of Section 8, the purchase price per share shall be not less than 100 percent of the Fair Market Value of a share of Capital Stock on the date the Option is granted.

(c) Each Option shall be exercisable in full or in part six months after the date the Option is granted, or may become exercisable in one or more installments and at such time or times, as the Compensation/Incentive Committee shall determine. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option. Any term or provision in any outstanding Option specifying when the Option is exercisable or that it be exercisable in installments may be modified at any time during the life of the Option by the Compensation/Incentive Committee, provided, however, no such modification of an outstanding Option shall, without the consent of the optionee, adversely affect any

Option theretofore granted to him. An Option will become immediately exercisable in full if at any time during the term of the Option the Corporation obtains actual knowledge that any of the following events has occurred, irrespective of the applicability of any limitation on the number of shares then exercisable under the Option: (1) any person within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "1934 Act"), other than the Corporation or any of its subsidiaries, has become the beneficial owner, within the meaning of Rule 13d-3 under the 1934 Act, of 30 percent or more of the combined voting power of the Corporation's then outstanding voting securities; (2) the expiration of a tender offer or exchange offer, other than an offer by the Corporation, pursuant to which 20 percent or more of the shares of the Corporation's Capital Stock have been purchased; (3) the stockholders of the Corporation have approved (i) an agreement to merge or consolidate with or into another corporation and the Corporation is not the surviving corporation or (ii) an agreement to sell or otherwise dispose of all or substantially all of the assets of the Corporation (including a plan of liquidation); or (4) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the nomination for the election by the Corporation's stockholders of each new director was approved by a vote of at least one-half of the persons who were directors at the beginning of the two-year period.

(d) Each Option shall be exercisable during the life of the optionee only by him or a transferee or assignee permitted by paragraph (g) of this Section (6) and, after his death, only by his estate or by a person who acquired the right to exercise the Option pursuant to one of the provisions of paragraph (g) of this Section (6). An Option, to the extent that it shall not have been exercised, shall terminate when the optionee ceases to be an employee of the Corporation or a Subsidiary, unless he ceases to be an employee because of his resignation with the consent of the Compensation/Incentive Committee (which consent may be given before or after resignation), or by reason of his death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary. Except as provided in the next sentence, if the optionee ceases to be an employee by reason of such resignation, the Option shall terminate three months after he ceases to be an employee. If the optionee ceases to be an employee by reason of such death, incapacity or retirement, or if he should die during the three-month period referred to in the preceding sentence, the Option shall terminate fifteen months after he ceases to be an employee. Where an Option is exercised more than three months after the optionee ceased to be an employee, the Option may be exercised only to the extent it could have been exercised three months after he ceased to be an employee. A leave of absence for military or governmental

service or for other purposes shall not, if approved by the Compensation/Incentive Committee, be deemed a termination of employment within the meaning of this paragraph (d); provided, however, that an Option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option shall be exercisable after expiration of the term for which the Option was granted, which shall in no event exceed ten years. Where an Option is granted for a term of less than ten years, the Compensation/Incentive Committee, may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years from the date the Option was granted.

(e) Options shall be granted for such lawful consideration as the Compensation/Incentive Committee shall determine.

(f) Neither the Corporation nor any Subsidiary may directly or indirectly lend any money to any person for the purpose of assisting him to purchase or carry shares of Capital Stock issued or transferred upon the exercise of an Option.

(g) No Option nor any right thereunder may be assigned or transferred by the optionee except:

- (i) by will or the laws of descent and distribution;
- (ii) pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or by the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder;
- (iii) by an optionee who, at the time of the transfer, is not subject to the provisions of Section 16 of the 1934 Act, provided such transfer is to, or for the benefit of (including but not limited to trusts for the benefit of), the optionee's spouse or lineal descendants of the optionee's parents; or
- (iv) by an optionee who, at the time of the transfer, is subject to the provisions of Section 16 of the 1934 Act, to the extent, if any, such transfer would be permitted under Securities and Exchange Commission Rule 16b-3 or any successor rule thereto, as such rule or any successor rule thereto may be in effect at the time of the transfer.

If so provided in the Option or if so authorized by the Compensation/Incentive Committee and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee, the Corporation may, upon or

without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the Option so canceled over the aggregate purchase price of such shares, or (ii) issue or transfer shares of Capital Stock to the holder with a Fair Market Value, at such time or times, equal to such excess.

(h) Each Option shall be evidenced by a written instrument, which shall contain such terms and conditions, and shall be in such form, as the Compensation/Incentive Committee may determine, provided the Option is consistent with this Plan and incorporates it by reference. Notwithstanding the preceding sentence, an Option, if so granted by the Compensation/Incentive Committee, may include restrictions and limitations in addition to those provided for in this Plan.

(i) Any federal, state or local withholding taxes payable by an optionee or awardee upon the exercise of an Option or upon the removal of restrictions of a Stock Award shall be paid in cash or in such other form as the Compensation/Incentive Committee may authorize from time to time, including the surrender of shares of Capital Stock or the withholding of shares of Capital Stock to be issued to the optionee or awardee. All such shares so surrendered or withheld shall be valued at Fair Market Value on the date such are surrendered to the Corporation or authorized to be withheld.

7. COMBINATIONS OF STOCK AWARDS AND OPTIONS: Stock Incentives authorized by paragraph (b)(iii) of Section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with Section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with Section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as the Compensation/Incentive Committee may determine, including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof. Such combination Stock Incentive shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided it is consistent with this Plan and incorporates it by reference.

8. ADJUSTMENT PROVISIONS: In the event that any recapitalization, or reclassification, split-up or consolidation of shares of Capital Stock shall be effected, or the outstanding shares of Capital Stock are, in connection with a merger or consolidation of the Corporation or a sale by the Corporation of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities of the Corporation or for shares of the stock or other securities of any other corporation, or a record date for determination of holders of Capital Stock entitled to receive a dividend payable in Capital Stock shall occur (a) the number and class of shares or other securities that may be issued or transferred pursuant to Stock Incentives, (b) the number and class of shares or other securities which have not been issued or transferred under outstanding Stock Incentives, (c) the purchase price to be paid per share or other security under outstanding Options, and (d) the price to be paid per share or other security by the Corporation or a Subsidiary for shares or other securities issued or transferred pursuant to Stock Incentives which are subject to a right of the Corporation or a Subsidiary to reacquire such shares or other securities, shall in each case be equitably adjusted.

9. TERM: This Plan shall be deemed adopted and shall become effective on the date it is approved and adopted by the stockholders of the Corporation. No Stock Incentives shall be granted under this Plan after May 17, 2009.

10. ADMINISTRATION:

(a) The Plan shall be administered by the Compensation/Incentive Committee, which shall consist of no fewer than three persons designated by the Board of Directors. Grants of Stock Incentives may be granted by the Compensation/Incentive Committee either in or without consultation with employees, but, anything in this Plan to the contrary notwithstanding, the Compensation/Incentive Committee shall have full authority to act in the matter of selection of all Key Employees and in determining the number of Stock Incentives to be granted to them.

(b) The Compensation/Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to participate in this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Compensation/Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Corporation, its Subsidiaries, its stockholders and all employees, and upon their respective legal

representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them.

(c) Members of the Board of Directors and members of the Compensation/Incentive Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

#### 11. GENERAL PROVISIONS:

(a) Nothing in this Plan nor in any instrument executed pursuant hereto shall confer upon any employee any right to continue in the employ of the Corporation or a Subsidiary, or shall affect the right of the Corporation or of a Subsidiary to terminate the employment of any employee with or without cause.

(b) No shares of Capital Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares, in the opinion of counsel to the Corporation, have been complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances, satisfactory to counsel to the Corporation, that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Corporation or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No employee (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Capital Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Capital Stock, if any, as shall have been issued or transferred to him.

(d) The Corporation or a Subsidiary may, with the approval of the Compensation/Incentive Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be a Key Employee at the time of grant, and, notwithstanding any other provision of this Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Company takes action to implement such agreement or commitment.

(e) In the case of a grant of a Stock Incentive to an employee of a Subsidiary, such grant may, if the Compensation/Incentive Committee so directs, be implemented by the Corporation issuing or transferring the shares, if any,

covered by the Stock Incentive to the Subsidiary, for such lawful consideration as the Compensation/Incentive Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive specified by the Compensation/Incentive Committee pursuant to the provisions of this Plan. Notwithstanding any other provision hereof, such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Compensation/Incentive Committee, on the date it is delivered by the Subsidiary or on such other date between said two dates, as the Compensation/Incentive Committee shall specify.

(f) The Corporation or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Corporation or any Subsidiary or other affiliate now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

#### 12. AMENDMENTS AND DISCONTINUANCE:

(a) This Plan may be amended by the Board of Directors upon the recommendation of the Compensation/Incentive Committee, provided that, without the approval of the stockholders of the Corporation, no amendment shall be made which (i) increases the aggregate number of shares of Capital Stock that may be issued or transferred pursuant to Stock Incentives as provided in paragraph (a) of Section 4, (ii) increases the maximum aggregate number of shares of Capital Stock that may be issued or transferred under the Plan to directors of the Corporation or of a Subsidiary as provided in paragraph (b) of Section 4, (iii) increases the maximum aggregate number of Stock Incentives, in the form of Options, which may be granted to an individual employee as provided in paragraph (a) of Section 6, (iv) withdraws the administration of this Plan from the Compensation/Incentive Committee, (v) permits any person who is not at the time a Key Employee of the Corporation or of a Subsidiary to be granted a Stock Incentive, (vi) permits any Option to be exercised more than ten years after the date it is granted, (vii) amends Section 9 to extend the date set forth therein or (viii) amends this Section 12.

(b) Notwithstanding paragraph (a) of this Section 12, the Board of Directors may amend the Plan to take into account changes in applicable securities laws, federal income tax laws and other applicable laws. Should the provisions of Rule 16b-3, or any successor rule, under the Securities Exchange Act of 1934 be amended, the Board of Directors may amend the Plan in accordance therewith.

(c) The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue this Plan.

(d) No amendment or discontinuance of this Plan by the Board of Directors or the stockholders of the Corporation shall, without the consent of the employee, adversely affect any Stock Incentive theretofore granted to him.

=====

-----

CHEMED CORPORATION  
1999 LONG-TERM EMPLOYEE INCENTIVE PLAN  
MAY 17, 1999

-----

=====

CHEMED CORPORATION  
1999 LONG-TERM EMPLOYEE INCENTIVE PLAN

1. PURPOSES: The purposes of this Plan are (a) to secure for the Corporation the benefits of incentives inherent in ownership of Capital Stock by Employees, (b) to encourage Employees to increase their interest in the future growth and prosperity of the Corporation and to stimulate and sustain constructive and imaginative thinking by Employees, (c) to further the identification of interest of employees of the Corporation and its Subsidiaries with the interests of the Corporation's stockholders, (d) to induce the employment or continued employment of Employees and (e) to enable the Corporation to compete with other organizations offering similar or other incentives in obtaining and retaining the services of employees.

2. DEFINITIONS: Unless otherwise required by the context, the following terms when used in this Plan shall have the meanings set forth in this Section 2.

BOARD OF DIRECTORS: The Board of Directors of the Corporation.

CAPITAL STOCK: The Capital Stock of the Corporation, par value \$1.00 per share, or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 8.

CORPORATION: Chemed Corporation, a Delaware corporation.

FAIR MARKET VALUE: As applied to any date, the mean between the high and low sales prices of a share of Capital Stock on the principal stock exchange on which the Corporation is listed, or, if it is not so listed, the mean between the bid and the ask prices of a share of Capital Stock in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System on such date or, if no such sales or prices were made or quoted on such date, on the next preceding date on which there were sales or quotes of Capital Stock on such exchange or market, as the case may be; provided, however, that, if the Capital Stock is not so listed or quoted, Fair Market Value shall be determined in accordance with the method approved by the Compensation/Incentive Committee, and, provided further, if any of the foregoing methods of determining Fair Market Value shall not be consistent with the regulations of the Secretary of the Treasury or his delegate at the time applicable to a Stock Incentive of the type involved, Fair Market Value in the case of such Stock Incentive shall be determined in

accordance with such regulations and shall mean the value as so determined.

**COMPENSATION/INCENTIVE COMMITTEE:** The Compensation/Incentive Committee designated to administer this Plan pursuant to the provisions of Section 10.

**INCENTIVE COMPENSATION:** Bonuses, extra and other compensation payable in addition to a salary or other base amount, whether contingent or discretionary or required to be paid pursuant to an agreement, resolution or arrangement, and whether payable currently or on a deferred basis, in cash, Capital Stock or other property, awarded by the Corporation or a Subsidiary prior or subsequent to the date of the approval and adoption of this Plan by the stockholders of the Corporation.

**EMPLOYEE:** An employee of the Corporation or of a Subsidiary who in the opinion of the Compensation/Incentive Committee can contribute significantly to the growth and successful operations of the Corporation or a Subsidiary. The grant of a Stock Incentive to an employee by the Compensation/Incentive Committee shall be deemed a determination by the Compensation/Incentive Committee that such employee is an Employee. For the purposes of this Plan, a director or officer of the Corporation or of a Subsidiary shall not be deemed an Employee.

**OPTION:** An option to purchase shares of Capital Stock.

**PERFORMANCE UNIT:** A unit representing a share of Capital Stock, subject to a Stock Award, the issuance, transfer or retention of which is contingent, in whole or in part, upon attainment of a specified performance objective or objectives, including, without limitation, objectives determined by reference to or changes in (a) the Fair Market Value, book value or earnings per share of Capital Stock, or (b) sales and revenues, income, profits and losses, return on capital employed, or net worth of the Corporation (on a consolidated or unconsolidated basis) or of any one or more of its groups, divisions, Subsidiaries or departments, or (c) a combination of two or more of the foregoing factors.

**PLAN:** The 1999 Long-Term Employee Incentive Plan herein set forth as the same may from time to time be amended.

**STOCK AWARD:** An issuance or transfer of shares of Capital Stock at the time the Stock Incentive is granted or as soon thereafter as practicable, or an undertaking to issue or transfer such shares in the future, including, without

limitation, such an issuance, transfer or undertaking with respect to Performance Units.

STOCK INCENTIVE: A stock incentive granted under this Plan in one of the forms provided for in Section 3.

SUBSIDIARY: A corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are owned or controlled, directly or indirectly, by the Corporation.

### 3. GRANTS OF STOCK INCENTIVES:

(a) Subject to the provisions of this Plan, the Compensation/Incentive Committee may at any time, or from time to time, grant Stock Incentives under this Plan to, and only to, Employees.

(b) Stock Incentives may be granted in the following forms:

- (i) a Stock Award, or
- (ii) an Option, or
- (iii) a combination of a Stock Award and an Option.

### 4. STOCK SUBJECT TO THIS PLAN:

(a) Subject to the provisions of paragraph (c) and (d) of this Section 4 and of Section 8, the aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed 250,000 shares; provided, however, that the maximum aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives in the form of Stock Awards, shall not exceed 135,000 shares.

(b) Authorized but unissued shares of Capital Stock and shares of Capital Stock held in the treasury, whether acquired by the Corporation specifically for use under this Plan or otherwise, may be used, as the Compensation/Incentive Committee may from time to time determine, for purposes of this Plan, provided, however, that any shares acquired or held by the Corporation for the purposes of this Plan shall, unless and until transferred to an Employee in accordance with the terms and conditions of a Stock Incentive, be and at all times remain treasury shares of the Corporation, irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

(c) If any shares of Capital Stock subject to a Stock Incentive shall not be issued or transferred and shall cease to

be issuable or transferable because of the termination, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Corporation or a Subsidiary because of an Employee's failure to comply with the terms and conditions of a Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Corporation or a Subsidiary shall no longer be charged against any of the limitations provided for in paragraphs (a) or (b) of this Section 4 and may again be made subject to Stock Incentives.

5. STOCK AWARDS: Stock Incentives in the form of Stock Awards shall be subject to the following provisions:

(a) A Stock Award shall be granted only in payment of Incentive Compensation that has been earned or as Incentive Compensation to be earned, including, without limitation, Incentive Compensation awarded concurrently with or prior to the grant of the Stock Award.

(b) For the purposes of this Plan, in determining the value of a Stock Award, all shares of Capital Stock subject to such Stock Award shall be valued at not less than 100 percent of the Fair Market Value of such shares on the date such Stock Award is granted, regardless of whether or when such shares are issued or transferred to the Employee and whether or not such shares are subject to restrictions which affect their value.

(c) Shares of Capital Stock subject to a Stock Award may be issued or transferred to the Employee at the time the Stock Award is granted, or at any time subsequent thereto, or in installments from time to time, as the Compensation/Incentive Committee shall determine. In the event that any such issuance or transfer shall not be made to the Employee at the time the Stock Award is granted, the Compensation/Incentive Committee may provide for payment to such Employee, either in cash or in shares of Capital Stock from time to time or at the time or times such shares shall be issued or transferred to such Employee, of amounts not exceeding the dividends which would have been payable to such Employee in respect of such shares (as adjusted under Section 8) if they had been issued or transferred to such Employee at the time such Stock Award was granted. Any amount payable in shares of Capital Stock under the terms of a Stock Award may, at the discretion of the Corporation, be paid in cash, on each date on which delivery of shares would otherwise have been made, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered.

(d) A Stock Award shall be subject to such terms and conditions, including, without limitation, restrictions on sale

or other disposition of the Stock Award or of the shares issued or transferred pursuant to such Stock Award, as the Compensation/Incentive Committee may determine; provided, however, that upon the issuance or transfer of shares pursuant to a Stock Award, the recipient shall, with respect to such shares, be and become a stockholder of the Corporation fully entitled to receive dividends, to vote and to exercise all other rights of a stockholder except to the extent otherwise provided in the Stock Award. Each Stock Award shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided the Stock Award is consistent with this Plan and incorporates it by reference.

6. OPTIONS: Stock Incentives in the form of Options shall be subject to the following provisions:

(a) The maximum aggregate number of Stock Incentives in the form of Options which may be granted to an individual Employee in any calendar year shall not exceed 25,000 Options.

(b) Upon the exercise of an Option, the purchase price shall be paid in cash or, if so provided in the Option or in a resolution adopted by the Compensation/Incentive Committee (and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee), in shares of Capital Stock or in a combination of cash and such shares. Shares of Capital Stock thus delivered shall be valued at their Fair Market Value on the date of exercise. Subject to the provisions of Section 8, the purchase price per share shall be not less than 100 percent of the Fair Market Value of a share of Capital Stock on the date the Option is granted.

(c) Each Option shall be exercisable in full or in part six months after the date the Option is granted, or may become exercisable in one or more installments and at such time or times, as the Compensation/Incentive Committee shall determine. Unless otherwise provided in the Option, an Option, to the extent it is or becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option. Any term or provision in any outstanding Option specifying when the Option is exercisable or that it be exercisable in installments may be modified at any time during the life of the Option by the Compensation/Incentive Committee, provided, however, no such modification of an outstanding Option shall, without the consent of the optionee, adversely affect any Option theretofore granted to him. An Option will become immediately exercisable in full if at any time during the term of the Option the Corporation obtains actual knowledge that any of the following events has occurred, irrespective of the applicability of any limitation on the number of shares then exercisable under the Option: (1) any person within the meaning

of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "1934 Act"), other than the Corporation or any of its subsidiaries, has become the beneficial owner, within the meaning of Rule 13d-3 under the 1934 Act, of 30 percent or more of the combined voting power of the Corporation's then outstanding voting securities; (2) the expiration of a tender offer or exchange offer, other than an offer by the Corporation, pursuant to which 20 percent or more of the shares of the Corporation's Capital Stock have been purchased; (3) the stockholders of the Corporation have approved (i) an agreement to merge or consolidate with or into another corporation and the Corporation is not the surviving corporation or (ii) an agreement to sell or otherwise dispose of all or substantially all of the assets of the Corporation (including a plan of liquidation); or (4) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the nomination for the election by the Corporation's stockholders of each new director was approved by a vote of at least one-half of the persons who were directors at the beginning of the two-year period.

(d) Each Option shall be exercisable during the life of the optionee only by him or a transferee or assignee permitted by paragraph (g) of this Section (6) and, after his death, only by his estate or by a person who acquired the right to exercise the Option pursuant to one of the provisions of paragraph (g) of this Section (6). An Option, to the extent that it shall not have been exercised, shall terminate when the optionee ceases to be an employee of the Corporation or a Subsidiary, unless he ceases to be an employee because of his resignation with the consent of the Compensation/Incentive Committee (which consent may be given before or after resignation), or by reason of his death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary. Except as provided in the next sentence, if the optionee ceases to be an employee by reason of such resignation, the Option shall terminate three months after he ceases to be an employee. If the optionee ceases to be an employee by reason of such death, incapacity or retirement, or if he should die during the three-month period referred to in the preceding sentence, the Option shall terminate fifteen months after he ceases to be an employee. Where an Option is exercised more than three months after the optionee ceased to be an employee, the Option may be exercised only to the extent it could have been exercised three months after he ceased to be an employee. A leave of absence for military or governmental service or for other purposes shall not, if approved by the Compensation/Incentive Committee, be deemed a termination of employment within the meaning of this paragraph (d); provided, however, that an Option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (d) or any other provision of this Plan, no Option

shall be exercisable after expiration of the term for which the Option was granted, which shall in no event exceed ten years. Where an Option is granted for a term of less than ten years, the Compensation/Incentive Committee, may, at any time prior to the expiration of the Option, extend its term for a period ending not later than ten years from the date the Option was granted.

(e) Options shall be granted for such lawful consideration as the Compensation/Incentive Committee shall determine.

(f) Neither the Corporation nor any Subsidiary may directly or indirectly lend any money to any person for the purpose of assisting him to purchase or carry shares of Capital Stock issued or transferred upon the exercise of an Option.

(g) No Option nor any right thereunder may be assigned or transferred by the optionee except:

- (i) by will or the laws of descent and distribution;
- (ii) pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or by the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder;
- (iii) by an optionee who, at the time of the transfer, is not subject to the provisions of Section 16 of the 1934 Act, provided such transfer is to, or for the benefit of (including but not limited to trusts for the benefit of), the optionee's spouse or lineal descendants of the optionee's parents; or
- (iv) by an optionee who, at the time of the transfer, is subject to the provisions of Section 16 of the 1934 Act, to the extent, if any, such transfer would be permitted under Securities and Exchange Commission Rule 16b-3 or any successor rule thereto, as such rule or any successor rule thereto may be in effect at the time of the transfer.

If so provided in the Option or if so authorized by the Compensation/Incentive Committee and subject to such terms and conditions as are specified in the Option or by the Compensation/Incentive Committee, the Corporation may, upon or without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay the holder an amount of money equal to the excess, if any, of the Fair Market Value, at such time or times, of the shares subject to the portion of the

Option so canceled over the aggregate purchase price of such shares, or (ii) issue or transfer shares of Capital Stock to the holder with a Fair Market Value, at such time or times, equal to such excess.

(h) Each Option shall be evidenced by a written instrument, which shall contain such terms and conditions, and shall be in such form, as the Compensation/Incentive Committee may determine, provided the Option is consistent with this Plan and incorporates it by reference. Notwithstanding the preceding sentence, an Option, if so granted by the Compensation/Incentive Committee, may include restrictions and limitations in addition to those provided for in this Plan.

(i) Any federal, state or local withholding taxes payable by an optionee or awardee upon the exercise of an Option or upon the removal of restrictions of a Stock Award shall be paid in cash or in such other form as the Compensation/Incentive Committee may authorize from time to time, including the surrender of shares of Capital Stock or the withholding of shares of Capital Stock to be issued to the optionee or awardee. All such shares so surrendered or withheld shall be valued at Fair Market Value on the date such are surrendered to the Corporation or authorized to be withheld.

7. COMBINATIONS OF STOCK AWARDS AND OPTIONS: Stock Incentives authorized by paragraph (b)(iii) of Section 3 in the form of combinations of Stock Awards and Options shall be subject to the following provisions:

(a) A Stock Incentive may be a combination of any form of Stock Award with any form of Option; provided, however, that the terms and conditions of such Stock Incentive pertaining to a Stock Award are consistent with Section 5 and the terms and conditions of such Stock Incentive pertaining to an Option are consistent with Section 6.

(b) Such combination Stock Incentive shall be subject to such other terms and conditions as the Compensation/Incentive Committee may determine, including, without limitation, a provision terminating in whole or in part a portion thereof upon the exercise in whole or in part of another portion thereof. Such combination Stock Incentive shall be evidenced by a written instrument in such form as the Compensation/Incentive Committee shall determine, provided it is consistent with this Plan and incorporates it by reference.

8. ADJUSTMENT PROVISIONS: In the event that any recapitalization, or reclassification, split-up or consolidation of shares of Capital Stock shall be effected, or the outstanding shares of Capital Stock are, in connection with a merger or

consolidation of the Corporation or a sale by the Corporation of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities of the Corporation or for shares of the stock or other securities of any other corporation, or a record date for determination of holders of Capital Stock entitled to receive a dividend payable in Capital Stock shall occur (a) the number and class of shares or other securities that may be issued or transferred pursuant to Stock Incentives, (b) the number and class of shares or other securities which have not been issued or transferred under outstanding Stock Incentives, (c) the purchase price to be paid per share or other security under outstanding Options, and (d) the price to be paid per share or other security by the Corporation or a Subsidiary for shares or other securities issued or transferred pursuant to Stock Incentives which are subject to a right of the Corporation or a Subsidiary to reacquire such shares or other securities, shall in each case be equitably adjusted.

9. TERM: This Plan shall be deemed adopted and shall become effective on May 17, 1999. No Stock Incentives shall be granted under this Plan after May 17, 2009.

10. ADMINISTRATION:

(a) The Plan shall be administered by the Compensation/Incentive Committee, which shall consist of no fewer than three persons designated by the Board of Directors. Grants of Stock Incentives may be granted by the Compensation/Incentive Committee either in or without consultation with employees, but, anything in this Plan to the contrary notwithstanding, the Compensation/Incentive Committee shall have full authority to act in the matter of selection of all Employees and in determining the number of Stock Incentives to be granted to them.

(b) The Compensation/Incentive Committee may establish such rules and regulations, not inconsistent with the provisions of this Plan, as it deems necessary to determine eligibility to participate in this Plan and for the proper administration of this Plan, and may amend or revoke any rule or regulation so established. The Compensation/Incentive Committee may make such determinations and interpretations under or in connection with this Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Corporation, its Subsidiaries, its stockholders and all employees, and upon their respective legal representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them.

(c) Members of the Board of Directors and members of the Compensation/Incentive Committee acting under this Plan shall

be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

11. GENERAL PROVISIONS:

(a) Nothing in this Plan nor in any instrument executed pursuant hereto shall confer upon any employee any right to continue in the employ of the Corporation or a Subsidiary, or shall affect the right of the Corporation or of a Subsidiary to terminate the employment of any employee with or without cause.

(b) No shares of Capital Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares, in the opinion of counsel to the Corporation, have been complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances, satisfactory to counsel to the Corporation, that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Corporation or a Subsidiary may deem desirable to assure compliance with all applicable legal requirements.

(c) No employee (individually or as a member of a group), and no beneficiary or other person claiming under or through him, shall have any right, title or interest in or to any shares of Capital Stock allocated or reserved for the purposes of this Plan or subject to any Stock Incentive except as to such shares of Capital Stock, if any, as shall have been issued or transferred to him.

(d) The Corporation or a Subsidiary may, with the approval of the Compensation/Incentive Committee, enter into an agreement or other commitment to grant a Stock Incentive in the future to a person who is or will be an Employee at the time of grant, and, notwithstanding any other provision of this Plan, any such agreement or commitment shall not be deemed the grant of a Stock Incentive until the date on which the Company takes action to implement such agreement or commitment.

(e) In the case of a grant of a Stock Incentive to an employee of a Subsidiary, such grant may, if the Compensation/Incentive Committee so directs, be implemented by the Corporation issuing or transferring the shares, if any, covered by the Stock Incentive to the Subsidiary, for such lawful consideration as the Compensation/Incentive Committee may specify, upon the condition or understanding that the Subsidiary will transfer the shares to the employee in accordance with the terms of the Stock Incentive specified by the

Compensation/Incentive Committee pursuant to the provisions of this Plan. Notwithstanding any other provision hereof, such Stock Incentive may be issued by and in the name of the Subsidiary and shall be deemed granted on the date it is approved by the Compensation/Incentive Committee, on the date it is delivered by the Subsidiary or on such other date between said two dates, as the Compensation/Incentive Committee shall specify.

(f) The Corporation or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or a Subsidiary determines it is required to withhold in connection with any Stock Incentive.

(g) Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Corporation or any Subsidiary or other affiliate now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

#### 12. AMENDMENTS AND DISCONTINUANCE:

(a) This Plan may be amended by the Board of Directors upon the recommendation of the Compensation/Incentive Committee, provided that, without the approval of the stockholders of the Corporation, no amendment shall be made which (i) increases the aggregate number of shares of Capital Stock that may be issued or transferred pursuant to Stock Incentives as provided in paragraph (a) of Section 4, (ii) increases the maximum aggregate number of Stock Incentives, in the form of Options, which may be granted to an individual employee as provided in paragraph (a) of Section 6, (iii) withdraws the administration of this Plan from the Compensation/Incentive Committee, (iv) permits any person who is not at the time an Employee of the Corporation or of a Subsidiary to be granted a Stock Incentive, (v) permits any Option to be exercised more than ten years after the date it is granted, (vi) amends Section 9 to extend the date set forth therein or (vii) amends this Section 12.

(b) Notwithstanding paragraph (a) of this Section 12, the Board of Directors may amend the Plan to take into account changes in applicable securities laws, federal income tax laws and other applicable laws. Should the provisions of Rule 16b-3, or any successor rule, under the Securities Exchange Act of 1934 be amended, the Board of Directors may amend the Plan in accordance therewith.

(c) The Board of Directors may by resolution adopted by a majority of the entire Board of Directors discontinue this Plan.

(d) No amendment or discontinuance of this Plan by the Board of Directors or the stockholders of the Corporation shall, without the consent of the employee, adversely affect any Stock Incentive theretofore granted to him.

## EXHIBIT 10.14

AMENDMENT  
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 17, 1999 between \_\_\_\_\_  
("Employee") and Chemed Corporation (the "Company").

WHEREAS, Employee and the Company have entered into an Employment Agreement dated as of May 2, 1988 and amended May 15, 1989, May 21, 1990, May 20, 1991, May 18, 1992, May 17, 1993, May 16, 1994, May 15, 1995, May 20, 1996, May 19, 1997 and May 18, 1998 ("Employment Agreement"); and

WHEREAS, Employee and the Company desire to further amend the Employment Agreement in certain respects.

NOW, THEREFORE, Employee and the Company mutually agree that the Employment Agreement shall be amended, effective as of May 17, 1999, as follows:

- A. The date, amended as of May 18, 1998, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of \_\_\_\_\_ is hereby substituted therefor.
- B. The base salary amount set forth in the first sentence of Section 2.1 of the Employment Agreement is hereby deleted and the base salary amount of \$\_\_\_\_\_ per annum is hereby substituted.
- C. The amount of unrestricted stock award

recognized in lieu of incentive compensation in 1998 is  
\$\_\_\_\_\_.

Except as specifically amended in this Amendment to Employment Agreement, the Employment Agreement, as amended, shall continue in full force and effect in accordance with its terms, conditions and provisions.

IN WITNESS WHEREOF, the parties have duly executed this amendatory agreement as of the date first above written.

EMPLOYEE

-----

CHEMED CORPORATION

-----

ATTEST

## SCHEDULE TO EXHIBIT 10.14

NAME AND POSITION	MINIMUM ANNUAL BASE SALARY AND BONUS	CURRENT (a) STOCK AWARD COMPENSATION	CURRENT EXPIRATION DATE OF AGREEMENT
Edward L. Hutton Chairman and Chief Executive Officer	\$590,000 274,165	\$247,800	5/3/2001
Kevin J. McNamara President	325,200 47,112	81,544	5/3/2004
Timothy S. O'Toole Executive Vice President and Treasurer	202,500 28,373	64,727	5/3/2004
John M. Mount Vice President	238,500 60,000	8,942	11/5/2001
Sandra E. Laney Senior Vice President and Chief Administrative Officer	200,000 44,999	62,217	5/3/2004
Thomas C. Hutton Vice President	190,500 19,210	26,888	5/3/2004
Arthur V. Tucker Vice President and Controller	121,100 20,342	26,888	5/3/2004

(a) Amount of unrestricted stock award recognized in lieu of incentive compensation in 1998.

EXHIBIT 10.26  
SECOND AMENDMENT TO  
SPLIT-DOLLAR AGREEMENT

This amendment made on August 4, 1999 by and between Chemed Corporation (the "Corporation"), a Delaware corporation, and \_\_\_\_\_ ("Employee"), who hereby agree as follows:

1. Recitals

(a) The Corporation and the Employee are parties to a Split Dollar Agreement dated as of \_\_\_\_\_ and amended \_\_\_\_\_ (the "Agreement")

2. (a) Paragraph 4.3 of the Agreement is hereby amended to read in its entirety as follows:

"4.3 The premium advances by the Corporation pursuant to paragraph 4.1 and the bonus payments to the Employee pursuant to paragraph 4.2 shall continue with respect to annual premiums due under the Policy until the later of (i) the date on which the Employee reaches age 65, (ii) the date on which the Employee's employment with the Corporation is terminated, or (iii) if a Change of Control (as defined in Exhibit A to this Agreement) occurs while the Employee remains employed by the Corporation, the expiration date specified in the employment agreement between Employee and the Company (without regard to any early termination of such agreement).

(b) "Immediately upon a Change in Control, the Corporation shall cause a lump-sum payment to be made to a "rabbi" trust (or other funding vehicle acceptable to the Employee) that represents the present value of all payments that would be required to be made by the Corporation under paragraphs 4.1 and 4.2 until the date the Employee reaches age 65, with such present value to be determined based on the applicable federal rate (compounded annually) under Section 1274(d) of the Internal Revenue Code on the date of the Change in Control. All such funds shall be administered and

disbursed in accordance with the terms of this Agreement. The Corporation shall promptly pay upon demand any reasonable legal fees incurred by the Employee in connection with any enforcement of his/her rights under this Agreement upon a Change in Control."

- (c) Exhibit A of the Agreement hereby reads in its entirety as follows:

" 'Change of Control' shall mean the occurrence of one of the following events: (i) any Person becomes a beneficial owner, directly or indirectly, of securities of Chemed Corporation (the "Company") representing 30 percent or more of the combined voting power of the Company's then outstanding voting securities; (ii) the expiration of a tender offer or exchange offer, other than an offer by the Corporation, pursuant to which 20 percent or more of the shares of the Corporation's Capital Stock have been purchased; (iii) the stockholders of the Corporation have approved (a) an agreement to merge or consolidate with or into another corporation and the Corporation is not the surviving corporation or (b) an agreement to sell or otherwise dispose of all or substantially all of the assets of the Corporation (including a plan of liquidation); or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the nomination for the election by the Corporation's stockholders of each new director was approved by a vote of at least one-half of the persons who were directors at the beginning of the two-year period."

3. General

Except as specifically amended herein, the Agreement will remain in full force and effect in accordance with its original terms, conditions, and provisions.

IN WITNESS WHEREOF, the parties have duly executed this amendatory agreement as of \_\_\_\_\_, 1999.

CHEMED CORPORATION

By: \_\_\_\_\_

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Employee

\_\_\_\_\_  
Witness

## SCHEDULE TO EXHIBIT 10.26

Insured -----	Date of Amendment -----
KEVIN J. MCNAMARA PRESIDENT	8/4/99
TIMOTHY S. O'TOOLE EXECUTIVE VICE PRESIDENT AND TREASURER	8/4/99
PAUL C. VOET EXECUTIVE VICE PRESIDENT	8/4/99
THOMAS C. HUTTON VICE PRESIDENT	8/4/99
ARTHUR V. TUCKER VICE PRESIDENT AND CONTROLLER	8/4/99

## SPLIT DOLLAR AGREEMENT

This Agreement, made on August 4, 1999, by and between Chemed Corporation ("the Corporation"), a Delaware corporation with offices at 2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202 and Albert E. Heekin, III ("the Trustee"), as Trustee of an Irrevocable Trust Agreement with John M. Mount and Rosemary L. Mount dated June 22, 1998 ("the Trust").

## 1. PREMISES

1.1 John M. Mount is an employee of the Corporation and has created the Trust. The Trustee wishes to insure the lives of Mr. Mount and his wife, Rosemary L. Mount, for the benefit and protection of their family. The Corporation will help the Trustee provide this insurance coverage by payment of part of the premiums under a split dollar arrangement, whereby the Trustee will be the owner of a life insurance policy which will be collaterally assigned to the Corporation as security for amounts the Corporation will contribute for the premium payments.

## 2. APPLICATION FOR INSURANCE

2.1 The Trustee has applied to Phoenix Home Life Mutual Insurance Company for a Survivor

Legacy Policy on the lives of John M. Mount and Rosemary L. Mount for \$ \$2,000,000 ("Policy").

3. POLICY OWNERSHIP

3.1 The Trustee shall own the Policy and may exercise all rights of ownership with respect to it, subject only to the security interest of the Corporation as expressed in this Agreement and the collateral assignment of the Policy to the Corporation.

4. PAYMENT OF PREMIUMS

4.1 On or before the due date of each annual premium on the Policy, the Corporation will pay to Phoenix Home Life Mutual Insurance Company an amount equal to the greater of 80 percent of the annual premium or the annual premium less the economic benefit cost (as measured by the Phoenix Home Life term insurance rates) of the portion of the insurance which the beneficiary or beneficiaries named by the Trustee would be entitled to receive if Mr. Mount and Mrs. Mount died during the policy year for which the annual premium is paid.

4.2 On or before the due date of each annual premium on the Policy, the Corporation will pay

to Phoenix Home Life Mutual Insurance Company, on behalf of the Trustee, the remainder of the annual premium. This payment will constitute compensation to Mr. Mount in the form of a bonus during his lifetime and in the form of deferred compensation if he dies before Mrs. Mount and will be considered paid by the Trustee for purposes of the Assignment (as defined in Article 5).

4.3 These premium advances by the Corporation shall apply specifically to annual premiums due under the Policy up to Mr. Mount's age of 65. However, additional premium advances may be made by mutual agreement of the parties.

5. ASSIGNMENT OF POLICY

5.1 The Trustee shall collaterally assign the Policy to the Corporation so as to reflect the respective interests of the parties under this Agreement, said collateral assignment ("Assignment") having been executed by the parties on the date of this Split Dollar Agreement, and thus made a part of such Policy and this Agreement.

## 6. USE OF DIVIDENDS

6.1 The dividends declared by Phoenix Home Life Mutual Insurance Company on the Policy will be used to purchase paid-up insurance.

6.2 The dividend option which is specified in paragraph 6.1 of this Article will not be terminated or changed without a conforming amendment to this Agreement and unless such change is done in accordance with the provisions of Part D "Joint Rights" section of the Assignment.

## 7. SURRENDER OF POLICY

7.1 The Trustee shall have the sole and exclusive right to surrender the Policy.

7.2 If the Policy is surrendered, the Trustee shall direct the insurance company in writing to draw a check payable to the Corporation in an amount equal to the "Assignee's Cash Value Rights", as defined within the provisions of Part A "Definitions" section of the Assignment.

7.3 If there is a delay in the surrender of the Policy by either party to this Agreement, and if such delay results in diminished policy values being available to either party, neither party

to this Agreement shall hold the insurance company liable for such diminution in Policy values.

8. DEATH CLAIMS

8.1 Upon the death of the last to die of Mr. and Mrs. Mount, the Corporation shall have an interest in the proceeds of the Policy equal to the "Assignee's Death Benefit Share", as defined within the provisions of Part A "Definitions" section of the Assignment. The balance of proceeds remaining shall be paid directly by the insurance company to the beneficiary or beneficiaries designated in the Policy.

9. TERMINATION OF AGREEMENT

9.1 This Agreement shall terminate upon surrender of the Policy by the Trustee or upon thirty (30) days' written notice of termination given by either party to the other by registered mail at the party's last known address.

9.2 Prior to termination of this Agreement, the Trustee shall direct the insurance company in writing to draw a check payable to the Corporation for an amount equal to the "Assignee's Cash Value Interest", as defined

within the provisions of Part A "Definitions" section of the Assignment. Upon receipt of this amount, the Corporation shall release the security interest of the Corporation expressed in this Agreement and the Assignment.

10. SPECIAL PROVISIONS

The following provisions are part of this Plan and are intended to meet the requirements of the Employee Retirement Income Security Act of 1974:

- 10.01 - The named fiduciary: The Secretary of the Company
- 10.02 - The funding policy under this Plan is that all premiums on the Policy be remitted to the Insurer when due.
- 10.03 - Direct payment by the Insurer is the basis of payment of benefits under this Plan, with those benefits in turn being based on the payment of premiums as provided in the Plan.
- 10.04 - For claims procedure purposes, the "Claims Manager" shall be the Secretary of the Company.

(a) If for any reason a claim for benefits under this Plan is denied by the Company, the Claims Manager shall deliver to the claimant a written explanation setting forth the specific reasons for the denial, pertinent references to the Plan section on which the denial is based, such other data as may be pertinent and information on the procedures to be followed by the claimant in obtaining a review of his claim, all written in a manner calculated to be understood by the claimant. For this purpose:

- (1) The claimant's claim shall be deemed filed when presented orally or in writing to the Claims Manager.

- (2) The Claims Manager's explanation shall be in writing delivered to the claimant within 90 days of the date the claim is filed.
- (b) The claimant shall have 60 days following his/her receipt of the denial of the claim to file with the Claims Manager a written request for review of the denial. For such review, the claimant or his/her representative may submit pertinent documents and written issues and comments.
- (c) The Claims Manager shall decide the issue on review and furnish the claimant with a copy within 60 days of receipt of the claimant's request for review of his/her claim. The decision on review shall be in writing and shall include

specific reasons for the decision written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If a copy of the decision is not so furnished to the claimant within such 60 days, the claims shall be deemed denied on review.

11. AMENDMENT AND BINDING EFFECT

11.1 This embodies all agreements by the parties made with respect to the Policy. The Agreement shall not be modified or amended except by a writing signed by the parties. The Agreement shall be binding upon the parties, their heirs, legal representatives, successors and assigns.

12. GOVERNING LAW

12.1 This Agreement shall be subject to and shall be construed under the laws of the State of Ohio.

Executed by the parties at Cincinnati, Ohio, as of August 4, 1999.

CHEMED CORPORATION

- - - - -

Witness

By: /s/ David G. Sparks, Vice President

-----  
Signature, Corporate Title

- - - - -

Witness

By: /s/ Alfred E. Heekin, III

-----  
Trustee

## SPLIT DOLLAR AGREEMENT

This Agreement, made on June 1, 1999, by and between Roto-Rooter Services Company ("the Corporation"), an Iowa corporation with offices at 2500 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202 and Spencer S. Lee (the "Employee"), who is an employee of the Corporation.

## 1. PREMISES

1.1 The Employee is a valuable employee of the Corporation. He/she wishes to provide adequate protection for his/her family by insuring his/her life. The Corporation will assist the Employee in providing this insurance coverage by payment of part of the premiums under a split dollar arrangement, whereby the Employee will be the owner of a life insurance policy which will be collaterally assigned to the Corporation as security for amounts the Corporation will contribute for the premium payments.

## 2. APPLICATION FOR INSURANCE

2.1 The Employee has applied to Phoenix Home Life Mutual Insurance Company for an Executive Equity Life Insurance Plan on the life of the Employee for \$1,600,000 ("Policy").

### 3. POLICY OWNERSHIP

3.1 The Employee shall own the Policy and may exercise all rights of ownership with respect to it, subject only to the security interest of the Corporation as expressed in this Agreement and the collateral assignment of the Policy to the Corporation.

### 4. PAYMENT OF PREMIUMS

4.1 On or before the due date of each annual premium on the Policy, the Corporation will pay to Phoenix Home Life Mutual Insurance Company an amount equal to the greater of 80 percent of the annual premium or the annual premium less the economic benefit cost received by the Employee (as measured by the Phoenix Home Life term insurance rates) for the portion of the insurance which the beneficiary or beneficiaries named by the Employee or their transferee would be entitled to receive if the Employee died during the policy year for which the annual premium is paid.

4.2 On or before the due date of each annual premium on the Policy, the Corporation will pay to Phoenix Home Life Mutual Insurance Company,

on behalf of the Employee, the remainder of the annual premium. This payment will constitute compensation to the Employee in the form of a bonus and will be considered paid by the Employee for purposes of the Assignment (as defined in Article 5).

4.3 These premium advances by the Corporation shall apply specifically to annual premiums due under the Policy up to the Employee's age of 65. However, additional premium advances may be made by mutual agreement of the parties.

5. ASSIGNMENT OF POLICY

5.1 The Employee shall collaterally assign the Policy to the Corporation so as to reflect the respective interests of the parties under this Agreement, said collateral assignment ("Assignment") having been executed by the parties on the date of this Split Dollar Agreement, and thus made a part of such Policy and this Agreement.

6. USE OF DIVIDENDS

6.1 The dividends declared by Phoenix Home Life Mutual Insurance Company on the Policy will be

used to purchase Option Term with the balance used to purchase paid-up insurance.

6.2 The dividend option which is specified in paragraph 6.1 of this Article will not be terminated or changed without a conforming amendment to this Agreement and unless such change is done in accordance with the provisions of Part D "Joint Rights" section of the Assignment.

7. SURRENDER OF POLICY

7.1 The Employee shall have the sole and exclusive right to surrender the Policy.

7.2 If the Policy is surrendered, the Employee shall direct the insurance company in writing to draw a check payable to the Corporation in an amount equal to the "Assignee's Cash Value Rights", as defined within the provisions of Part A "Definitions" section of the Assignment.

7.3 If there is a delay in the surrender of the Policy by either party to this Agreement, and if such delay results in diminished policy values being available to either party, neither party to this Agreement shall hold the insurance

company liable for such diminution in Policy values.

8. DEATH CLAIMS

8.1 Upon the death of the Employee, the Corporation shall have an interest in the proceeds of the Policy equal to the "Assignee's Death Benefit Share", as defined within the provisions of Part A "Definitions" section of the Assignment. The balance of proceeds remaining shall be paid directly by the insurance company to the beneficiary or beneficiaries designated in the Policy.

9. TERMINATION OF AGREEMENT

9.1 This Agreement shall terminate upon surrender of the Policy by the Employee or upon thirty (30) days' written notice of termination given by either party to the other by registered mail at the party's last known address.

9.2 Prior to termination of this Agreement, the Employee shall direct the insurance company in writing to draw a check payable to the Corporation for an amount equal to the "Assignee's Cash Value Interest", as defined within the provisions of Part A "Definitions"

section of the Assignment. Upon receipt of this amount, the Corporation shall release the security interest of the Corporation expressed in this Agreement and the Assignment.

10. SPECIAL PROVISIONS

The following provisions are part of this Plan and are intended to meet the requirements of the Employee Retirement Income Security Act of 1974:

- 10.01 - The named fiduciary: The Secretary of the Company
- 10.02 - The funding policy under this Plan is that all premiums on the Policy be remitted to the Insurer when due.
- 10.03 - Direct payment by the Insurer is the basis of payment of benefits under this Plan, with those benefits in turn being based on the payment of premiums as provided in the Plan.
- 10.04 - For claims procedure purposes, the "Claims Manager" shall be the Secretary of the Company.

(a) If for any reason a claim for benefits under this Plan is denied by the Company, the Claims Manager shall deliver to the claimant a written explanation setting forth the specific reasons for the denial, pertinent references to the Plan section on which the denial is based, such other data as may be pertinent and information on the procedures to be followed by the claimant in obtaining a review of his claim, all written in a manner calculated to be understood by the claimant. For this purpose:

(1) The claimant's claim shall be deemed filed when presented orally or in writing to the Claims Manager.

- (2) The Claims Manager's explanation shall be in writing delivered to the claimant within 90 days of the date the claim is filed.
- (b) The claimant shall have 60 days following his/her receipt of the denial of the claim to file with the Claims Manager a written request for review of the denial. For such review, the claimant or his/her representative may submit pertinent documents and written issues and comments.
- (c) The Claims Manager shall decide the issue on review and furnish the claimant with a copy within 60 days of receipt of the claimant's request for review of his/her claim. The decision on review shall be in writing and shall include

specific reasons for the decision written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If a copy of the decision is not so furnished to the claimant within such 60 days, the claims shall be deemed denied on review.

11. AMENDMENT AND BINDING EFFECT

11.1 This embodies all agreements by the parties made with respect to the Policy. The Agreement shall not be modified or amended except by a writing signed by the parties. The Agreement shall be binding upon the parties, their heirs, legal representatives, successors and assigns.

12. GOVERNING LAW

12.1 This Agreement shall be subject to and shall be construed under the laws of the State of Ohio.

Executed by the parties at Cincinnati, Ohio, as of June 1, 1999.

ROTO-ROOTER SERVICES COMPANY

By: /s/ Naomi C. Dallob, Secretary

-----  
Witness

-----  
Signature, Corporate Title

By: /s/ Spencer S. Lee

-----  
Witness

-----  
Employee/Insured

## SPLIT DOLLAR AGREEMENT

This Agreement, made on June 1, 1999, by and between Roto-Rooter Services Company ("the Corporation"), an Iowa corporation with offices at 2500 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202 and Rick L. Arquilla the "Employee"), who is an employee of the Corporation.

## 1. PREMISES

1.1 The Employee is a valuable employee of the Corporation. He/she wishes to provide adequate protection for his/her family by insuring his/her life. The Corporation will assist the Employee in providing this insurance coverage by payment of part of the premiums under a split dollar arrangement, whereby the Employee will be the owner of a life insurance policy which will be collaterally assigned to the Corporation as security for amounts the Corporation will contribute for the premium payments.

## 2. APPLICATION FOR INSURANCE

2.1 The Employee has applied to Phoenix Home Life Mutual Insurance Company for an Executive Equity Life Insurance Plan on the life of the Employee for \$1,520,000 ("Policy").

3. POLICY OWNERSHIP

3.1 The Employee shall own the Policy and may exercise all rights of ownership with respect to it, subject only to the security interest of the Corporation as expressed in this Agreement and the collateral assignment of the Policy to the Corporation.

4. PAYMENT OF PREMIUMS

4.1 On or before the due date of each annual premium on the Policy, the Corporation will pay to Phoenix Home Life Mutual Insurance Company an amount equal to the greater of 80 percent of the annual premium or the annual premium less the economic benefit cost received by the Employee (as measured by the Phoenix Home Life term insurance rates) for the portion of the insurance which the beneficiary or beneficiaries named by the Employee or their transferee would be entitled to receive if the Employee died during the policy year for which the annual premium is paid.

4.2 On or before the due date of each annual premium on the Policy, the Corporation will pay to Phoenix Home Life Mutual Insurance Company,

on behalf of the Employee, the remainder of the annual premium. This payment will constitute compensation to the Employee in the form of a bonus and will be considered paid by the Employee for purposes of the Assignment (as defined in Article 5).

4.3 These premium advances by the Corporation shall apply specifically to annual premiums due under the Policy up to the Employee's age of 65. However, additional premium advances may be made by mutual agreement of the parties.

5. ASSIGNMENT OF POLICY

5.1 The Employee shall collaterally assign the Policy to the Corporation so as to reflect the respective interests of the parties under this Agreement, said collateral assignment ("Assignment") having been executed by the parties on the date of this Split Dollar Agreement, and thus made a part of such Policy and this Agreement.

6. USE OF DIVIDENDS

6.1 The dividends declared by Phoenix Home Life Mutual Insurance Company on the Policy will be

used to purchase Option Term with the balance used to purchase paid-up insurance.

6.2 The dividend option which is specified in paragraph 6.1 of this Article will not be terminated or changed without a conforming amendment to this Agreement and unless such change is done in accordance with the provisions of Part D "Joint Rights" section of the Assignment.

7. SURRENDER OF POLICY

7.1 The Employee shall have the sole and exclusive right to surrender the Policy.

7.2 If the Policy is surrendered, the Employee shall direct the insurance company in writing to draw a check payable to the Corporation in an amount equal to the "Assignee's Cash Value Rights", as defined within the provisions of Part A "Definitions" section of the Assignment.

7.3 If there is a delay in the surrender of the Policy by either party to this Agreement, and if such delay results in diminished policy values being available to either party, neither party to this Agreement shall hold the insurance

company liable for such diminution in Policy values.

8. DEATH CLAIMS

8.1 Upon the death of the Employee, the Corporation shall have an interest in the proceeds of the Policy equal to the "Assignee's Death Benefit Share", as defined within the provisions of Part A "Definitions" section of the Assignment. The balance of proceeds remaining shall be paid directly by the insurance company to the beneficiary or beneficiaries designated in the Policy.

9. TERMINATION OF AGREEMENT

9.1 This Agreement shall terminate upon surrender of the Policy by the Employee or upon thirty (30) days' written notice of termination given by either party to the other by registered mail at the party's last known address.

9.2 Prior to termination of this Agreement, the Employee shall direct the insurance company in writing to draw a check payable to the Corporation for an amount equal to the "Assignee's Cash Value Interest", as defined within the provisions of Part A "Definitions"

section of the Assignment. Upon receipt of this amount, the Corporation shall release the security interest of the Corporation expressed in this Agreement and the Assignment.

10. SPECIAL PROVISIONS

The following provisions are part of this Plan and are intended to meet the requirements of the Employee Retirement Income Security Act of 1974:

- 10.01 - The named fiduciary: The Secretary of the Company
- 10.02 - The funding policy under this Plan is that all premiums on the Policy be remitted to the Insurer when due.
- 10.03 - Direct payment by the Insurer is the basis of payment of benefits under this Plan, with those benefits in turn being based on the payment of premiums as provided in the Plan.
- 10.04 - For claims procedure purposes, the "Claims Manager" shall be the Secretary of the Company.

(a) If for any reason a claim for benefits under this Plan is denied by the Company, the Claims Manager shall deliver to the claimant a written explanation setting forth the specific reasons for the denial, pertinent references to the Plan section on which the denial is based, such other data as may be pertinent and information on the procedures to be followed by the claimant in obtaining a review of his claim, all written in a manner calculated to be understood by the claimant. For this purpose:

- (1) The claimant's claim shall be deemed filed when presented orally or in writing to the Claims Manager.

- (2) The Claims Manager's explanation shall be in writing delivered to the claimant within 90 days of the date the claim is filed.
- (b) The claimant shall have 60 days following his/her receipt of the denial of the claim to file with the Claims Manager a written request for review of the denial. For such review, the claimant or his/her representative may submit pertinent documents and written issues and comments.
- (c) The Claims Manager shall decide the issue on review and furnish the claimant with a copy within 60 days of receipt of the claimant's request for review of his/her claim. The decision on review shall be in writing and shall include

specific reasons for the decision written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If a copy of the decision is not so furnished to the claimant within such 60 days, the claims shall be deemed denied on review.

11. AMENDMENT AND BINDING EFFECT

11.1 This embodies all agreements by the parties made with respect to the Policy. The Agreement shall not be modified or amended except by a writing signed by the parties. The Agreement shall be binding upon the parties, their heirs, legal representatives, successors and assigns.

12. GOVERNING LAW

12.1 This Agreement shall be subject to and shall be construed under the laws of the State of Ohio.

Executed by the parties at Cincinnati, Ohio, as of June 1, 1999.

ROTO-ROOTER SERVICES COMPANY

By: /s/ Naomi C. Dallob, Secretary

-----  
Signature, Corporate Title

-----  
Witness

By: /s/ Rick L. Arguilla

-----  
Employee/Insured

-----  
Witness

## FORM OF PROMISSORY NOTE

\$	Cincinnati	Ohio	January 1, 2000
-----	-----	-----	-----
Amount	City	State	Date

In consideration of value received, the undersigned promises to pay, in lawful money of the United States of America, on demand to the order of Chemed Corporation, a Delaware corporation, at its offices located at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) plus interest.

Interest shall accrue and be payable annually on the last day of each year at the short term semi-annual Applicable Federal Rate as published by the Internal Revenue Service, currently 5.88%, until this Note, together with all accrued interest, be paid in full.

Any payment hereon shall be applied first to the payment of any interest which may then be due and unpaid and the balance thereof to the repayment of the said principal amount.

This Note shall be and become immediately due and payable at the option of the holder without any demand or notice upon the first to occur of the following: (1) the holder deems itself insecure, (2) the death, insolvency, assignment for the benefit of creditors, or the commencement of any bankruptcy or insolvency proceedings of or against the undersigned, (3) any attempted transfer by the undersigned of those shares of Chemed capital stock purchased on the undersigned's behalf through the Executive Stock Ownership Program, or (4) upon termination of employment of the undersigned with Chemed Corporation or its affiliates for any reason.

The undersigned agrees to pay all costs of collection which may be incurred should suit be instituted.

The waiver of any provision, term or condition of this Note shall not be taken to be a waiver of any subsequent breach of the same or any other provision, term or condition.

The undersigned hereby waives presentment, demand, notice of dishonor, protest and notice of nonpayment and protest.

---

Witness:

---

## SCHEDULE TO EXHIBIT 10.35

Employee -----	Title -----	Amount -----
Edward L. Hutton	Chairman, CEO	\$540,006.51
Timothy S. O'Toole	Executive V.P. & Treasurer	360,000.00
Sandra E. Laney	Senior V.P., COA	200,000.00
Thomas C. Hutton	Vice President	184,002.77
James H. Devlin	Vice President	184,002.77
John M. Mount	Vice President	183,997.24
Spencer S. Lee	Vice President	183,997.24
Rick L. Arquilla	President of Roto-Rooter Services Company	99,986.18

CHEMED  
ANNUAL REPORT

1999

PROVIDING ESSENTIAL SERVICES TO HOME OWNERS AND BUSINESSES,  
INDIVIDUALS AND FAMILIES

## CHEMED

Chemed Corporation, headquartered in Cincinnati, is publicly traded on the New York Stock Exchange. Through three wholly owned subsidiaries, Roto-Rooter, Inc., Patient Care, Inc., and Service America Systems, Inc., Chemed offers essential services to home owners and businesses, individuals and families.

## ROTO-ROOTER(R)

Roto-Rooter provides plumbing and drain cleaning services, through both company operations and franchisees, to residential and commercial customers in the United States, Canada, and six overseas territories.

## PATIENT CARE INC.(R)

Patient Care delivers home healthcare services, focusing on personal care provided by its staff of well-trained home health aides.

## SERVICE AMERICA(TM)

Service America markets major-appliance and heating, ventilating, and air-conditioning (HVAC) repair through service contracts and provides repair, replacement, and maintenance on a retail basis as well.

## FINANCIAL REVIEW

## CONTENTS

Statement of Accounting Policies .....	12
Consolidated Statement of Income .....	13
Consolidated Balance Sheet .....	14
Consolidated Statement of Cash Flows .....	15
Consolidated Statement of Changes in Stockholders' Equity .....	16
Consolidated Statement of Comprehensive Income .....	16
Notes to Financial Statements .....	17
Segment Data .....	26
Selected Financial Data .....	28
Supplemental Revenue and Profit Statistics by Business Segment .....	30
Unaudited Summary of Quarterly Results .....	31
Management's Discussion and Analysis of Financial Condition and Results of Operations .....	32

[PricewaterhouseCoopers LLP LOGO]

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Chemed Corporation

In our opinion, the consolidated financial statements appearing on pages 12 through 27 of this report present fairly, in all material respects, the financial position of Chemed Corporation and its subsidiaries ("the Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio  
February 1, 2000

## STATEMENT OF ACCOUNTING POLICIES

Chemed Corporation and Subsidiary Companies

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Chemed Corporation and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

## CASH EQUIVALENTS

Cash equivalents comprise short-term highly liquid investments that have been purchased within three months of their date of maturity.

## OTHER INVESTMENTS

Other investments are recorded at their estimated fair values. In calculating realized gains and losses on the sales of investments, the specific-identification method is used to determine the cost of investments sold.

## INVENTORIES

Inventories are stated at the lower of cost or market. For determining the value of inventories, the first-in, first-out ("FIFO") method is used.

DEPRECIATION AND  
PROPERTIES AND EQUIPMENT

Depreciation of properties and equipment is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs, renewals and betterments that do not materially prolong the useful lives of the assets are expensed as incurred. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected currently in income.

## INTANGIBLE ASSETS

Goodwill and identifiable intangible assets arise from purchase business combinations and are amortized using the straight-line method over the estimated useful lives of the assets, but not in excess of 40 years.

The lives of the Company's gross intangible assets at December 31, 1999, were (in thousands):

1 - 10 years	\$ 5,158
11 - 20 years	3,077
31 - 40 years	200,722

The Company periodically makes an estimation and valuation of the future benefits of its intangible assets based on key financial indicators. If the projected undiscounted cash flows of a major business unit indicate that goodwill or identifiable intangible assets have been impaired, a write-down to fair value is made.

## REVENUE RECOGNITION

Revenues received under prepaid contractual service agreements are recognized on a straight-line basis over the life of the contract. All other service revenues and sales are recognized when the services are provided or the products are delivered.

## COMPUTATION OF EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per share reflect the dilutive impact of the Company's outstanding stock options and nonvested stock awards.

## EMPLOYEE STOCK OWNERSHIP PLANS

Contributions to the Company's Employee Stock Ownership Plans ("ESOP") are based on established debt repayment schedules. Shares are allocated to participants based on the principal and interest payments made during the period. The Company's policy is to record its ESOP expense by applying the transition rule under the level-principal amortization concept.

## STOCK-BASED COMPENSATION PLANS

The Company uses Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, to account for stock-based compensation. Since the Company's stock options qualify as fixed options under APB 25 and since the option price equals the market price on the date of grant, there is no compensation cost recorded for stock options. Restricted stock is recorded as compensation cost over the requisite vesting periods based on the market value on the date of grant.

## ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

affect amounts reported in the financial statements and accompanying notes.  
Actual results could differ from those estimates.

#### RECLASSIFICATIONS

Certain amounts in prior years' financial statements have been reclassified to conform to the 1999 presentation.

## CONSOLIDATED STATEMENT OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data) For the Years Ended December 31,	1999	1998	1997
<hr/>			
Continuing Operations			
Service revenues and sales .....	\$453,593	\$381,283	\$341,729
Cost of services provided and goods sold .....	276,759	237,148	212,647
General and administrative expenses .....	95,683	80,145	76,047
Selling and marketing expenses .....	41,237	33,249	24,931
Depreciation .....	13,129	10,649	8,622
Acquisition expenses (Note 2) .....	--	752	--
Total costs and expenses .....	426,808	361,943	322,247
Income from operations .....	26,785	19,340	19,482
Interest expense .....	(6,858)	(6,793)	(10,552)
Other income--net (Note 4) .....	11,026	19,578	18,951
Income before income taxes .....	30,953	32,125	27,881
Income taxes (Note 5) .....	(11,257)	(12,216)	(10,804)
Income from continuing operations .....	19,696	19,909	17,077
Discontinued Operations (Note 3) .....	--	--	13,160
Net Income .....	\$ 19,696	\$ 19,909	\$ 30,237
	=====	=====	=====
Earnings Per Share			
Income from continuing operations .....	\$ 1.88	\$ 1.98	\$ 1.72
Net income .....	\$ 1.88	\$ 1.98	\$ 3.04
Average number of shares outstanding .....	10,470	10,058	9,940
Diluted Earnings Per Share (Note 13)			
Income from continuing operations .....	\$ 1.87	\$ 1.97	\$ 1.71
Net income .....	\$ 1.87	\$ 1.97	\$ 3.02
Average number of shares outstanding .....	10,514	10,100	10,014
	=====	=====	=====

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

## CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except share and per share data)  
December 31,

1999

1998

## Assets

## Current assets

Cash and cash equivalents (Note 6) .....	\$ 17,282	\$ 41,358
Accounts receivable less allowances of \$4,554 (1998--\$3,601) .....	55,889	45,260
Inventories, primarily general merchandise and finished goods .....	9,794	9,828
Statutory deposits .....	14,254	16,698
Current deferred income taxes (Note 5) .....	9,294	6,807
Other current assets .....	5,289	4,680

Total current assets .....	111,802	124,631
----------------------------	---------	---------

Other investments (Note 12) .....	37,849	55,778
Properties and equipment, at cost less accumulated depreciation (Note 7) .....	71,728	61,721
Identifiable intangible assets less accumulated amortization of \$6,558 (1998--\$5,369) .....	12,597	12,960
Goodwill less accumulated amortization of \$26,545 (1998--\$21,879) .....	163,257	155,965
Other assets .....	24,070	18,649

Total Assets .....	\$421,303	\$429,704
--------------------	-----------	-----------

## Liabilities

## Current liabilities

Accounts payable .....	\$ 11,246	\$ 10,318
Current portion of long-term debt (Note 8) .....	11,719	4,393
Income taxes (Note 5) .....	8,714	12,563
Deferred contract revenue .....	25,630	26,571
Other current liabilities (Note 9) .....	41,119	37,253

Total current liabilities .....	98,428	91,098
---------------------------------	--------	--------

Long-term debt (Note 8) .....	78,580	80,407
Other liabilities (Note 9) .....	32,251	34,843

Total Liabilities .....	209,259	206,348
-------------------------	---------	---------

## Stockholders' Equity

Capital stock--authorized 15,000,000 shares \$1 par; issued 13,664,892 shares (1998--13,605,481 shares) .....	13,665	13,605
Paid-in capital .....	164,549	162,252
Retained earnings .....	144,322	146,961
Treasury stock--3,268,783 shares (1998--3,190,757 shares), at cost .....	(99,437)	(97,237)
Unearned compensation (Note 10) .....	(17,056)	(20,558)
Deferred compensation payable in Company stock (Note 10) .....	5,340	5,071
Accumulated other comprehensive income .....	3,392	13,262
Notes receivable for shares sold (Note 14) .....	(2,731)	--

Total Stockholders' Equity .....	212,044	223,356
----------------------------------	---------	---------

## Commitments and contingencies (Notes 9 and 11)

Total Liabilities and Stockholders' Equity .....	\$421,303	\$429,704
--	-----------	-----------

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	1999	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income .....	\$ 19,696	\$19,909	\$ 30,237
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization .....	20,129	17,284	15,163
Gains on sales of investments .....	(4,661)	(12,589)	(12,235)
Provision for uncollectible accounts receivable .....	2,235	2,452	702
Provision for deferred income taxes .....	128	3,426	(1,820)
Discontinued operations .....	--	--	(13,160)
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Increase in accounts receivable .....	(13,949)	(3,848)	(7,327)
Decrease/(increase) in statutory reserve requirements .....	2,444	(561)	3,825
Increase in inventories and other current assets .....	(541)	(938)	(762)
Increase/(decrease) in accounts payable, deferred contract revenue and other current liabilities .....	5,094	(4,593)	2,209
Increase/(decrease) in income taxes .....	(3,108)	475	7,565
Other--net .....	75	(239)	(650)
Net cash provided by continuing operations .....	27,542	20,778	23,747
Net cash provided by discontinued operations .....	--	--	9,699
Net cash provided by operating activities .....	27,542	20,778	33,446
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures .....	(22,411)	(21,997)	(20,117)
Business combinations, net of cash acquired (Note 2) .....	(15,518)	(14,843)	(14,669)
Proceeds from sales of investments .....	7,701	14,963	14,060
Net proceeds from discontinued operations (Note 3) .....	(2,533)	(5,607)	154,691
Investing activities of discontinued operations .....	--	--	(6,792)
Purchase of Roto-Rooter minority interest .....	(1,708)	(1,556)	(2,734)
Other--net .....	2,295	3,794	1,514
Net cash provided/(used) by investing activities .....	(32,174)	(25,246)	125,953
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid .....	(22,456)	(21,674)	(21,000)
Proceeds from issuance of long-term debt (Note 8) .....	10,000	--	35,000
Repayment of long-term debt (Note 8) .....	(2,982)	(2,891)	(96,487)
Acquisition of shares for stock purchase plan .....	(2,731)	--	--
Purchases of treasury stock .....	(1,724)	(399)	--
Prepayment of ESOP debt (Note 10) .....	--	--	(16,201)
Decrease in bank notes and loans payable .....	--	--	(5,000)
Other-net .....	449	(168)	1,219
Net cash used by financing activities .....	(19,444)	(25,132)	(102,469)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .....	(24,076)	(29,600)	56,930
Cash and cash equivalents at beginning of year .....	41,358	70,958	14,028
Cash and cash equivalents at end of year .....	\$ 17,282	\$ 41,358	\$ 70,958

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of this statement.

CONSOLIDATED STATEMENT OF CHANGES  
IN STOCKHOLDERS' EQUITY  
Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

	CAPITAL STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK-- AT COST
Balance at December 31, 1996	\$ 12,768	\$ 150,296	\$ 139,262	\$(82,943)
Net income	--	--	30,237	--
Dividends paid (\$2.09 per share)	--	--	(21,000)	--
Other comprehensive income	--	--	--	--
Decrease in unearned compensation (Note 10)	--	--	--	--
Stock awards and exercise of stock options (Note 14)	252	8,558	--	(5,120)
Other	--	(369)	181	--
Balance at December 31, 1997	13,020	158,485	148,680	(88,063)
Net income	--	--	19,909	--
Dividends paid (\$2.12 per share)	--	--	(21,674)	--
Other comprehensive income	--	--	--	--
Decrease in unearned compensation (Note 10)	--	--	--	--
Reclassification of employee benefit trust liabilities/(assets)	--	--	--	(5,345)
Pooling of interests (Note 2)	469	200	(104)	--
Purchases of treasury stock	--	--	--	(399)
Stock awards and exercise of stock options (Note 14)	118	4,266	--	(3,581)
Other	(2)	(699)	150	151
BALANCE AT DECEMBER 31, 1998	13,605	162,252	146,961	(97,237)
NET INCOME	--	--	19,696	--
DIVIDENDS PAID (\$2.12 PER SHARE)	--	--	(22,456)	--
OTHER COMPREHENSIVE INCOME	--	--	--	--
DECREASE IN UNEARNED COMPENSATION (NOTE 10)	--	--	--	--
SALE OF SHARES FOR NOTES	--	--	--	2,731
PURCHASES OF TREASURY STOCK	--	--	--	(4,455)
STOCK AWARDS (NOTE 14)	54	1,690	--	(326)
OTHER	6	607	121	(150)
BALANCE AT DECEMBER 31, 1999	\$ 13,665	\$ 164,549	\$ 144,322	\$(99,437)

	UNEARNED COMPEN- SATION	DEFERRED COMPENSATION PAYABLE IN COMPANY STOCK	ACCUMULATED OTHER COM- PREHENSIVE INCOME	NOTES RECEIVABLE FOR SHARES SOLD	TOTAL
Balance at December 31, 1996	\$(27,554)	\$ --	\$ 26,062	\$ --	\$ 217,891
Net income	--	--	--	--	30,237
Dividends paid (\$2.09 per share)	--	--	--	--	(21,000)
Other comprehensive income	--	--	(6,105)	--	(6,105)
Decrease in unearned compensation (Note 10)	5,788	--	--	--	5,788
Stock awards and exercise of stock options (Note 14)	(2,193)	--	--	--	1,497
Other	--	--	--	--	(188)
Balance at December 31, 1997	(23,959)	--	19,957	--	228,120
Net income	--	--	--	--	19,909
Dividends paid (\$2.12 per share)	--	--	--	--	(21,674)
Other comprehensive income	--	--	(6,695)	--	(6,695)
Decrease in unearned compensation (Note 10)	3,934	--	--	--	3,934
Reclassification of employee benefit trust liabilities/(assets)	--	5,345	--	--	--
Pooling of interests (Note 2)	--	--	--	--	565
Purchases of treasury stock	--	--	--	--	(399)
Stock awards and exercise of stock options (Note 14)	(533)	--	--	--	270
Other	--	(274)	--	--	(674)
BALANCE AT DECEMBER 31, 1998	(20,558)	5,071	13,262	--	223,356
NET INCOME	--	--	--	--	19,696
DIVIDENDS PAID (\$2.12 PER SHARE)	--	--	--	--	(22,456)
OTHER COMPREHENSIVE INCOME	--	--	(9,870)	--	(9,870)

DECREASE IN UNEARNED					
COMPENSATION (NOTE 10) .....	4,498	--	--	--	4,498
SALE OF SHARES FOR NOTES .....	--	--	--	(2,731)	--
PURCHASES OF TREASURY STOCK .....	--	--	--	--	(4,455)
STOCK AWARDS (NOTE 14) .....	(996)	--	--	--	422
OTHER .....	--	269	--	--	853
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999 .....	<u>\$ (17,056)</u>	<u>\$ 5,340</u>	<u>\$ 3,392</u>	<u>\$ (2,731)</u>	<u>\$ 212,044</u>
	=====	=====	=====	=====	=====

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,

	1999	1998	1997
Net income .....	\$19,696	\$19,909	\$30,237
Other comprehensive income net of income tax:			
Unrealized holding gains/(losses) arising during the period .....	(6,910)	1,250	1,547
Less reclassification adjustment for gains included in net income ...	(2,960)	(7,945)	(7,652)
Total .....	(9,870)	(6,695)	(6,105)
Comprehensive income .....	<u>\$ 9,826</u>	<u>\$13,214</u>	<u>\$24,132</u>
	=====	=====	=====

The Statement of Accounting Policies and the accompanying Notes to Financial Statements are integral parts of these statements.

## NOTES TO FINANCIAL STATEMENTS

## Chemed Corporation and Subsidiary Companies

1. SEGMENTS AND NATURE  
OF THE BUSINESS

Chemed is a diversified public corporation with strategic positions in plumbing, drain cleaning, and heating, ventilating and air conditioning ("HVAC") services (Roto-Rooter); home healthcare services (Patient Care); and residential appliance and air conditioning repair services (Service America). Relative contributions to aftertax segment earnings were 72%, 16% and 12% in 1999, respectively.

The business segments are defined as follows:

o The Roto-Rooter segment includes the combined operations of the Roto-Rooter Group ("Roto-Rooter"), a group of wholly owned businesses that provide repair and maintenance services to residential and commercial accounts. Such services include plumbing; sewer, drain and pipe cleaning; and HVAC services. They are delivered through company-owned, contractor-operated and franchised locations. Roto-Rooter also manufactures and sells products and equipment used to provide such services.

o The Patient Care segment includes the consolidated operations of the wholly owned businesses comprising the Patient Care Group ("Patient Care"), which offers complete, professional home-healthcare services primarily in the New York-New Jersey-Connecticut area. Services provided include skilled nursing; home health aid; physical, speech, respiratory and occupational therapies; medical social work; and nutrition.

o The Service America segment includes the consolidated operations of the wholly owned businesses comprising the Service America Systems Group ("Service America"). The group provides HVAC and appliance repair and maintenance services primarily to residential customers through service contracts and retail sales. In addition, Service America sells air conditioning equipment and duct cleaning services.

Substantially all of the Company's service revenues and sales from continuing operations are generated from business within the United States. Within the Patient Care segment, balances due from the U.S. federal government at December 31, 1999, accounted for approximately 13% of the Company's consolidated accounts receivable balance. No other single customer's balance at December 31, 1999, accounted for more than 10% of the Company's consolidated accounts receivable balance. In addition, substantially all of Patient Care's accounts receivable at December 31, 1999 (\$31.8 million), was generated from customers located in the northeastern United States.

Management closely monitors accounts receivable balances and has established policies regarding the extension of credit and compliance therewith. The Patient Care segment historically has experienced a relatively low level of losses on the collection of its receivables.

Approximately 36% of Patient Care's net revenues are derived from services provided directly to patients with coverage under the federal government's Medicare program or under joint federal-and-state-sponsored Medicaid programs. In addition, 34% of Patient Care's revenues arise from contracts with other certified home-health agencies to provide services to recipients under these entitlement programs.

Financial data by business segment shown on pages 26 and 27 of this annual report are integral parts of these financial statements.

## 2. BUSINESS COMBINATIONS

During 1999, 10 purchase business combinations were completed within the Roto-Rooter, Patient Care and Service America segments for aggregate purchase prices of \$15.5 million in cash.

During 1998, 16 purchase business combinations were completed within the Roto-Rooter, Patient Care and Service America segments for aggregate purchase prices of \$18.6 million in cash. In addition, two pooling-of-interests business combinations were completed within the Roto-Rooter segment upon the issuance of 469,560 shares of Chemed Capital Stock. Also, during 1997, 12 purchase business combinations were completed within the Roto-Rooter and Patient Care segments for aggregate purchase prices of \$12.7 million in cash.

All of the aforementioned Roto-Rooter business combinations involved operations primarily in the business of providing plumbing repair, HVAC and drain cleaning services. All of the Patient Care acquisitions involved operations primarily in the business of providing home healthcare services, and the Service America acquisitions provide HVAC and appliance repair and maintenance services.

The unaudited pro forma results of operations, assuming purchase business combinations completed in 1999, 1998 and 1997 were completed on January 1 of the preceding year, are presented below (in thousands, except per share data):

Continuing Operations	For the Years Ended December 31,		
	1999	1998	1997
Service revenues and sales	\$458,578	\$409,935	\$383,203
Income from continuing operations	20,017	21,202	19,590
Earnings per share	1.91	2.11	1.97
Diluted earnings per share	1.90	2.10	1.96

The excess of the purchase price over the fair value of the net assets acquired in purchase business combinations is classified as goodwill. A summary of net assets acquired in purchase business combinations follows (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Working capital	\$ 2,935	\$ 1,038	\$ 2,961
Identifiable intangible assets	765	485	1,105
Goodwill	11,893	17,294	11,449
Other assets and liabilities--net	(75)	(307)	(827)
Total net assets	15,518	18,510	14,688
Less--cash and cash equivalents acquired	--	(767)	(19)
--present value of deferred payments	--	(2,900)	--
Net cash used	\$ 15,518	\$ 14,843	\$ 14,669

The combined impact of the two pooling-of-interests transactions on the Company's historical consolidated financial statements was not material; consequently, prior-period financial statements were not restated for these transactions. The results of operations of all business combinations have been included in the Company's consolidated financial statements from the effective date of each combination.

In connection with the pooling-of-interests transactions in 1998, the Company incurred expenses aggregating \$752,000 (\$495,000 aftertax or \$.05 per share).

### 3. DISCONTINUED OPERATIONS

Effective September 20, 1997, the Company sold all of the wholly owned businesses comprising The Omnia Group ("Omnia") to Banta Corporation for \$50.7 million in cash plus deferred payments with a present value of \$1.5 million. The Company recognized a loss of \$19.2 million (net of income tax benefit of \$1.2 million) on the sale of Omnia.

On September 30, 1997, Chemed's 81%-owned subsidiary, National Sanitary Supply Company ("National"), was merged with TFBD Inc., a wholly owned subsidiary of Unisource Worldwide Inc. ("Unisource"). In exchange for its ownership interest in National, Chemed received \$120.2 million in cash. In addition, Unisource repaid approximately \$18.1 million of intercompany borrowings owed to Chemed by National. The Company recognized a gain of \$28.7 million (net of income taxes of \$32.4 million) on the sale of National.

During 1997, combined revenues, income before income taxes and net income of National and Omnia were \$285,055,000, \$5,519,000 and \$3,069,000, respectively. The Company recorded an aftertax net gain on the sale of National and Omnia of \$9,493,000 and accrual adjustments aggregating \$598,000 relating to operations discontinued in 1991.

### 4. OTHER INCOME--NET

Other income--net comprises the following (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997

Gain on sales of investments	\$ 4,661	\$ 12,589	\$ 12,235
Dividend income	2,626	2,822	2,920
Unrealized gains/(losses) on investments	1,966	(266)	--
Interest income	1,589	4,049	3,687
Other--net	184	384	109
	-----	-----	-----
Total other income --net	\$ 11,026	\$ 19,578	\$ 18,951
	=====	=====	=====

## 5. INCOME TAXES

The provision for income taxes comprises the following (in thousands):

Continuing Operations	For the Years Ended December 31,		
	1999	1998	1997
Current			
U.S. federal	\$ 9,024	\$ 7,457	\$ 9,752
U.S. state and local	1,917	1,213	1,985
Foreign	188	120	245
Deferred			
U.S. federal	171	3,432	(971)
Foreign	(43)	(6)	(207)
Total	<u>\$ 11,257</u>	<u>\$ 12,216</u>	<u>\$ 10,804</u>
Discontinued Operations			
Current			
U.S. federal	\$ (770)	\$ 237	\$ 26,853
U.S. state and local	--	--	5,807
Deferred U.S. federal	770	(237)	(54)
Total	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 32,606</u>

A summary of the significant temporary differences that give rise to deferred income tax assets/(liabilities) follows (in thousands):

	December 31,	
	1999	1998
Accruals related		
to discontinued operations	\$ 6,337	\$ 6,958
Deferred compensation	5,656	4,598
Accrued insurance expense	4,667	4,491
Accrued state taxes	1,932	--
Allowances for uncollectible		
accounts receivable	1,601	1,264
Amortization of intangibles	1,262	1,827
Severance payments	963	1,562
Other	3,519	3,145
Gross deferred income		
tax assets	<u>25,937</u>	<u>23,845</u>
Accelerated tax depreciation	(6,045)	(4,649)
Market valuation of investments	(2,259)	(7,097)
Cash to accrual adjustments	(2,123)	(1,601)
Other	(1,788)	(1,756)
Gross deferred income		
tax liabilities	<u>(12,215)</u>	<u>(15,103)</u>
Net deferred income		
tax assets	<u>\$ 13,722</u>	<u>\$ 8,742</u>

Included in other assets at December 31, 1999, are deferred income tax assets of \$4,428,000 (December 31, 1998--\$1,935,000). Based on the Company's history of prior operating earnings and its expectations for future growth, management has determined that the operating income of the Company will, more likely than not, be sufficient to ensure the full realization of the deferred income tax assets.

The difference between the effective tax rate for continuing operations and the statutory U.S. federal income tax rate is explained as follows:

	For the Years Ended December 31,		
	1999	1998	1997
Statutory U.S. federal			
income tax rate	35.0%	35.0%	35.0%
Nondeductible amortization			
of goodwill	4.5	4.2	5.0
State and local income taxes,			
less federal income tax			

benefit	4.0	2.4	4.6
Domestic dividend exclusion	(2.3)	(2.2)	(2.6)
Tax adjustments related to finalization of prior years' audits	(1.7)	--	--
Tax benefit on dividends paid to ESOPs	(1.3)	(1.3)	(2.6)
Other--net	(1.8)	(.1)	(.6)
	----	----	----
Effective tax rate	36.4%	38.0%	38.8%
	=====	=====	=====

Income taxes included in the components of other comprehensive income are as follows (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
	-----	-----	-----
Unrealized holding gains/(losses)	\$(3,721)	\$ 673	\$ 833
Reclassification adjustment	(1,701)	(4,644)	(4,583)

The total amount of income taxes paid during the year ended December 31, 1999, was \$13,982,000 (1998--\$8,069,000; 1997--\$36,849,000).

## 6. CASH EQUIVALENTS

Included in cash and cash equivalents at December 31, 1999, are cash equivalents in the amount of \$14,514,000 (1998--\$38,330,000). The cash equivalents at both dates consist of investments in various money market funds and repurchase agreements yielding interest at a weighted average rate of 2.5% in 1999 and 4.8% in 1998.

From time to time throughout the year, the Company invests its excess cash in repurchase agreements directly with major commercial banks. The collateral is not physically held by the Company, but the term of such repurchase agreements is less than 10 days. Investments of significant amounts are spread among a number of banks, and the amounts invested in each bank are varied constantly.

## 7. PROPERTIES AND EQUIPMENT

A summary of properties and equipment follows (in thousands):

	December 31,	
	1999	1998
Land	\$ 2,245	\$ 2,243
Buildings	17,822	16,205
Transportation equipment	37,549	30,246
Machinery and equipment	28,471	24,867
Furniture and fixtures	35,116	30,670
Projects under construction	5,935	1,940
	-----	-----
Total properties and equipment	127,138	106,171
Less accumulated depreciation	(55,410)	(44,450)
	-----	-----
Net properties and equipment	\$ 71,728	\$ 61,721
	=====	=====

## 8. LONG-TERM DEBT AND LINES OF CREDIT

A summary of the Company's long-term debt follows (in thousands):

	December 31,	
	1999	1998
Senior notes:		
8.15%, due 2000 - 2004	\$ 50,000	\$50,000
7.31%, due 2005 - 2009	25,000	25,000
10.67%, due 1999 - 2003	4,000	5,000
Revolving Credit Agreement:		
6.33%, due 2001	10,000	--
Employee Stock Ownership Plans loan guarantees:		
8.14% (1998--7.50%), due 1999 - 2000	568	2,494
Other	731	2,306
	-----	-----
Subtotal	90,299	84,800
Less current portion	(11,719)	(4,393)
	-----	-----
Long-term debt, less current portion	\$ 78,580	\$80,407
	=====	=====

## SENIOR NOTES

In March 1997, the Company borrowed \$25,000,000 from several insurance companies. Principal is repayable in five annual installments of \$5,000,000 beginning on March 15, 2005, and bears interest at the rate of 7.31% per annum. Interest is payable on March 15 and September 15 of each year.

In December 1992, the Company borrowed \$50,000,000 from several insurance companies. Principal is repayable in five annual installments of \$10,000,000 beginning on December 15, 2000, and bears interest at the rate of 8.15% per annum. Interest is payable on June 15 and December 15 of each year.

In November 1988, the Company borrowed \$11,000,000 from a consortium of insurance companies. Annual installments of \$1,000,000 were due and paid November 1, 1993 through 1999. The remaining \$4,000,000 bears interest at the rate of 10.67% with annual principal payments of \$1,000,000 due on November 1, 2000 through 2003. Interest is payable on May 1 and November 1 of each year.

## REVOLVING CREDIT AGREEMENT AND LINES OF CREDIT

In June 1996, the Company entered into an amended revolving credit agreement with Bank of America National Trust and Savings Association to borrow up to \$85,000,000 at any time during the five-year period ending June 20, 2001. Unpaid principal, which amounts to \$10,000,000 at December 31, 1999, is due on June 20, 2001. The interest rate is based on various stipulated market rates of interest.

In addition, the Company had approximately \$26,600,000 of unused short-term lines of credit with various banks at December 31, 1999.

## EMPLOYEE STOCK OWNERSHIP PLANS ("ESOPs") LOAN GUARANTEES

The Company has guaranteed ESOP loans made by various institutional lenders. Payments by the ESOPs, including both principal and interest, are due on March 31 and June 30, 2000. The loans are secured in part by the unallocated shares of the Company's capital stock held by the ESOP trusts. Interest rates are subject to adjustments for changes in rates of specified U.S. Treasury obligations, U.S. federal statutory income tax rates and certain federal tax law changes.

The market value of the unallocated shares of the Company's capital stock held by the ESOPs at December 31, 1999, based on that day's closing price of \$28.63, was \$8,479,000 as compared with aggregate loan guarantees of \$568,000.

## OTHER

Other long-term debt has arisen from the assumption of loans in connection with various acquisitions. Interest rates range from 7% to 9%, and the obligations are due on various dates through 2009.

The following is a schedule by year of required long-term debt payments as of December 31, 1999 (in thousands):

2000	\$11,719
2001	21,129
2002	11,078
2003	11,059
2004	10,059
After 2004	25,255
	-----
Total long-term debt	\$90,299
	=====

The various loan agreements contain certain covenants which could restrict the amount of cash dividend payments, net rental payments, treasury stock purchases and certain other transactions of the Company. The Company does not anticipate that the restrictions imposed by the agreements will materially restrict its future operations or ability to pay dividends.

The total amount of interest paid during the year ended December 31, 1999, was \$6,706,000 (1998--\$6,994,000; 1997--\$9,949,000). Total interest capitalized during the year ended December 31, 1999, was \$927,000 (1998--\$308,000; 1997--nil).

## 9. OTHER LIABILITIES

At December 31, 1999, other current liabilities included accrued insurance liabilities of \$14,336,000 and accrued wages of \$5,888,000 (1998--\$12,600,000 and \$5,408,000, respectively). Other liabilities at December 31, 1999, include deferred compensation liabilities totaling \$12,896,000 (1998--\$9,993,000).

At December 31, 1999, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois Chemicals Inc. ("DuBois") amounts to \$4,157,000. Of this balance, \$3,657,000 is included in other liabilities and \$500,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of \$16,890,000. On the basis of a continuing evaluation of the Company's potential liability by the Company's environmental adviser, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

## 10. PENSION AND RETIREMENT PLANS

Retirement obligations under various plans cover substantially all full-time employees who meet age and/or service eligibility requirements. The major plans providing retirement benefits to the Company's employees are defined contribution plans.

The Company has established two ESOPs which purchased a total of \$56,000,000 of the Company's capital stock. Until December 1997, the ESOPs were financed by loans from banks and insurance companies, and payment was guaranteed by the Company. Due to the sales of Omnia and National in 1997, the Company restructured the ESOPs and internally financed approximately \$16.2 million of the \$21.8 million ESOP loans outstanding at December 31, 1997. Prior to September 30, 1997, substantially all Chemed headquarters and Omnia employees and substantially all employees of National not covered by collective bargaining agreements were participants in the ESOPs. Beginning January 1, 1998, eligible employees of Roto-Rooter began to participate in the ESOPs. Eligible employees of Roto-Rooter and Patient Care are also covered by other defined contribution plans.

Expenses charged to continuing operations for the Company's pension and profit-sharing plans, ESOPs, excess benefit plans and other similar plans comprise the following (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
ESOPs:			
Interest expense	\$ 23	\$ 173	\$ 336
Compensation cost	1,057	1,038	1,426
Pension, profit-sharing and other similar plans	7,255	3,471	3,586
Total	\$8,335	\$4,682	\$5,348
Dividends on ESOP shares used for debt service	\$1,502	\$1,643	\$2,570

At December 31, 1999, there were 401,282 allocated shares (December 31, 1998--356,915 shares) and 296,157 unallocated shares (December 31, 1998--376,346 shares) in the ESOP trusts.

The Company has an excess benefit plan for key employees whose participation in the ESOPs is limited by ERISA rules. Benefits are determined based on theoretical participation in the qualified ESOPs. Prior to September 1, 1998, the value of these benefits was invested in shares of the Company's stock and in mutual funds, which were held by grantor trusts. Beginning September 1, 1998, current benefits are invested in only mutual funds and participants are not permitted to diversify accumulated benefits which have been invested in shares of the Company's stock. At December 31, 1999, the trusts' assets invested in shares of the Company's capital stock are included in treasury stock, and the corresponding liability is included in a separate component of shareholders' equity. The assets of these excess benefit plans and of Roto-Rooter and Service America excess benefits plans, all of which are invested in various mutual funds, are included in other assets, and the corresponding liabilities are included in other liabilities. At December 31, 1999, these trusts held 156,852 shares of the Company's stock (December 31, 1998--147,310 shares).

## 11. LEASE ARRANGEMENTS

The Company, as lessee, has operating leases which cover its corporate office headquarters; various plant, warehouse and office facilities; office equipment; and transportation equipment. The remaining terms of these leases range from one year to eight years, and in most cases, management expects that these leases will be renewed or replaced by other leases in the normal course of business. All major plants and warehouses and substantially all equipment are owned by the Company.

The following is a summary of future minimum rental payments and sublease rentals to be received under operating leases that have initial or remaining noncancelable terms in excess of one year at December 31, 1999 (in thousands):

2000	\$ 8,760
2001	7,811
2002	6,884
2003	5,750
2004	5,122
After 2004	7,265
Total minimum rental payments	41,592
Less minimum sublease rentals	(4,781)
Net minimum rental payments	\$36,811

## Chemed Corporation and Subsidiary Companies

Total rental expense incurred under operating leases for continuing operations follows (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Total rental payments	\$ 12,265	\$ 9,540	\$ 9,993
Less sublease rentals	(1,914)	(1,602)	(2,426)
Net rental expense	\$ 10,351	\$ 7,938	\$ 7,567

## 12. FINANCIAL INSTRUMENTS

The following methods and assumptions are used in estimating the fair value of each class of the Company's financial instruments:

- o For cash and cash equivalents, accounts receivable, statutory deposits and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments.
- o For other investments and other assets, fair value is based upon quoted market prices for these or similar securities, if available. Included in other investments, below, is the Company's investment in privately held Vitas Healthcare Corporation ("Vitas"), which provides noncurative care to chronically ill patients. Since it is not considered practicable to obtain an appraisal of the value of Vitas Common Stock Purchase Warrants ("Warrants"), it has been assumed that the market value of the Warrants is equal to book value at December 31, 1999, and December 31, 1998 (\$1,500,000). The value of the Vitas 9% Cumulative Preferred Stock ("Preferred") is based on the present value of the mandatory redemption payments, using an interest rate of 9.0%, a rate which management believes is reasonable in view of risk factors attendant to the investment. During 1998, the Company and Vitas agreed to extend the redemption date of the Preferred to April 1, 2000. It is considered reasonably possible that the redemption date will again be extended in the year 2000.
- o The fair value of the Company's long-term debt is estimated by discounting the future cash outlays associated with each debt instrument using interest rates currently available to the Company for debt issues with similar terms and remaining maturities.

The estimated fair values of the Company's financial instruments are as follows (in thousands):

December 31,	Carrying Amount	Fair Value
1999		
OTHER INVESTMENTS(a)	\$37,849	\$37,489
LONG-TERM DEBT	90,299	89,680
1998		
Other investments(a)	\$55,778	\$55,778
Long-term debt	84,800	90,058

(a) Amounts include \$27,243,000 invested in the Preferred, which is recorded in other investments.

The Company has classified its investments in equity securities and certain debt securities as either trading or available-for-sale. The trading category includes those investments which are held principally for sale in the near term. All other investments are classified in the available-for-sale category. Investments included in cash equivalents are considered to be trading securities, and all other investments are considered to be available-for-sale.

Disclosures regarding the Company's investments, all of which are equity securities classified as available-for-sale, are summarized below (in thousands):

	December 31,	
	1999	1998
Aggregate fair value	\$37,849	\$55,778

Gross unrealized holding gains	5,290	20,466
Gross unrealized holding losses	70	60
Amortized cost	32,629	35,372

The chart below summarizes information with respect to available-for-sale securities sold during the period (in thousands):

	For the Years Ended December 31,		
	1999	1998	1997
Proceeds from sale	\$ 7,701	\$14,963	\$14,060
Gross realized gains	4,675	12,857	12,248
Gross realized losses	14	268	13

## 13. EARNINGS PER SHARE

Diluted earnings per share were calculated as follows (in thousands, except per share data):

For the Years Ended December 31, -----	Income from Continuing Operations			Net Income		
	Income (Numerator)	Shares (Denominator)	Income Per Share	Income (Numerator)	Shares (Denominator)	Income Per Share
1999						
Earnings	\$19,696	10,470	\$1.88 =====	\$19,696	10,470	\$1.88 =====
Nonvested stock awards	--	43		--	43	
Dilutive stock options	--	1		--	1	
Diluted earnings	\$19,696 =====	10,514 =====	\$1.87 =====	\$19,696 =====	10,514 =====	\$1.87 =====
1998						
Earnings	\$19,909	10,058	\$1.98 =====	\$19,909	10,058	\$1.98 =====
Nonvested stock awards	--	37		--	37	
Dilutive stock options	--	5		--	5	
Diluted earnings	\$19,909 =====	10,100 =====	\$1.97 =====	\$19,909 =====	10,100 =====	\$1.97 =====
1997						
Earnings	\$17,077	9,940	\$1.72 =====	\$30,237	9,940	\$3.04 =====
Nonvested stock awards	--	34		--	34	
Dilutive stock options	--	40		--	40	
Subsidiary stock options	--	--		(10)	--	
Diluted earnings	\$17,077 =====	10,014 =====	\$1.71 =====	\$30,227 =====	10,014 =====	\$3.02 =====

Earnings per share and diluted earnings per share from discontinued operations in 1997 were \$1.32 and \$1.31, respectively.

During 1999, the following options, whose exercise prices were greater than the average market price during most of the year (and therefore excluded from the computation of diluted earnings per share), were outstanding at December 31, 1999:

Grant Date -----	Number of Options -----	Exercise Price -----
May 1999	497,625	\$32.19
May 1997	171,688	35.94
March 1998	165,112	39.13
May 1996	162,793	38.75
May 1995	89,713	32.19
February 1995	68,000	33.63
March 1994	37,925	32.13
April 1998	12,000	40.53
May 1998	1,750	37.78

During 1998, the following options, whose exercise prices were greater than the average market price during the last six months of the year (and therefore excluded from the computation of diluted earnings per share), were outstanding at December 31, 1998:

Grant Date -----	Number of Options -----	Exercise Price -----
May 1997	196,063	\$35.94
March 1998	179,600	39.13
May 1996	164,150	38.75
April 1998	14,000	40.53
May 1998	2,000	37.78

During 1997, all stock options outstanding were dilutive at some time during the year.

## 14. STOCK INCENTIVE PLANS

The Company has eight Stock Incentive Plans under which 2,850,000 shares of Chemed Capital Stock are issued to key employees pursuant to the grant of stock awards and/or options to purchase such shares. All options granted under these plans provide for a purchase price equal to the market value of the stock at the date of grant. Two plans, covering a total of 700,000 shares, were adopted in

May 1999.

Under the plan adopted in 1983, both nonstatutory and incentive stock options have been granted. Incentive stock options granted under the 1983 plan become exercisable in full six months following the date of the grant; nonstatutory options granted under the 1983 plan become exercisable in four annual installments commencing six months after the date of grant. Under the Long Term Incentive Plan, adopted in 1999, up to 250,000 shares may be issued to employees who are not officers or directors of the Company or its subsidiaries.

The other plans are not qualified, restricted or incentive stock option plans under the Internal Revenue Code. Options generally become exercisable six months following the date of grant in either three or four equal annual installments.

Data relating to the Company's capital stock issued to employees follow:

	1999		1998		1997	
	NUMBER OF SHARES	AVERAGE PRICE	Number of Shares	Average Price	Number of Shares	Average Price
Stock options:						
Outstanding at January 1.....	772,001	\$ 36.31	680,013	\$ 34.93	644,025	\$ 33.70
Granted.....	510,650	32.19	199,250	39.23	212,800	35.94
Exercised.....	--	--	(93,599)	32.43	(166,712)	31.45
Forfeited.....	(55,895)	36.10	(13,663)	36.87	(10,100)	34.94
Outstanding at December 31.....	1,226,756	34.60	772,001	36.31	680,013	34.93
Exercisable at December 31.....	722,375	35.21	482,746	35.29	369,279	34.03
Stock awards issued.....	57,816	31.38	25,039	39.65	86,149	35.48

The weighted average contractual life of options outstanding at December 31, 1999, was 7.7 years. The range of exercise prices for these options was from \$21.94 to \$40.53. At December 31, 1999, there were 310,906 shares available for granting of stock options and awards.

Total compensation cost recognized for stock awards for continuing operations was \$1,620,000 in 1999 (1998--\$1,309,000; 1997--\$886,000). The shares of capital stock were issued to key employees and directors at no cost and generally are restricted as to the transfer of ownership. Restrictions covering between 7% and 33% of each holder's shares lapse annually.

Statement of Financial Accounting Standards No.123, Accounting for Stock-Based Compensation, requires the presentation of pro forma data assuming all options granted after December 31, 1994, are recorded at fair value. Summarized below are pro forma data developed by applying the Black-Scholes valuation method to the Company's stock options (in thousands, except per share data):

Pro Forma Results	For the Years Ended December 31,		
	1999	1998	1997
Net income	\$ 18,972	\$ 19,138	\$ 29,802
Earnings per share	1.81	1.90	3.00
Diluted earnings per share	1.80	1.89	2.98
Per share average fair value of options granted	3.43	5.21	5.74
Assumptions			
Average risk-free interest rate	5.8%	5.6%	6.6%
Expected volatility	19.7	19.0	21.4
Expected life of options	6 yrs.	6 yrs.	6 yrs.

For all periods, it was assumed that the annual dividend would be increased \$.01 per share per quarter in the fourth quarter of every odd-numbered year. This assumption was based on the facts and circumstances which existed at the time options were granted and should not be construed to be an indication of future dividend amounts to be paid.

In view of the fact that the fair value method of accounting is applied to option grants only after 1994, the above pro forma data do not reflect the full impact of applying such fair value method to all of Chemed's stock options.

During 1999, the Company purchased 101,500 shares of its capital stock in open-market transactions and sold these shares to certain employees at fair market value in exchange for interest-bearing notes secured by the shares. The outstanding principal of \$2,731,000 at December 31, 1999, is classified as a reduction of stockholders' equity.

#### 15. SUBSEQUENT EVENT

In December 1999, the Company commenced an Exchange Offer whereby stockholders were permitted to exchange up to 2,000,000 shares of capital stock for Convertible Trust Preferred Securities ("Trust Securities") on a one-for-one basis. When the Exchange Offer expired on January 31, 2000, approximately 576,000 capital shares were exchanged for Trust Securities with a redemption value of approximately \$15.5 million.

The Trust Securities pay an annual cash distribution of \$2.00 per security

(payable at the quarterly rate of \$.50 per security commencing in March 2000) and are convertible into capital stock at a price of \$37 per security. The Trust Securities mature in 30 years and are callable after three years.

The impact of the Exchange Offer on earnings per share is not material.

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,

1999

1998

1997

Revenues by Type of Service

Roto-Rooter

Plumbing repair and maintenance .....	\$102,218	\$ 80,150	\$ 59,986
Sewer and drain cleaning .....	96,629	75,599	66,843
HVAC repair and maintenance .....	14,928	12,164	5,334
Industrial and municipal sewer and drain cleaning .....	11,857	10,527	9,028
Other products and services .....	17,187	13,610	12,692

Total Roto-Rooter ..... 242,819 192,050 153,883

Patient Care

Home health aides .....	90,580	85,732	86,038
Registered nurses .....	19,900	16,151	18,114
Live-in aides .....	8,138	9,618	9,707
Other services .....	10,262	6,781	7,284

Total Patient Care ..... 128,880 118,282 121,143

Service America

Repair service contracts .....	57,520	56,753	54,318
Demand repair services .....	16,380	14,198	12,385

Total Service America ..... 73,900 70,951 66,703

Other

7,994 -- --

Total service revenues and sales ..... \$453,593 \$381,283 \$341,729

Aftertax Earnings by Segment(a)

Roto-Rooter .....	\$ 14,562	\$ 10,530	\$ 9,491
Patient Care .....	3,244(e)	3,432	3,212
Service America .....	2,342	2,286	2,196
Other .....	42	--	--

Total segment earnings ..... 20,190 16,248 14,899

Corporate

Gains on sales of investments .....	2,960	7,945	7,652
Overhead .....	(4,701)	(4,955)	(4,794)
Net investing and financing income/(expense) .....	1,247	1,408	(1,482)
Acquisition expenses .....	--	(495)	--
Discontinued operations .....	--	--	13,160
Other .....	--	(242)	802

Net income ..... \$ 19,696 \$ 19,909 \$ 30,237

Interest Income

Roto-Rooter .....	\$ 19	\$ 191	\$ 24
Patient Care .....	15	13	48
Service America .....	979	1,126	1,029

Subtotal ..... 1,013 1,330 1,101

Corporate .....	847	2,913	2,687
Intercompany eliminations .....	(271)	(194)	(101)

Total interest income ..... \$ 1,589 \$ 4,049 \$ 3,687

## SEGMENT DATA (CONTINUED)

	1999	1998	1997
<hr/>			
Interest Expense			
Roto-Rooter .....	\$ 2,119	\$ 957	\$ 145
Patient Care .....	760	536	613
Service America .....	--	--	--
Subtotal .....	2,879	1,493	758
Corporate .....	6,587	6,759	10,351
Intercompany eliminations .....	(2,608)	(1,459)	(557)
Total interest expense .....	<u>\$ 6,858</u>	<u>\$ 6,793</u>	<u>\$ 10,552</u>
Income Tax Provision			
Roto-Rooter .....	\$ 11,713	\$ 8,744	\$ 7,684
Patient Care .....	1,159	1,144	1,764
Service America .....	2,404	2,405	2,309
Other .....	27	--	--
Subtotal .....	15,303	12,293	11,757
Corporate .....	(4,046)	(77)	(953)
Total income tax provision .....	<u>\$ 11,257</u>	<u>\$ 12,216</u>	<u>\$ 10,804</u>
Identifiable Assets			
Roto-Rooter .....	\$183,797	\$175,036	\$148,352
Patient Care .....	86,277	67,961	63,154
Service America .....	69,632	71,049	70,266
Other .....	3,354	--	--
Total identifiable assets .....	343,060	314,046	281,772
Corporate assets(b) .....	78,243	115,658	167,066
Total assets .....	<u>\$421,303</u>	<u>\$429,704</u>	<u>\$448,838</u>
Additions to Long-Lived Assets(c)			
Roto-Rooter .....	\$ 17,208	\$ 27,969	\$ 16,965
Patient Care .....	12,001	9,744	8,765
Service America .....	5,111	3,294	6,032
Other .....	416	--	--
Subtotal .....	34,736	41,007	31,762
Corporate assets .....	1,010	506	2,262
Total additions .....	<u>\$ 35,746</u>	<u>\$ 41,513</u>	<u>\$ 34,024</u>
Depreciation and Amortization(d)			
Roto-Rooter .....	\$ 11,707	\$ 9,378	\$ 7,387
Patient Care .....	2,686	2,160	1,951
Service America .....	3,790	3,726	3,775
Other .....	396	--	--
Subtotal .....	18,579	15,264	13,113
Corporate assets(b) .....	1,550	2,020	2,050
Total depreciation and amortization .....	<u>\$ 20,129</u>	<u>\$ 17,284</u>	<u>\$ 15,163</u>

(a) Aftertax earnings represent the net income of the business segments, excluding acquisition expenses.

(b) Corporate assets consist primarily of cash and cash equivalents, marketable securities, properties and equipment and other investments.

(c) Long-lived assets include goodwill, identifiable intangible assets and property and equipment.

(d) Depreciation and amortization include amortization of goodwill, identifiable intangible assets and other assets.

(e) Amount includes \$872,000 aftertax income from favorable adjustments to prior years' cost reports.

## SELECTED FINANCIAL DATA

## Chemed Corporation and Subsidiary Companies

(in thousands, except per share data, employee numbers,  
footnote data, ratios and percentages)

	1999	1998	1997
<b>Summary of Operations</b>			
Continuing operations			
Total service revenues and sales .....	\$453,593	\$381,283	\$341,729
Gross profit .....	176,834	144,135	129,082
Depreciation .....	13,129	10,649	8,622
Income from operations .....	26,785	19,340	19,482
Income from continuing operations			
before capital gains(d) .....	16,736	11,964	9,425
Income from continuing operations .....	19,696	19,909	17,077
Discontinued operations(a) .....	--	--	13,160
Cumulative effect of a change in accounting principle .....	--	--	--
Net income .....	19,696	19,909	30,237
Earnings per share:			
Income from continuing operations			
before capital gains(d) .....	\$ 1.60	\$ 1.19	\$ .95
Income from continuing operations .....	1.88	1.98	1.72
Net income .....	1.88	1.98	3.04
Average number of shares outstanding .....	10,470	10,058	9,940
Diluted earnings per share:			
Income from continuing operations			
before capital gains(d) .....	\$ 1.59	\$ 1.18	\$ .94
Income from continuing operations .....	1.87	1.97	1.71
Net income .....	1.87	1.97	3.02
Average number of shares outstanding .....	10,514	10,100	10,014
Cash dividends per share .....	\$ 2.12	\$ 2.12	\$ 2.09
<b>Financial Position--Year-End</b>			
Cash, cash equivalents and marketable securities .....	\$ 17,282	\$ 41,358	\$ 70,958
Working capital .....	13,374	33,533	83,103
Properties and equipment, at cost less accumulated depreciation .....	71,728	61,721	53,089
Total assets .....	421,303	429,704	448,838
Long-term debt .....	78,580	80,407	83,720
Stockholders' equity .....	212,044	223,356	228,120
Book value per share .....	\$ 20.40	\$ 21.45	\$ 22.64
Book value per share assuming dilution .....	20.31	21.36	22.54
<b>Other Statistics--Continuing Operations</b>			
Net cash provided/(used) by continuing operations .....	\$ 27,542	\$ 20,778	\$ 23,747
Capital expenditures .....	22,411	21,997	20,117
Number of employees(b) .....	7,817	7,671	6,849
Number of service and sales representatives .....	5,796	5,759	5,101
Dividend payout ratio(c) .....	112.8%	107.1%	68.8%
Debt to total capital ratio .....	29.9	27.5	28.1
Return on average equity(c) .....	9.1	8.9	13.8
Return on average total capital employed(c) .....	7.7	7.7	9.9
Current ratio .....	1.14	1.37	1.88

(a) Discontinued operations include National Sanitary Supply Company and The Omnia Group, discontinued in 1997; accrual adjustments in 1997 relating to the gain on the sale of Omnicare Inc. ("Omnicare"); Omnicare, discontinued in 1994; accrual adjustments from 1992 through 1996 related to the gain on the sale of DuBois Chemicals Inc. ("DuBois"); DuBois, sold in 1991; and adjustments to accruals in 1991 related to operations discontinued in 1986.

(b) Numbers reflect full-time-equivalent employees.

(c) These computations are based on net income and, with respect to return on average capital employed, various related adjustments.

(d) Amounts exclude gains on sales of investments.

1996	1995	1994	1993	1992	1991
\$301,213	\$270,449	\$240,994	\$136,428	\$104,688	\$ 84,774
118,440	103,412	90,189	54,325	44,750	39,034
7,353	6,505	5,833	3,914	2,854	2,811
17,481	14,102	10,703	7,388	4,599	996
7,386	5,833	3,650	3,289	6,761	4,204
25,117	11,715	7,027	7,563	8,660	6,788
7,211	11,467	36,895	10,266	6,991	46,179
--	--	--	1,651	--	--
32,328	23,182	43,922	19,480	15,651	52,967
\$ .75	\$ .59	\$ .37	\$ .34	\$ .69	\$ .42
2.56	1.19	.71	.78	.89	.68
3.30	2.36	4.47	2.00	1.60	5.27
9,801	9,830	9,830	9,756	9,783	10,043
\$ .74	\$ .58	\$ .36	\$ .33	\$ .68	\$ .42
2.54	1.18	.70	.76	.88	.67
3.26	2.33	4.42	1.97	1.59	5.27
9,879	9,898	9,907	9,824	9,838	10,055
\$ 2.08	\$ 2.06	\$ 2.04	\$ 2.01	\$ 2.00	\$ 1.97
\$ 14,028	\$ 30,497	\$ 24,866	\$ 20,133	\$ 51,142	\$ 82,994
8,996	7,159	(14,573)	(29,070)	5,574	48,991
40,661	37,860	35,677	33,873	26,419	25,951
509,361	476,732	453,801	385,922	363,960	330,712
158,140	85,317	92,033	97,906	103,580	77,007
217,891	208,657	186,320	137,151	133,511	139,407
\$ 21.89	\$ 21.18	\$ 18.89	\$ 14.00	\$ 13.68	\$ 14.08
21.76	21.06	18.76	13.91	13.62	14.07
\$ 13,519	\$ 5,385	\$ 13,378	\$ 6,029	\$ 8,583	\$ 10,828
10,988	9,219	9,606	7,420	3,835	7,008
5,884	5,278	4,497	2,711	1,726	1,666
4,315	3,835	3,203	1,832	1,090	1,069
63.0%	87.3%	45.6%	101.0%	125.0%	37.4%
44.6	32.8	36.6	44.2	45.2	34.8
15.3	11.9	28.4	14.3	11.6	42.5
10.9	9.3	16.4	9.7	8.7	24.4
1.10	1.07	.86	.68	1.08	1.82

SUPPLEMENTAL REVENUE AND PROFIT STATISTICS  
BY BUSINESS SEGMENT  
Chemed Corporation and Subsidiary Companies

(in thousands, except percentages and footnote data)

	Continuing Operations				
	Roto- Rooter	Patient Care	Service America	Other	Total
<b>SERVICE REVENUES AND SALES</b>					
1999 . . . . .	\$242,819	\$128,880	\$ 73,900	\$ 7,994	\$453,593
1998 . . . . .	192,050	118,282	70,951	--	381,283
1997 . . . . .	153,883	121,143	66,703	--	341,729
1996 . . . . .	140,163	99,565	61,485	--	301,213
1995 . . . . .	121,999	90,727	57,723	--	270,449
1994 . . . . .	109,098	69,064	62,832	--	240,994
1993 . . . . .	95,555	--	40,873	--	136,428
1992 . . . . .	86,185	--	18,503	--	104,688
1991 . . . . .	79,217	--	5,557	--	84,774
<b>% OF TOTAL</b>					
1999 . . . . .	54%	28%	16%	2%	100%
1991 . . . . .	93	--	7	--	100
<b>OPERATING PROFIT(a)</b>					
1999 . . . . .	\$ 26,310	\$ 5,157(d)	\$ 3,679	\$ 71	\$ 35,217
1998 . . . . .	19,244(b)	5,104	3,491	--	27,839
1997 . . . . .	17,256	5,541	3,443	--	26,240
1996 . . . . .	15,707	5,592	2,503	--	23,802
1995 . . . . .	13,134(c)	4,923	1,906	--	19,963
1994 . . . . .	12,071	2,772	3,061	--	17,904
1993 . . . . .	9,854	--	3,708	--	13,562
1992 . . . . .	8,626	--	1,841	--	10,467
1991 . . . . .	7,328	--	581	--	7,909
<b>% OF TOTAL</b>					
1999 . . . . .	75%	15%	10%	--	100%
1991 . . . . .	93	--	7	--	100

(a) Operating profit is total service revenues and sales less operating expenses and includes 100% of all consolidated operations. In computing operating profit, none of the following items has been added or deducted: general corporate expenses, interest expense, and other income-net.

(b) Amount includes \$752,000 of expenses incurred in connection with pooling-of-interest business combinations in 1998.

(c) Amount includes nonrecurring charges of \$538,000 incurred as a result of discussions related to Chemed's proposal to acquire the 42% minority interest in Roto-Rooter.

(d) Amount includes \$1,453,000 pretax income from favorable adjustments to prior years' cost reports.

## UNAUDITED SUMMARY OF QUARTERLY RESULTS

## Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales(a) .....	\$105,735	\$111,385	\$114,428	\$122,045	\$453,593
Gross profit(a) .....	\$ 40,676	\$ 43,012	\$ 44,390	\$ 48,756	\$176,834
Income from operations .....	\$ 5,792	\$ 6,199	\$ 7,844	\$ 6,950	\$ 26,785
Interest expense .....	(1,594)	(1,507)	(1,448)	(2,309)	(6,858)
Other income--net .....	4,609	3,735	1,128	1,554	11,026
Income before income taxes .....	8,807	8,427	7,524	6,195	30,953
Income taxes .....	(3,452)	(3,313)	(3,112)	(1,380)	(11,257)
Net Income .....	\$ 5,355	\$ 5,114	\$ 4,412	\$ 4,815	\$ 19,696
Earnings Per Share					
Net income .....	\$ .51	\$ .49	\$ .42	\$ .46	\$ 1.88
Average number of shares outstanding .....	10,471	10,473	10,480	10,455	10,470
Diluted Earnings Per Share					
Net income .....	\$ .51	\$ .49	\$ .42	\$ .46	\$ 1.87
Average number of shares outstanding .....	10,516	10,512	10,527	10,500	10,514

(a) Amounts for each of the first three quarters of 1999 were reclassified to conform with the fourth quarter presentation.

1998

Total service revenues and sales .....	\$88,412	\$94,943	\$96,517	\$101,411	\$381,283
Gross profit .....	\$32,536	\$36,582	\$36,695	\$ 38,322	\$144,135
Income from operations .....	\$ 3,745	\$ 5,246	\$ 5,891	\$ 4,458	\$ 19,340
Interest expense .....	(1,758)	(1,841)	(1,798)	(1,396)	(6,793)
Other income--net .....	8,333	5,612	3,691	1,942	19,578
Income before income taxes .....	10,320	9,017	7,784	5,004	32,125
Income taxes .....	(4,069)	(3,451)	(3,092)	(1,604)	(12,216)
Net Income .....	\$ 6,251	\$ 5,566	\$ 4,692	\$ 3,400	\$ 19,909
Earnings Per Share					
Net income .....	\$ .63	\$ .56	\$ .47	\$ .33	\$ 1.98
Average number of shares outstanding .....	9,989	10,005	10,003	10,231	10,058
Diluted Earnings Per Share					
Net income .....	\$ .62	\$ .55	\$ .47	\$ .33	\$ 1.97
Average number of shares outstanding .....	10,090	10,057	10,032	10,274	10,100

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Chemed Corporation and Subsidiary Companies

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Significant factors affecting the Company's consolidated cash flows during 1999 and financial position at December 31, 1999, include the following:

- o Operations generated cash of \$27.5 million;
- o Capital expenditures totaled \$22.4 million;
- o The Company used \$15.5 million of cash to finance purchase business combinations;
- o Sales of investments generated cash proceeds of \$7.7 million; and
- o The Company increased its long-term borrowings by \$7.0 million.

The ratio of total debt to total capital was approximately 30% at December 31, 1999, and 28% at December 31, 1998. The Company's current ratio at December 31, 1999, was 1.1 as compared with 1.4 at December 31, 1998. This decline is primarily attributable to the expenditure of \$15.5 million of cash on business combinations and capital expenditures of \$22.4 million, offset by a \$7.0 million net increase in long-term debt during the year.

The Company had \$101.6 million of unused lines of credit with various banks at December 31, 1999.

CASH FLOW

The Company's cash flows for 1999 and 1998 are summarized as follows (in millions):

	For the Years Ended December 31,	
	1999	1998
Cash from continuing operations	\$ 27.5	\$ 20.8
Proceeds from sales of investments	7.7	15.0
Cash dividends	(22.5)	(21.7)
	-----	-----
Cash excess after cash dividends	12.7	14.1
Capital expenditures	(22.4)	(22.0)
Business combinations	(15.5)	(14.8)
Net increase/(decrease) in long-term debt (excluding ESOP debt obligations)	7.0	(2.9)
Net uses from discontinued operations	(2.5)	(5.6)
Other--net	(3.4)	1.6
	-----	-----
Decrease in cash and cash equivalents	\$(24.1)	\$(29.6)
	=====	=====

For 1999, the cash excess from operations and sales of investments, less cash dividend payments, was \$12.7 million as compared with \$14.1 million in 1998. This excess was available to assist in funding the Company's capital expenditure requirements.

In November 1999, the Board of Directors ("Board") announced a change in its dividend policy in order to position the Company to take full advantage of growth possibilities in 2000 and beyond. Under the new policy, in February 2000 the quarterly cash dividend, which has been \$.53 per share for the past nine quarters, was lowered to \$.10 per share for the first quarter of 2000 (payable on March 10 to holders of record February 18, 2000).

Also in November, the Board announced an Exchange Offer whereby stockholders were permitted to exchange shares of capital stock for shares of Convertible Trust Preferred Securities ("Trust Securities") on a one-for-one basis. The Trust Securities pay an annual cash distribution of \$2.00 per security and are convertible into capital stock at a price of \$37 per security. The offer expired on January 31, 2000. Approximately 576,000 capital shares were exchanged for Trust Securities with a redemption value of approximately \$15.5 million. The Trust Securities mature in 30 years and are callable after three years.

It is projected that the new dividend policy, combined with the distribution requirement of the Trust Securities, will reduce the projected outlay for cash dividends in 2000 by approximately \$17 million as compared with the dividend outlay for 1999. This cash will be used to accelerate acquisitions and to finance internal growth. Nonetheless, the dividend rate is set each quarter with a long-term perspective, taking into consideration the Company's financial

position, earnings and cash flow, as well as interest rates, market conditions and other economic factors.

#### COMMITMENTS AND CONTINGENCIES

In connection with the sale of DuBois Chemicals Inc. ("DuBois"), the Company provided allowances and accruals relating to several long-term costs, including income tax matters, lease commitments and environmental costs. In the aggregate, the Company believes these allowances and accruals are adequate as of December 31, 1999.

## Chemed Corporation and Subsidiary Companies

Based on a recent assessment of Chemed's environmental-related liability under the DuBois sale agreement, Chemed's adviser has estimated Chemed's liability to be \$4.2 million. As of December 31, 1999, the Company is contingently liable for additional cleanup and related costs up to a maximum of \$16.9 million, for which no provision has been recorded.

The Company's various loan agreements and guarantees of indebtedness contain certain restrictive covenants; however, management believes that such covenants will not adversely affect the operations of the Company. Under the most restrictive of these covenants, the Company projects that it can incur additional debt of approximately \$65 million as of December 31, 1999.

Since 1991, the Company has carried an investment in the mandatorily redeemable preferred stock (\$27 million par value) of Vitas Healthcare Corporation ("Vitas"), a privately held provider of hospice services to the terminally ill. During its three most recent fiscal years, Vitas has increased net income and is continuing to pursue various long-term financing alternatives. During 1998, Vitas and the Company agreed to extend the redemption dates on the preferred stock to April 1, 2000, to facilitate Vitas' pursuit of long-term financing alternatives. It is considered reasonably possible that the redemption date will again be extended in 2000.

During 1999, Vitas made payments of \$1.7 million on preferred dividends due in 1999. An additional \$1.2 million was paid in January 2000, leaving \$715,000 in arrears as of January 31, 2000. Payment of the arrearage is anticipated during the first half of 2000. On the basis of information currently available, management believes its investment in Vitas is fully recoverable and that no impairment exists.

It is management's opinion that the Company has no long-range commitments that would have a significant impact on its liquidity, financial condition or the results of its operations. Due to the nature of the environmental liabilities, it is not possible to forecast the timing of the cash payments for these potential liabilities. Based on the Company's available credit lines, sources of borrowing and liquid investments, management believes its sources of capital and liquidity are satisfactory for the Company's needs for the foreseeable future.

## RESULTS OF OPERATIONS

Set forth below by business segment are the growth in sales and service revenues and the aftertax earnings margin:

	Percent Increase/(Decrease) in Service Revenues and Sales	
	1999 vs.1998	1998 vs.1997
Roto-Rooter	26%	25%
Patient Care	9	(2)
Service America	4	6
Total	19	12

  

	Aftertax Earnings as a Percent of Service Revenues and Sales (Aftertax Margin)		
	1999	1998	1997
Roto-Rooter	6.0%	5.5%	6.2%
Patient Care	2.5	2.9	2.7
Service America	3.2	3.2	3.3
Total	4.5	4.3	4.4

## 1999 VERSUS 1998

The Roto-Rooter segment recorded service revenues and sales of \$242,819,000 during 1999, an increase of 26% versus revenues of \$192,050,000 in 1998. This growth was attributable primarily to Roto-Rooter's plumbing and sewer and drain cleaning businesses, both of which recorded 28% revenue increases for the 1999 period. Excluding businesses acquired in 1999 and 1998, this segment's total revenues and net income for 1999 increased 14% and 30%, respectively, versus amounts recorded in 1998. Including acquisitions, Roto-Rooter recorded a 38% increase in aftertax earnings for 1999. The operating margin of this segment increased .5%, primarily due to an increase in the gross profit margin.

Revenues of the Patient Care segment increased 9% from \$118,282,000 in 1998 to \$128,880,000 in 1999. Excluding the revenues of businesses acquired in 1998 and 1999, revenues for 1999 declined 2% versus revenues for 1998. This revenue decline was anticipated and is primarily attributable to the implementation of the Medicare provisions of the Balanced Budget Act of 1997. Higher workers' compensation costs, as a percent of revenues, are primarily responsible for the decline in the aftertax margin from 2.9% in 1998 to 2.5% in 1999.

The Service America segment recorded total revenues of \$73,900,000 during 1999, an increase of 4% versus revenues of \$70,951,000 recorded in 1998. Retail sales of Service America for 1999, which account for approximately 22% of total sales, increased 15% versus such sales for 1998. Aftertax earnings for 1999 increased 2% versus aftertax earnings for 1998. The aftertax margin of this segment was 3.2% in both 1999 and 1998.

Income from operations increased from \$19,340,000 in 1998 to \$26,785,000 in 1999, primarily as a result of significantly higher operating profit recorded by Roto-Rooter during 1999.

Also reflecting strong operational performance by Roto-Rooter in 1999, earnings before interest, taxes, depreciation and amortization ("EBITDA") excluding capital gains and acquisition expenses totaled \$52,109,000 in 1999, an increase of 21% versus EBITDA for 1998.

Interest expense for 1999 totaled \$6,858,000 versus expense of \$6,793,000 recorded in 1998.

Other income declined from \$19,578,000 in 1998 to \$11,026,000 in 1999, primarily as a result of lower gains on the sales of investments and lower interest income in 1999.

The Company's effective income tax rate was 36.4% in 1999 as compared with 38.0% in 1998. The decline in the effective rate was largely attributable to adjustments recorded during 1999 from the finalization of federal income tax audits for prior years.

Income from continuing operations declined from \$19,909,000 (\$1.98 per share) in 1998 to \$19,696,000 (\$1.88 per share) in 1999. Excluding acquisition expenses in 1998 (\$495,000 or \$.05 per share) and realized investment gains (\$2,960,000 in 1999 and \$7,945,000 in 1998), income from continuing operations increased 34% from \$12,459,000 in 1998 (\$1.24 per share) to \$16,736,000 (\$1.60 per share) in 1999.

#### 1998 VERSUS 1997

The Roto-Rooter segment recorded service revenues and sales of \$192,050,000 during 1998, an increase of 25% versus revenues of \$153,883,000 in 1997. This growth was attributable primarily to revenue increases of 34% and 13%, respectively, in Roto-Rooter's plumbing and sewer and drain cleaning businesses for 1998. Excluding businesses acquired in 1997 and 1998, this segment's total revenues for 1998 increased 10% versus revenues recorded in 1997. Roto-Rooter recorded an 11% increase in aftertax earnings for 1998 versus 1997, despite a decline in its aftertax margin from 6.2% in 1997 to 5.5% in 1998. This margin decline is due primarily to a lower gross margin in 1998, partially offset by lower general and administrative expenses as a percentage of total revenues. The lower gross margin is primarily due to a shift in product mix to plumbing repair and HVAC services.

Revenues of the Patient Care segment declined 2% from \$121,143,000 in 1997 to \$118,282,000 in 1998. Excluding the revenues of businesses acquired in 1997 and 1998, revenues for 1998 declined 8% versus revenues for 1997. These revenue declines were anticipated and were attributable primarily to the implementation of the Medicare provisions of the Balanced Budget Act of 1997. Good expense control nearly offset the decline in Patient Care's gross margin and thus contributed to the 7% increase in Patient Care's aftertax earnings for 1998. In addition, a favorable income tax adjustment relating to the settlement of certain state tax issues in 1998 aided in increasing Patient Care's aftertax margin from 2.7% in 1997 to 2.9% in 1998.

The Service America segment recorded total revenues of \$70,951,000 during 1998, an increase of 6% versus revenues of \$66,703,000 recorded in 1997. Aftertax earnings for 1998 increased 4% versus aftertax earnings for 1997. The aftertax margin of this segment was 3.2% in 1998 as compared with 3.3% in 1997.

Income from operations declined from \$19,482,000 in 1997 to \$19,340,000 in 1998, primarily as a result of incurring \$752,000 of acquisition expenses in connection with pooling-of-interests transactions in 1998.

EBITDA excluding capital gains and acquisition expenses totaled \$43,126,000 in 1998, an increase of 8% versus EBITDA for 1997.

Interest expense for 1998 totaled \$6,793,000, a decline of \$3,759,000 versus expense of \$10,552,000 recorded in 1997, largely as a result of the reduction of the Company's long-term debt.

Other income increased from \$18,951,000 in 1997 to \$19,578,000 in 1998, primarily as a result of higher gains on the sales of investments in 1998 combined with higher interest income in 1998.

The Company's effective income tax rate was 38.0% in 1998 as compared with 38.8% in 1997.

Income from continuing operations increased from \$17,077,000 (\$1.72 per share) in 1997 to \$19,909,000 (\$1.98 per share) in 1998. Excluding acquisition expenses in 1998 (\$495,000 or \$.05 per share) and realized investment gains (\$7,945,000 in 1998 and \$7,652,000 in 1997), income from continuing operations increased 32% from \$9,425,000 in 1997 (\$.95 per share) to \$12,459,000 (\$1.24 per share) in 1998.

Net income for 1998 was \$19,909,000 (\$1.98 per share) and included aftertax acquisition expenses of \$495,000 (\$.05 per share). Net income for 1997 was \$30,237,000 (\$3.04 per share) and included \$13,160,000 (\$1.32 per share) from discontinued operations (primarily related to The Omnia Group and National Sanitary Supply Company).

#### YEAR 2000

The Company's Year 2000 ("Y2K") Project ("Project") has addressed the issue of computer systems and hardware being unable to distinguish between the years 1900 and 2000. Mission-critical systems of all company operations were Y2K-ready by December 31, 1999. In addition, in December 1999, Patient Care and its Medicaid intermediaries began processing claims electronically with Y2K-ready systems. Through January 31, 2000, the Company has experienced no significant Y2K issues either internally or with its trading partners.

While the Company currently anticipates its systems and its key trading partners' systems will operate without major incident throughout 2000, there can be no assurance that the failure of systems outside its control or immediate sphere of influence will not materially impact its operations.

#### REGULATORY ENVIRONMENT

Healthcare reform legislation enacted by Congress challenges healthcare providers to provide quality services while facing mounting pressure to contain costs associated with entitlement programs funded by the federal government. Patient Care is adapting to the demands of this regulatory environment by eliminating certain high-cost programs and by leveraging its existing infrastructure to increase productivity.

#### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements and trends. Such factors include, but are not limited to, the projected impact of reduced cash dividends, future dividend policy, projected workers' compensation costs, contingent environmental liability, full realization of deferred income tax assets, the projected impact of future acquisitions upon company operations and the adequacy of Y2K-readiness of systems outside the Company's sphere of influence. The Company's ability to deal with the unknown outcomes of these events may affect the reliability of its projections and other financial matters.

## CORPORATE OFFICERS AND DIRECTORS

## CORPORATE OFFICERS

EDWARD L. HUTTON  
Chairman & Chief Executive Officer

KEVIN J. MCNAMARA  
President

TIMOTHY S. O'TOOLE  
Executive Vice President & Treasurer

PAUL C. VOET  
Executive Vice President

SANDRA E. LANEY  
Senior Vice President & Chief Administrative Officer

ARTHUR V. TUCKER, JR.  
Vice President & Controller

NAOMI C. DALLOB  
Vice President & Secretary

JAMES H. DEVLIN  
Vice President

THOMAS C. HUTTON  
Vice President

SPENCER S. LEE  
Vice President

DAVID J. LOHBECK  
Vice President

JOHN M. MOUNT  
Vice President

DAVID G. SPARKS  
Vice President

JANELLE M. JESSIE  
Assistant Vice President

ANTHONY D. VAMVAS III  
Assistant Vice President

PAULA W. KITTNER  
Assistant Treasurer

MARK W. STEPHENS  
Assistant Treasurer

MARIANNE LAMEY  
Assistant Controller

LAURA A. VOLKER  
Assistant Controller

LISA A. DITTMAN  
Assistant Secretary

JOYCE A. LAWRENCE  
Assistant Secretary

## DIRECTORS

EDWARD L. HUTTON  
Chairman & Chief Executive Officer,  
Chemed Corporation

KEVIN J. MCNAMARA  
President, Chemed Corporation

RICK L. ARQUILLA  
President & Chief Operating Officer,  
Roto-Rooter Services Company

JAMES H. DEVLIN  
Vice President, Chemed Corporation

CHARLES H. ERHART, JR.  
Former President, W.R. Grace & Co. (retired)

JOEL F. GEMUNDER  
President, Omnicare Inc.

PATRICK P. GRACE  
Executive Vice President, Kingdom Group LLC;  
President, MLP Capital Inc.

THOMAS C. HUTTON  
Vice President, Chemed Corporation

WALTER L. KREBS  
Former Senior Vice President & Chief Financial Officer,  
Service America Systems Inc. (retired)

SANDRA E. LANEY  
Senior Vice President & Chief Administrative Officer,  
Chemed Corporation

SPENCER S. LEE  
Vice President, Chemed Corporation;  
Chairman & Chief Executive Officer, Roto-Rooter Inc.

JOHN M. MOUNT  
Vice President, Chemed Corporation;  
President & Chief Executive Officer,  
Service America Systems Inc.

TIMOTHY S. O'TOOLE  
Executive Vice President & Treasurer,  
Chemed Corporation;  
Chairman & Chief Executive Officer, Patient Care Inc.

DONALD E. SAUNDERS  
President, DuBois Chemicals Division,  
DiverseyLever Inc.

PAUL C. VOET  
Executive Vice President, Chemed Corporation

GEORGE J. WALSH III  
Partner, Gould & Wilkie LLP  
(Law Firm, New York, New York)

DIRECTORS EMERITI

NEAL GILLIATT  
HERMAN B WELLS

## CORPORATE INFORMATION

## CORPORATE HEADQUARTERS

Chemed Corporation  
 2600 Chemed Center  
 255 East Fifth Street  
 Cincinnati, Ohio 45202-4726  
 513-762-6900  
 www.chemed.com

-----  
 TRANSFER AGENTS & REGISTRARS

Chemed Capital Stock:

Norwest Bank Minnesota, N.A.  
 Shareowner Services

All questions relating to administration of CHEMED  
 CAPITAL STOCK ownership must be handled by NORWEST.

- - Mailing Address:  
 Norwest Bank Minnesota, N.A.  
 Shareowner Services  
 P.O. Box 64854  
 St. Paul, Minnesota 55164-0854
- - Telephone: TOLL-FREE 800-468-9716
- - E-mail: stocktransfer@norwest.com

Norwest also maintains a Web site at [www.norwest.com/business-stocktransfer](http://www.norwest.com/business-stocktransfer)  
 from which answers to frequently asked questions and various forms may be  
 obtained.

## CONVERTIBLE TRUST PREFERRED SECURITIES:

Firststar Bank, N.A.  
 Corporate Trust Services

All questions relating to administration of  
 CONVERTIBLE TRUST PREFERRED SECURITIES ownership must  
 be handled by FIRSTAR.

- - Mailing Address:  
 Firststar Bank, N.A.  
 Corporate Trust Services  
 Suite 301  
 1555 North RiverCenter Drive  
 Milwaukee, Wisconsin 53212
- - Telephone: TOLL-FREE 800-637-7549

Preferred Security holders may also contact Firststar via  
 its Web site at [www.firststarcorporatetrust.com](http://www.firststarcorporatetrust.com), selecting  
 the option to "Contact Us."

-----  
 CORPORATE INQUIRIES

Questions concerning company operations and financial results should be  
 directed to Timothy S. O'Toole, Executive Vice President & Treasurer, at Chemed  
 corporate headquarters by writing or by calling 800-2CHEMED (800-224-3633) or  
 513-762-6702.

Annual and quarterly reports, press releases, and other printed materials  
 may be obtained from Chemed Investor Relations by writing or by calling 800-  
 2CHEMED (800-224-3633) or 513-762-6463. Printed materials may also be viewed and  
 downloaded from Chemed's Web site at [www.chemed.com](http://www.chemed.com).

## INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP  
 Cincinnati, Ohio 45202

-----  
 FORM 10-K

Additional information about Chemed is available in the Annual Report on  
 Form 10-K. Chemed Investor Relations will furnish copies without charge.

-----  
 DIVIDEND REINVESTMENT PLAN FOR HOLDERS  
 OF 25 OR MORE SHARES

The Chemed Automatic Dividend Reinvestment Plan is available to Chemed  
 shareholders of record owning a minimum of 25 shares of Chemed Capital Stock. A  
 plan brochure, including fee schedule, and enrollment information are available  
 from the Dividend Reinvestment Agent, Norwest Bank Minnesota, N.A., at the  
 address listed above. Convertible Trust Preferred Securities are not eligible to  
 participate in this Plan.

-----  
 ANNUAL MEETING

The Annual Meeting of Shareholders of Chemed Capital Stock will be held on  
 Monday, May 15, 2000, at 2 p.m. in the Grand Ballroom of The Phoenix Club, 812  
 Race Street, Cincinnati, Ohio.

-----  
 NUMBER OF SHAREHOLDERS

The approximate number of shareholders of record of Chemed Capital Stock  
 was 4,864 on December 31, 1999, and 5,271 on December 31, 1998. (These numbers  
 do not include shareholders with shares held under beneficial ownership or  
 within clearinghouse positions of brokerage firms and banks.)

-----  
 STOCK EXCHANGE LISTING

The company's capital stock is listed on the New York  
 Stock Exchange under the ticker symbol CHE.

## CAPITAL STOCK &amp; DIVIDEND DATA

The high and low closing prices for Chemed Capital Stock during 1999 and 1998 and dividends per share paid by quarter during these years are shown below:

	Closing		Dividends Paid
	High	Low	
1999			
First Quarter	\$33 13/16	\$25 3/4	\$ .53
Second Quarter	33 7/8	26 5/16	.53
Third Quarter	33 7/16	29 1/4	.53
Fourth Quarter	30 1/8	24 15/16	.53
1998			
First Quarter	\$42 5/16	\$38	\$ .53
Second Quarter	41 1/4	32 9/16	.53
Third Quarter	34 11/16	25 9/16	.53
Fourth Quarter	34 7/8	28 1/8	.53

CHEMED CORPORATION  
2600 Chemed Center  
255 East Fifth Street  
Cincinnati, Ohio 45202-4726

Visit our company Web sites at [www.chemed.com](http://www.chemed.com),  
[www.rotorooter.com](http://www.rotorooter.com), [www.patientcare.com](http://www.patientcare.com),  
[www.serviceamerica.com](http://www.serviceamerica.com), and [www.ccr.com](http://www.ccr.com).

(Recycled Paper Logo) Printed on recycled paper

## EXHIBIT 21

## SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 1999. Other subsidiaries which have been omitted from the list would not, when considered in the aggregate, constitute a significant subsidiary. Each of the companies is incorporated under the laws of the state following its name. The percentage given for each company represents the percentage of voting securities of such company owned by the Company or, where indicated, subsidiaries of the Company as at December 31, 1999.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 1999.

ACD, Inc. (Florida, 100% by Starburst, Inc.)  
AJJ, Inc. (Florida, 100% by Starburst, Inc.)  
ARR, Enterprises, Inc. (Texas, 100% by Starburst, Inc.)  
Cadre Computer Resources, Inc. (Delaware, 100%)  
Caring Companions, Inc. (Illinois, 100% by Patient Care, Inc.)  
Catons' Plumbing, Heating & Air Conditioning, Inc. (Maryland, 100%)  
by Roto-Rooter Services Company)  
Complete Plumbing Services, Inc. (New York, 49% by Roto-Rooter  
Services Company; included within the consolidated financial  
statements as a consolidated subsidiary)  
Consolidated HVAC, Inc. (Ohio, 100% by Roto-Rooter Services Company)  
Dell Healthcare, Inc. (Illinois, 100% by Patient Care, Inc.)  
Elder Care Solutions, Inc. (Kentucky, 100% by Patient Care, Inc.)  
Jet Resource, Inc. (Delaware, 100%)  
Medical Personnel Services, Inc. (Maryland, 100% by Patient Care, Inc.)  
National Home Care, Inc. (New York, 100% by Patient Care, Inc.)  
Nurotoco of Massachusetts, Inc. (Massachusetts, 100% by Roto-Rooter  
Services Company)  
Nurotoco of New Jersey, Inc. (Delaware, 80% by Roto-Rooter Services  
Company)  
OCR Holding Company (Nevada, 100%)  
OCR Michigan, Inc. (Delaware, 100% by OCR Holding Company)  
Patient Care, Inc. (Delaware, 100%)  
Patient Care Medical Services, Inc. (New Jersey, 100% by Patient  
Care, Inc.)  
Patient Care Medical Services, Inc. (Ohio, 100% by Patient  
Care, Inc.)  
Priority Care, Inc. (Connecticut, 100% by Patient Care, Inc.)  
Roto-Rooter Canada, Ltd. (British Columbia, 100% by Roto-Rooter Services  
Company)  
Roto-Rooter Corporation (Iowa, 100% by Roto-Rooter, Inc.)  
Roto-Rooter Development Company (Delaware, 100% by Roto-Rooter  
Corporation)  
Roto-Rooter, Inc. (Delaware, 100%)  
Roto-Rooter Management Company (Delaware, 100% by Roto-Rooter, Inc.)  
Roto-Rooter Services Company (Iowa, 100% by Roto-Rooter, Inc.)  
RR Plumbing Services Corporation (New York, 49% by Roto-Rooter Services  
Company; included within the consolidated financial statements as a  
consolidated subsidiary)  
R.R. UK, Inc. (Delaware, 100% by Roto-Rooter, Inc.)  
Service America Network, Inc. (Florida, 100% by Service America Systems,  
Inc.)  
Service America Systems, Inc. (Florida, 100% by Chemed Corporation)  
Starburst, Inc. (Texas, 100% by Roto-Rooter Services Company)  
Sure-Flow, Inc. (California, 100% by Roto-Rooter Services Company)

CONSENT OF INDEPENDENT ACCOUNTANTS  
-----

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-28594, 33-9549, 2-87202, 2-80712, 33-65244, 33-61063, 333-34525, 333-87071 and 333-87073) of Chemed Corporation of our report dated February 1, 2000 appearing on page 11 of the 1999 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-2 of this Form 10-K.

/s/ PricewaterhouseCoopers  
-----

PricewaterhouseCoopers

Cincinnati, Ohio  
March 29, 2000

## EXHIBIT 24

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 13, 2000

/s/ Rick L. Arquilla

-----  
Rick L. Arquilla

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 8, 2000

/s/ James H. Devlin

-----  
James H. Devlin

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 8, 2000

/s/ Charles H. Erhart, Jr.

-----  
Charles H. Erhart, Jr.

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 20, 2000

/s/ Joel F. Gemunder

-----  
Joel F. Gemunder

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: 13, 2000

/s/ Patrick P. Grace

-----  
Patrick P. Grace

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: 17, 2000

/s/ Thomas C. Hutton

-----  
Thomas C. Hutton

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 9, 2000

/s/ Walter L. Krebs

-----  
Walter L. Krebs

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as her true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: 20, 2000

/s/ Sandra E. Laney

-----  
Sandra E. Laney

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 7, 2000

/s/ Spencer S. Lee

-----  
Spencer S. Lee

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 8, 2000

/s/ John M. Mount

-----  
John M. Mount

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 10, 2000

/s/ Timothy S. O'Toole

-----  
Timothy S. O'Toole

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 13, 2000

/s/ Donald E. Saunders

-----  
Donald E. Saunders

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 8, 2000

/s/ Paul C. Voet

-----  
Paul C. Voet

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1999, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 9, 2000

/s/ George J. Walsh III

-----  
George J. Walsh III

THIS SCHEDULE CONTAINS FINANCIAL INFORMATION EXTRACTED FROM FORM 8-K OF CHEMED CORPORATION FOR THE QUARTER ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584  
 CHEMED CORPORATION  
 1,000  
 U.S. DOLLARS

YEAR		
	DEC-31-1999	
	JAN-01-1999	
	DEC-31-1999	
	1	17,282
	0	60,443
	(4,554)	9,794
	111,802	127,138
	(55,410)	421,303
	98,428	78,580
	0	0
	0	13,665
421,303	198,379	0
	453,593	0
	276,759	0
	0	1,262
	6,858	30,953
	30,953	11,257
19,696	11,257	0
	0	0
	0	0
	19,696	1.88
	1.88	1.87