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

FORM 8-K
CURRENT REPORT

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

Date of Report (date of earliest event reported):
August 8, 2007

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	1-8351	31-0791746
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

2600 Chemed Center, 255 East 5th Street, Cincinnati, OH 45202
(Address of principal executive offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

[_] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[_] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 230.425)

[_] Pre-commencement communications pursuant to Rule 14d-2(b) under Exchange Act (17 CFR 230.425)

[_] Pre-commencement communications pursuant to Rule 13e-4 (c) under Exchange Act (17 CFR 230.425)

Item 8.01 Other Items

Chemed Corporation ("We" or "Chemed") intends to file a registration statement covering our 1.875% Convertible Senior Notes ("Notes") issued on May 14, 2007. Certain of our 100% owned subsidiaries fully and unconditionally guarantee the Notes on an unsecured, joint and severally liable basis. In accordance with Rule 3-10 of Regulation S-X, we are amending Item 8 of Part II (Financial Statements and Supplementary Data) of our Form 10-K for the year ended December 31, 2006 (filed February 28, 2007) to provide condensed, consolidating financial data of the parent company (Chemed), the guarantor subsidiaries and the non-guarantor subsidiaries as of December 31, 2006 and December 31, 2005 and for the years ended December 31, 2006, 2005 and 2004. Such information is presented as Note 25 in the Notes to Consolidated Financial Statements. This does not represent a restatement of previously filed Financial Statements.

A copy of the amended Item 8 for our Form 10-K for the year ended December 31, 2006 is filed herewith as Exhibit 99.

Item 9.01 Financial Statements and Exhibits

d) Exhibit
(99) Registrant's Amended Item 8 to Form 10-K for the year ended December 31, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

Registrant has caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHEMED CORPORATION

Dated: August 8, 2007 By: /s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
Vice President and Controller

Financial Review

Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

The Company's management, including the President and Chief Executive Officer, Vice President and Chief Financial Officer and Vice President and Controller, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2006 based on the framework established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2006 based on criteria in Internal Control--Integrated Framework issued by COSO. Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Chemed Corporation:

We have completed integrated audits of Chemed Corporation's consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income, cash flows, and changes in stockholders' equity present fairly, in all material respects, the financial position of Chemed Corporation and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006 the Company changed its method of accounting for share-based compensation.

Internal control over financial reporting
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Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing on page 1, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio
February 28, 2007,
except for Note 25, as to which the date is August 7, 2007

CONSOLIDATED STATEMENT OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data) For the Years Ended December 31,	2006	2005	2004
Continuing Operations			
Service revenues and sales	$1,018,587	$ 915,970	$ 734,877
Cost of services provided and goods sold (excluding depreciation)	730,123	644,476	506,770
Selling, general and administrative expenses	161,183	157,262	147,064
Depreciation	16,775	16,150	14,542
Amortization	5,255	4,922	3,779
Other expenses (Note 6)	272	16,391	4,768
Total costs and expenses	913,608	839,201	676,923
Income from operations	104,979	76,769	57,954
Interest expense	(17,468)	(21,264)	(21,158)
Loss from impairment of investment (Note 7)	(1,445)	-	-
Loss on extinguishment of debt (Note 13)	(430)	(3,971)	(3,330)
Other income--net (Note 9)	4,648	3,122	3,470
Income before income taxes	90,284	54,656	36,936
Income taxes (Note 10)	(32,562)	(18,428)	(13,736)
Equity in loss of affiliate (Note 4)	-	-	(4,105)
Income from continuing operations	57,722	36,228	19,095
Discontinued Operations, Net of Income Taxes (Note 7)	(7,071)	(411)	8,417
Net Income	$ 50,651	$ 35,817	$ 27,512
Earnings Per Share (Note 18)			
Income from continuing operations	$ 2.21	$ 1.42	$ 0.79
Net Income	$ 1.94	$ 1.40	$ 1.14
Diluted Earnings Per Share (Note 18)			
Income from continuing operations	$ 2.16	$ 1.38	$ 0.78
Net Income	$ 1.90	$ 1.36	$ 1.12
Average Number of Shares Outstanding (Note 18)			
Earnings per share	26,118	25,552	24,120
Diluted earnings per share	26,669	26,299	24,636

The Notes to Consolidated Financial Statements are integral parts of this statement.

CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except shares and per share data) December 31,	2006	2005
Assets		
Current assets		
Cash and cash equivalents (Note 11)	$ 29,274	$ 57,133
Accounts receivable less allowances of $10,180 (2005 - $8,311)	93,086	91,094
Inventories	6,578	6,499
Prepaid income taxes (Note 10)	-	8,151
Current deferred income taxes (Note 10)	17,789	26,727
Current assets of discontinued operations (Note 7)	5,418	5,189
Prepaid expenses and other current assets	9,968	9,767
Total current assets	162,113	204,560
Investments of deferred compensation plans held in trust (Note 15)	25,713	21,105
Other investments (Notes 7 and 17)	-	1,445
Note receivable (Notes 7 and 17)	14,701	12,500
Properties and equipment, at cost, less accumulated depreciation (Note 12)	70,140	65,155
Identifiable intangible assets less accumulated amortization of $13,201 (2005 - $9,212) (Note 5)	69,215	72,888
Goodwill (Note 5)	435,050	432,596
Noncurrent assets of discontinued operations (Note 7)	287	7,632
Other assets	16,068	21,222
Total Assets	$ 793,287	$ 839,103
Liabilities		
Current liabilities		
Accounts payable	$ 49,744	$ 43,437
Current portion of long-term debt (Note 13)	209	1,045
Income taxes (Note 10)	6,765	4,189
Accrued insurance	38,457	38,409
Accrued salaries and wages	35,990	32,963
Current liabilities of discontinued operations (Note 7)	12,215	3,339
Other current liabilities (Note 14)	22,684	45,823
Total current liabilities	166,064	169,205
Deferred income taxes (Note 10)	26,301	26,012
Long-term debt (Note 13)	150,331	234,058
Deferred compensation liabilities (Note 15)	25,514	21,275
Noncurrent liabilities of discontinued operations (Note 7)	-	4
Other liabilities	3,716	4,374
Commitments and contingencies (Notes 16, 20 and 21)		
Total Liabilities	371,926	454,928
Stockholders' Equity		
Capital stock - authorized 80,000,000 shares $1 par; issued 28,849,918 shares (2005 - 28,373,872 shares)	28,850	28,374
Paid-in capital	252,639	234,910
Retained earnings	215,517	171,188
Treasury stock - 3,023,635 shares (2005 - 2,394,272 shares), at cost	(78,064)	(52,127)
Deferred compensation payable in Company stock (Note 15)	2,419	2,379
Notes receivable for shares sold	-	(549)
Total Stockholders' Equity	421,361	384,175
Total Liabilities and Stockholders' Equity	$ 793,287	$ 839,103

The Notes to Consolidated 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,	2006	2005	2004
Cash Flows from Operating Activities			
Net income	$ 50,651	$ 35,817	$ 27,512
Adjustments to reconcile net income/(loss) to net cash provided by operations:			
Depreciation and amortization	22,030	21,072	18,321
Provision for uncollectible accounts receivable	8,169	7,126	6,150
Provision for deferred income taxes (Note 10)	7,408	(5,055)	4,969
Discontinued operations (Note 7)	7,071	411	(8,417)
Amortization of debt issuance costs	1,774	1,834	1,861
Noncash portion of long-term incentive compensation	-	4,813	4,988
Loss on impairment of investment	1,445	-	-
Write-off unamortized debt issuance costs	430	2,871	-
Equity in loss of affiliate (Note 4)	-	-	4,105
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Increase in accounts receivable	(12,527)	(34,145)	(6,070)
Decrease/(increase) in inventories	(78)	520	(986)
Decrease/(increase) in prepaid expenses and other current assets	(2,188)	76	11,659
Increase/(decrease) in accounts payable and other current liabilities	(13,017)	32,431	(2,785)
Increase in income taxes	18,726	15,359	21,346
Decrease/(increase) in other assets	(722)	(2,003)	5,607
Increase/(decrease) in other liabilities	3,788	(1,146)	(627)
Excess tax benefit on share-based compensation	(5,600)	-	-
Noncash expense of internally financed ESOPs	-	1,060	1,894
Other sources/(uses)	2,109	912	(1,043)
Net cash provided by continuing operations	89,469	81,953	88,484
Net cash provided/(used) by discontinued operations (Note 7)	9,120	(1,940)	4,406
Net cash provided by operating activities	98,589	80,013	92,890
Cash Flows from Investing Activities			
Capital expenditures	(21,987)	(25,734)	(18,290)
Business combinations, net of cash acquired (Note 8)	(4,145)	(6,165)	(343,051)
Net uses from sale of discontinued operations (Note 7)	(922)	(9,367)	(759)
Proceeds from sales of property and equipment	347	157	772
Investing activities of discontinued operations (Note 7)	(260)	(239)	(1,774)
Return of deposit to secure merger offer	-	-	10,000
Other uses	(765)	(394)	(107)
Net cash used by investing activities	(27,732)	(41,742)	(353,209)
Cash Flows from Financing Activities			
Repayment of long-term debt (Note 13)	(84,563)	(141,592)	(96,940)
Purchases of treasury stock	(19,885)	(7,401)	(2,654)
Dividends paid	(6,322)	(6,172)	(5,718)
Excess tax benefit on share-based compensation	5,600	-	-
Proceeds from exercise of stock options (Note 2)	3,861	12,327	3,721
Increase/(decrease) in cash overdraft payable	2,571	6,752	1,265
Debt issuance costs	(154)	(1,755)	(14,447)
Proceeds from issuance of long-term debt (Note 13)	-	85,000	295,000
Issuance of capital stock, net of costs	-	-	95,102
Collection of stock subscription note receivable	-	-	8,053
Redemption of convertible junior subordinated securities (Note 1)	-	-	(2,735)
Financing activities of discontinued operations (Note 7)	-	-	(255)
Other sources/(uses)	176	255	687
Net cash provided/(used) by financing activities	(98,716)	(52,586)	281,079
Increase/(decrease) in cash and cash equivalents	(27,859)	(14,315)	20,760
Cash and cash equivalents at beginning of year	57,133	71,448	50,688
Cash and cash equivalents at end of year	$ 29,274	$ 57,133	$ 71,448

The Notes to Consolidated 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	Deferred Compensation Payable in Company Stock	Notes Receivable for Shares Sold	Total
Balance at December 31, 2003	$13,453	$167,547	$119,746	$(109,427)	$2,308	$(934)	$192,693
Net income	-	-	27,512	-	-	-	27,512
Dividends paid ($0.48 per share - pre-split)	-	-	(5,718)	-	-	-	(5,718)
Stock awards and exercise of stock options (Note 2)	130	8,120	-	771	-	-	9,021
Retirement of treasury shares	(400)	(12,076)	-	12,476	-	-	-
Issuance of common shares	-	32,722	-	62,380	-	-	95,102
Decrease in notes receivable	-	-	-	(10)	-	390	380
Purchases of treasury stock	-	1,894	-	(63)	-	-	1,831
Conversion of convertible preferred securities	308	10,639	-	-	-	-	10,947
Other	-	255	2	-	67	-	324
Balance at December 31, 2004	13,491	209,101	141,542	(33,873)	2,375	(544)	332,092
Net income	-	-	35,817	-	-	-	35,817
Dividends paid ($0.24 per share)	-	-	(6,172)	-	-	-	(6,172)
Stock awards and exercise of stock options (Note 2)	1,028	38,383	-	(18,204)	-	-	21,207
Decrease in notes receivable	-	-	-	(9)	-	(5)	(14)
Purchases of treasury stock	-	1,060	-	(41)	-	-	1,019
Impact of common share split (Note 23)	13,855	(13,855)	-	-	-	-	-
Other	-	221	1	-	4	-	226
Balance at December 31, 2005	28,374	234,910	171,188	(52,127)	2,379	(549)	384,175
Net income	-	-	50,651	-	-	-	50,651
Dividends paid ($0.24 per share)	-	-	(6,322)	-	-	-	(6,322)
Stock awards and exercise of stock options (Note 2)	476	17,663	-	(9,840)	-	-	8,299
Decrease in notes receivable	-	-	-	(485)	-	549	64
Purchases of treasury stock (Notes 2 and 23)	-	-	-	(15,612)	-	-	(15,612)
Other	-	66	-	-	40	-	106
Balance at December 31, 2006	$28,850	$252,639	$215,517	$ (78,064)	$2,419	$ -	$421,361

The Notes to Consolidated Financial Statements are integral parts of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Chemed Corporation and Subsidiary Companies

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1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

We operate through our two wholly owned subsidiaries, VITAS Healthcare Corporation ("VITAS") and Roto-Rooter Group, Inc. ("Roto-Rooter"). VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its team of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter is focused on providing plumbing and drain cleaning services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

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.

We have analyzed the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R "Consolidation of Variable Interest Entities--an interpretation of Accounting Research Bulletin No. 51 (revised)" ("FIN 46R") relative to contractual relationships with our Roto-Rooter independent contractors and franchisees. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated the relationships with our independent contractors and franchisees based upon guidance provided in FIN 46R and have concluded that certain of the independent contractors may be VIEs. Based on our evaluation, the franchisees are not VIEs. We believe consolidation, if required, of the accounts of any independent contractor for which we might be the primary beneficiary would not materially impact our financial position or results of operations.

CASH EQUIVALENTS

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

ACCOUNTS AND LOANS RECEIVABLE AND CONCENTRATION OF RISK

Accounts and loans receivable are recorded at the principal balance outstanding less estimated allowances for uncollectible accounts. For the Roto-Rooter segment, allowances for trade accounts receivable are generally provided for accounts more than 90 days past due, although collection efforts continue beyond that time. Due to the small number of loans receivable outstanding, allowances for loan losses are determined on a case-by-case basis. For the VITAS segment, allowances for patient accounts receivable are generally provided on accounts more than 240 days old plus an appropriate percentage of accounts not yet 240 days old. Final write-off of overdue accounts or loans receivable is made when all reasonable collection efforts have been made and payment is not forthcoming. We closely monitor our receivables and periodically review procedures for granting credit to attempt to hold losses to a minimum.

As of December 31, 2006 and 2005, approximately 62% and 65%, respectively of VITAS' total accounts receivable balance were due from Medicare and 30% and 27%, respectively of VITAS' total accounts receivable balance were due from various state Medicaid programs. Combined accounts receivable from Medicare and Medicaid represent 81% of the net accounts receivable in the accompanying consolidated balance sheet as of December 31, 2006. We closely monitor our programs to ensure compliance with Medicare and Medicaid regulations.

INVENTORIES

Substantially all of the inventories are either general merchandise or finished goods. Inventories are stated at the lower of cost or market. For determining the value of inventories, cost methods that reasonably approximate the first-in, first-out ("FIFO") method are used.

OTHER INVESTMENTS

At December 31, 2005, other investments, which were classified as available-for-sale, comprised a common stock purchase warrant in privately held Patient Care Inc. ("Patient Care"), our former subsidiary. As further discussed in Note 7, our investment in the Patient Care warrant, which was carried at cost, was written-off in fiscal 2006.

All investments are reviewed periodically for impairment based on available market and financial data. If the market value or net realizable value of the investment is less than our cost and the decline is determined to be other than temporary, a write-down to fair value is made, and a realized loss is recorded in the statement of income. In calculating realized gains and losses on the sales of investments, the specific-identification method is used to determine the cost of investments sold.

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. Leasehold improvements are amortized over the lesser of the remaining lease terms (excluding option terms) or their useful lives. 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.

Expenditures for major software purchases and software developed for internal use are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. For software developed for internal use, external direct costs for materials and services and certain internal payroll and related fringe benefit costs are capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

The weighted average lives of our property and equipment at December 31, 2006, were:

Buildings	16.2	yrs.
Transportation equipment	5.9	
Machinery and equipment	5.9	
Computer software	4.3	
Furniture and fixtures	5.0	

GOODWILL AND INTANGIBLE ASSETS

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. The VITAS trade name is considered to have an indefinite life. Goodwill and the VITAS trade name are tested at least annually for impairment.

The weighted average lives of our identifiable, definite-lived intangible assets at December 31, 2006, were:

Covenants not to compete	6.3	yrs.
Referral networks	10.0	
Customer lists	13.3	

LONG-LIVED ASSETS

If we believe a triggering event may have occurred that indicates a possible impairment of our long-lived assets, we perform an estimation and valuation of the future benefits of our long-lived assets (other than goodwill and the VITAS trade name) based on key financial indicators. If the projected undiscounted cash flows of a major business unit indicate that property and equipment or identifiable, definite-lived intangible assets have been impaired, a write-down to fair value is made. As further discussed in Note 7, VITAS sold its Phoenix program in 2006. Prior to that sale, we determined that property and equipment of this program with a carrying value of $216,000 was impaired and recorded an impairment charge in September 2006. No other events occurred during 2006 or 2005 that indicated an impairment assessment was required.

OTHER ASSETS

Debt issuance costs are included in other assets and are amortized using the effective interest method over the life of the debt.

REVENUE RECOGNITION

Both the VITAS segment and Roto-Rooter segment recognize service revenues and sales when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. VITAS recognizes revenue at the estimated realizable amount due from third-party payers. Medicare billings are subject to certain limitations, as described further below.

VITAS is subject to certain limitations on Medicare payments for services. Specifically, if the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services in 2006, 2005 or 2004.

VITAS is also subject to a Medicare annual per-beneficiary cap ("Medicare Cap"). Compliance with the Medicare Cap is measured by comparing the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number between November 1 of each year and October 31 of the following year with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare Cap based on projected trends, we attempt to institute corrective action to change the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare Cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare Cap and record the amount as a reduction to service revenue.

During the year ended December 31, 2006, we recorded a pretax charge in continuing operations of $3.9 million for the estimated Medicare cap liability. Medicare cap charges related to our Phoenix operation were $7.9 million and are included in discontinued operations, as further discussed in Note 7. The components of the pretax charges are as follows (in thousands):

	Phoenix	All Other	Total
2007 measurement period	$ -	$ 470	$ 470
2006 measurement period	7,260	2,903	10,163
2005 measurement period	671	525	1,196
Total	$ 7,931	$ 3,898	$ 11,829

Charges for the 2005 measurement period relate to prior year billing limitations resulting from the fiscal intermediary reallocating admissions for deceased Medicare patients who received hospice care from multiple providers. The amounts for the 2006 and 2007 measurement periods are estimates made by management based upon Medicare admissions and Medicare revenue in each program.

SALES TAX

The Roto-Rooter segment collects sales tax from customers when required by state and federal laws. We record the amount of sales tax collected net in the accompanying consolidated statement of income.

GUARANTEES

In the normal course of business, we enter into various guarantees and indemnifications in our relationships with customers and others. Examples of these arrangements include guarantees of services for periods ranging from one day to one year and product satisfaction guarantees. Our experience indicates guarantees and indemnifications do not materially impact our financial condition or results of operations. Based on our experience, no liability for guarantees has been recorded as of December 31, 2006 or 2005.

OPERATING EXPENSES

Cost of services provided and goods sold (excluding depreciation) includes salaries, wages and benefits of service providers and field personnel, material costs, medical supplies and equipment, pharmaceuticals, insurance costs, service vehicle costs and other expenses directly related to providing service revenues or generating sales. Selling, general and administrative expenses include salaries, wages and benefits of selling, marketing and administrative employees, advertising expenses, communications and branch telephone expenses, office rent and operating costs, legal, banking and professional fees and other administrative costs.

ADVERTISING

We expense the production costs of advertising the first time the advertising takes place. The costs of yellow page listings are expensed when the directories are placed in circulation. These directories are generally in circulation for approximately one year, at which point they are replaced by the publisher with a new directory. We generally pay for directory placement assuming it is in circulation for one year. If the directory is in circulation for less than or greater than one year, we receive a credit or additional billing, as necessary. We do not control the timing of when a new directory is placed in circulation. Other advertising costs are expensed as incurred. Advertising expense for continuing operations for the year ended December 31, 2006 was $23.3 million (2005 - $21.2 million; 2004-$20.0 million).

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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 our outstanding stock options and nonvested stock awards. Diluted earnings per share also assumed the conversion of the Convertible Junior Subordinated Debentures ("CJSD") into capital stock prior to the redemption of the CJSD in 2004, only when the impact was dilutive on earnings per share from continuing operations. Stock options whose exercise price is greater than the average market price of our stock are excluded from the computation of diluted earnings per share.

STOCK-BASED COMPENSATION PLANS

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123, revised ("SFAS 123(R)") which establishes accounting for stock-based compensation for employees. Under SFAS 123(R), stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period on a straight-line basis. We previously applied Accounting Principles Board Opinion No. 25 and provided the pro-forma disclosures required by Statement of Financial Accounting Standards No. 123. We elected to adopt the modified prospective transition method as provided by SFAS 123(R). Accordingly, we have not restated previously reported financial statement amounts. Other than certain reclassifications, there was no material impact on our financial position, results of operations or cash flows as a result of the adoption of SFAS 123(R).

INSURANCE ACCRUALS

For our Roto-Rooter segment and Corporate Office, we self-insure for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator ("TPA") processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped at $500,000. For most of the prior years, the caps for general liability and workers' compensation were between $250,000 and $500,000 per claim. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors ("LDF") by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

For the VITAS segment, we self-insure for workers' compensation claims. Currently, VITAS' exposure on any single claim is capped at $500,000. For most of the prior years, the caps for workers' compensation were between $250,000 and $500,000 per claim. For VITAS' self-insurance accruals for workers' compensation, we obtained an actuarial valuation of the liability as of February 24, 2004 (the date of acquisition) and as of November 30, 2006 and 2005. The valuation methods used by the actuary are similar to those used internally for our other business units.

TAXES ON INCOME

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in laws and rates on the date of enactment.

We are subject to income taxes in Canada, the Federal and most state jurisdictions. Significant judgment is required to determine our provision for income taxes. We are periodically audited by various taxing authorities. We establish liabilities for possible assessments by taxing authorities resulting from exposures including, the deductibility of certain expenses and the tax treatment related to acquisitions and divestitures. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our tax reserves reflect the probable outcome of known contingencies, including interest and penalties, if applicable.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Disclosures of aftertax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

RECLASSIFICATIONS

Prior year amounts have been reclassified to conform with current period presentation in the balance sheet, statement of income and statement of cash flows primarily related to operations discontinued in 2006.

RECENT ACCOUNTING STATEMENTS

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements" ("SAB 108"). Traditionally, there have been two widely recognized methods for quantifying the effects of financial statement misstatements. The first, called the "rollover" method, focuses primarily on the income statement effect of a misstatement but its use can lead to the accumulation of misstatements on the balance sheet. The other method, the "iron curtain" method, focuses primarily on the balance sheet effect of a misstatement but its use can cause out-of-period adjustments in the income statement.

SAB 108 requires companies to evaluate financial statement misstatements using both methods, referred to as the "dual approach." An issuer may either restate all periods presented as if the dual approach had always been used or record the cumulative effect of using the dual approach to assets and liabilities with an offsetting adjustment to the opening balance of retained earnings as of January 1, 2006. There was no impact on our financial statements for the adoption of SAB 108.

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"). The new standard requires employers to recognize fully the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. Under past accounting standards, the funded status of an employer's postretirement benefit plan (i.e., the difference between the plan assets and obligations) was not always completely reported in the balance sheet. Employers reported an asset or liability that almost always differed from the plan's funded status because previous accounting standards allowed employers to delay recognition of certain changes in plan assets and obligations that affected the costs of providing such benefits. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. There was no impact on our financial statements for the adoption of SFAS 158.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles (GAAP). It sets a common definition of fair value to be used throughout GAAP. The new standard is designed to make the measurement of fair value more consistent and comparable and improve disclosures about those measures. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact SFAS 157 will have on our financial condition and results of operations.

In September 2006, the FASB issued a staff position related to the accounting for planned major maintenance activities. The staff position sets forth four alternative methods of accounting for planned major maintenance activities but disallowed the accrue-in-advance method. The accrue-in-advance method provides for estimating the cost of major maintenance activities and accruing that cost in advance of the maintenance being performed. The guidance is effective for the first fiscal year beginning after December 15, 2006. There will be no material impact on our financial statements as a result of adopting this staff position.

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109", which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. Upon adoption of FIN 48, the financial statements will reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts. FIN 48 also revises disclosure requirements and introduces an annual, tabular roll-forward of the unrecognized tax benefits. This interpretation is effective as of the beginning of fiscal years starting after December 15, 2006. We believe that the cumulative effect upon adoption of FIN 48, as of January 1, 2007, will reduce our accrual for uncertain tax positions by approximately $3 million to $5 million. We do not anticipate the adoption of FIN 48 will have a material impact on our 2007 effective tax rate.

2. Stock Based Compensation Plans

We provide employees the opportunity to acquire our stock through a number of plans, as follows:

- We have nine stock incentive plans under which 10,700,000 shares can be issued to key employees through a grant of stock awards and/or options to purchase shares. The Compensation/Incentive Committee ("CIC") of the Board of Directors administers these plans. All options granted under these plans provide for a purchase price equal to the market value of the stock at the date of grant. The latest plan, covering a total of 3,000,000 shares, was adopted in May 2006 and revised in August 2006. The plans are not qualified, restricted or incentive plans under the U.S. Internal Revenue Code. The terms of each plan differ slightly, however, stock options issued under the plans generally have a maximum term of 10 years. Under one plan, adopted in 1999, up to 500,000 shares may be issued to employees who are not our officers or directors.

- In May 2002, our shareholders approved the adoption of the Executive Long-Term Incentive Plan ("LTIP") covering our officers and key employees. The LTIP is administered by the CIC. During June 2004, the CIC approved guidelines covering the establishment of a pool of 250,000 shares ("2004 LTIP Pool") to be distributed to eligible members of management upon attainment of the following hurdles during the period January 1, 2004 through December 31, 2007:
  - 88,000 shares if our cumulative pro forma adjusted EBITDA (including the results of VITAS beginning January 1, 2004) reaches $365 million within the four-year period.
  - 44,000 shares represent a retention element, subject to a four-year, time-based vesting.
  - 30,000 shares may be awarded at the discretion of the CIC. Through December 31, 2006, 18,000 shares have been issued from the discretionary pool.
  - 88,000 shares if our stock price reaches the following hurdles during any 30 trading days out of any 60 trading day period during the four-year period:

Stock Price Hurdle	Shares to be Issued
$ 35.00	22,000
$ 38.75	33,000
$ 42.50	33,000
	88,000

On June 22, 2004, the CIC awarded 44,000 restricted shares of stock to key employees under the retention component of the 2004 LTIP Pool. These shares vest on December 31, 2007, for all participants still employed by us. The total cost of these awards is $1.1 million, based on the fair value of the stock on the date of the award. Of this amount, $1.0 million relates to continuing operations and is being amortized on a straight-line basis over the 42-month period ending December 31, 2007.

During the first quarter of 2005, the price of our stock exceeded $35 per share for 30 trading days, fulfilling one of the stock price hurdles. On March 11, 2005, the CIC approved a payout of 25,000 shares of capital stock under the LTIP. The pretax expense of this award from continuing operations, including payroll taxes and benefit costs, was $1.1 million ($695,000 aftertax).

During the second quarter of 2005, the price of our stock exceeded $38.75 per share for 30 trading days, fulfilling one of the stock price hurdles. On July 11, 2005, the CIC approved a payout of 37,500 shares of capital stock under the LTIP. The pretax expense of this award from continuing operations, including payroll taxes and benefit costs, was $1.8 million ($1.2 million aftertax).

During the fourth quarter of 2005, the price of our stock exceeded $42.50 per share for 30 trading days, fulfilling one of the stock price hurdles. On December 2, 2005, the CIC approved a payout of 43,500 shares of capital stock under the LTIP. The pretax expense of this award from continuing operations, including payroll taxes and benefit costs, was $2.5 million ($1.6 million aftertax).

As of December 31, 2006, no accrual for the cost of possible awards under the remaining components of the 2004 LTIP Pool was made since the targets have not been attained and no individual participant's share of a possible award has been identified or approved by the CIC.

As of December 31, 2006, a total of 100,000 shares may be earned under the EBITDA and contingent hurdles of the 2004 LTIP pool. On May 15, 2006, the CIC approved additional price hurdles and associated shares to be issued under the LTIP pursuant to the 2006 Stock Incentive Plan, as follows:

Stock Price Hurdle	Shares to be Issued
$ 62.00	20,000
$ 68.00	30,000
$ 75.00	30,000
	80,000

The stock price hurdles must be achieved during 30 trading days out of any 60 trading day period during the three years ending May 15, 2009.

- We maintain an Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible participants to purchase our shares through payroll deductions at current market value. We pay administrative and broker fees associated with the ESPP. Shares purchased for the ESPP are purchased on the open market and credited directly to participants' accounts. In accordance with the provisions of SFAS 123(R), the ESPP is non-compensatory.

In March 2005, the Board of Directors approved immediate vesting of all unvested stock options to avoid recognizing approximately $951,000 of pretax expense that would have been charged to income upon adoption of SFAS 123R. The $215,000 pretax charge for accelerating the vesting of these options is included in operating income for the year ended December 31, 2005. For the year ended December 31, 2006, we recorded $1.3 million in amortization expense in the accompanying statement of income for stock-based compensation related to the amortization of restricted stock awards granted. For the year ended December 31, 2006, we recorded $1.2 million in selling, general and administrative expenses for stock-based compensation related to stock options granted. There were no capitalized stock-based compensation costs as of December 31, 2006. The pro-forma disclosure as required by SFAS No. 123 is as follows (in thousands):

	For the Years Ended December 31, 2005	2004
Net income, as reported	$ 35,817	$ 27,512
Add: stock-based compensation expense included in net income as reported, net of income taxes	4,314	3,940
Deduct: total stock-based compensation determined under a fair value method, net of income taxes	(8,519)	(8,259)
Pro-forma net income	$ 31,612	$ 23,193
Earnings per share:		
As reported	$ 1.40	$ 1.14
Pro-forma	$ 1.24	$ 0.96
Diluted earnings per share:		
As reported	$ 1.36	$ 1.12
Pro-forma	$ 1.20	$ 0.94

The above pro forma data were calculated using the Black-Scholes option valuation method to value our stock options granted. Key assumptions include:

	For the Years Ended December 31, 2005	2004
Weighted average grant-date fair value of options granted	$ 12.43	$ 6.80
Risk-free interest rate	4.0 %	3.9 %
Expected volatility	30.9 %	30.3 %
Expected life of options	5 yrs.	5 yrs.
Annual dividend rate	$ 0.24	$ 0.24

As of December 31, 2006, approximately $2.6 million of total unrecognized compensation costs related to non-vested stock awards are expected to be recognized over a weighted average period of 2.5 years. As of December 31, 2006, approximately $5.4 million of total unrecognized compensation costs related to non-vested stock options are expected to be recognized over a weighted average period of 2.5 years.

The following table summarizes stock option and award activity:

	Stock Options		Stock Awards	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Grant-Date Price
Stock-based compensation shares:				
Outstanding at January 1, 2006	1,741,833	$ 23.57	142,445	$ 27.10
Granted	370,450	51.76	29,600	53.17
Exercised/Vested	(449,161)	21.06	(34,456)	36.62
Forfeited	(2,600)	31.48	(3,049)	29.78
Outstanding at December 31, 2006	1,660,522	$ 30.53	134,540	$ 30.33
Vested at December 31, 2006	1,290,672	$ 24.44		

The weighted average contractual life of outstanding and exercisable options was 6.5 years at December 31, 2006. Options outstanding at December 31, 2006, were in the following exercise price ranges:

Exercise Price Range	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
$16.10 to $30.53	981,272	$ 20.14	$ 17,008,000
$30.54 to $51.76	679,250	$ 45.54	$ -

The total intrinsic value of stock options exercised during the years ended December 31, 2006, 2005 and 2004 was $14.7 million, $28.3 million and $5.3 million, respectively. The total intrinsic value of stock options that were vested as of December 31, 2006, 2005 and 2004 was $16.8 million, $45.4 million and $31.3 million, respectively. The total intrinsic value of stock awards vested during the years ended December 31, 2006, 2005 and 2004 was $1.7 million, $5.6 million and $5.0 million, respectively. The total cash received from employees as a result of employee stock option exercises for the years ended December 31, 2006, 2005 and 2004 was $3.9 million, $12.3 million and $3.7 million, respectively. In connection with these exercises, the excess tax benefits realized for the years ended December 31, 2006, 2005 and 2004 were $5.6 million, $10.8 million and $1.9 million, respectively. We settle employee stock options with newly issued shares.

We estimate the fair value of stock options using the Black-Scholes valuation model, consistent with the provisions of SFAS 123(R), the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107 and our prior period pro forma disclosure of net income including stock-based compensation expense. We determine expected term, volatility, dividend yield and forfeiture rate based on our historical experience. We believe that historical experience is the best indicator of these factors. We granted 370,450 stock options on June 28, 2006 pursuant to the 2006 Stock Incentive Plan. For purposes of determining the key assumptions and the related fair value of the options granted, we analyzed the participants of the LTIP separately from the other stock option recipients. The assumptions we used to value the June 28, 2006 grant are as follows:

	LTIP Participants	All Others
Stock price on date of issuance	$ 51.76	$ 51.76
Grant date fair value per share	$ 18.95	$ 16.47
Number of options granted	262,750	107,700
Expected term (years)	6.0	4.5
Risk free rate of return	5.21 %	5.19 %
Volatility	28.0 %	28.9 %
Dividend yield	0.5 %	0.5 %
Forfeiture rate	- %	10.0 %

3. Segments and Nature of the Business

Our segments comprise the VITAS segment and the Roto-Rooter segment. Service America, which was sold in 2005, has been reclassified to discontinued operations for all periods presented. Relative contributions of each segment to service revenues and sales were 69% and 31%, respectively, in 2006. Relative contributions of each segment to service revenues and sales were 68% and 32%, respectively, in 2005. The vast majority of our service revenues and sales from continuing operations are generated from business within the United States.

The reportable segments have been defined along service lines which is consistent with the way the businesses are managed. In determining reportable segments, the Roto-Rooter Services; and Roto-Rooter Franchising and Products operating units of the Roto-Rooter segment have been aggregated on the basis of possessing similar operating and economic characteristics. The characteristics of these operating segments and the basis for aggregation are reviewed annually. Accordingly, the reportable segments are defined as follows:

- The VITAS segment provides hospice services for patients with severe, life-limiting illnesses. This type of care is aimed at making the terminally ill patient's final days as comfortable and pain-free as possible. Hospice care is typically available to patients who have been initially certified as terminally ill (i.e., a prognosis of six months or less) by their attending physician, if any, and the hospice physician. VITAS offers all levels of hospice care in a given market, including routine home care, inpatient care and continuous care. Over 90% of VITAS' revenues are derived through Medicare and Medicaid reimbursement programs.
- The Roto-Rooter segment provides repair and maintenance services to residential and commercial accounts using the Roto-Rooter registered service mark. Such services include plumbing and sewer, drain and pipe cleaning. They are delivered through company-owned and operated territories, independent contractor-operated territories and franchised locations. This segment also manufactures and sells products and equipment used to provide such services.
- We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate". Corporate administrative expense includes the stewardship, accounting and reporting, legal, tax and other costs of operating a publicly held corporation. Corporate investing and financing income and expenses include the costs and income associated with corporate debt and investment arrangements. Historically, we allocated stock-based compensation expense to the segment that employs its recipient. In connection with our adoption of SFAS 123(R), we re-assessed the classification within our business segments of stock-based compensation expense and determined that our chief decision maker analyzes stock-based compensation as a corporate expense. Accordingly, all stock-based compensation expense for 2006, 2005 and 2004 has been included as a corporate expense in the chart below.

Segment data for our continuing operations are set forth below (in thousands):

	For the Years Ended December 31,		
	2006	2005	2004
Revenues by Type of Service			
VITAS			
Routine homecare	$ 492,012	$ 426,380	$ 315,925
Continuous care	121,096	106,417	78,669
General inpatient	89,882	85,836	63,673
Medicare cap	(3,898)	-	-
Total segment	699,092	618,633	458,267
Roto-Rooter			
Sewer and drain cleaning	144,758	134,338	127,942
Plumbing repair and maintenance	128,732	118,625	107,642
Independent contractors	19,169	18,070	16,360
HVAC repair and maintenance	2,821	3,624	3,111
Other products and services	24,015	22,680	21,555
Total segment	319,495	297,337	276,610
Total service revenues and sales	$ 1,018,587	$ 915,970	$ 734,877

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Chemed Corporation and Subsidiary Companies

	For the Years Ended December 31,		
	2006	2005	2004
After tax Segment Earnings/(Loss)			
VITAS	$ 48,418	$ 33,505	$ 29,160
Roto-Rooter	32,454	27,626	19,801
Total	80,872	61,131	48,961
Corporate	(23,150)	(24,903)	(25,761)
Equity in VITAS loss	-	-	(4,105)
Discontinued operations	(7,071)	(411)	8,417
Net income	$ 50,651	$ 35,817	$ 27,512
Interest Income			
VITAS	$ 5,443	$ 2,792	$ 1,091
Roto-Rooter	4,082	2,391	1,180
Total	9,525	5,183	2,271
Corporate	2,492	1,805	1,403
Intercompany eliminations	(9,326)	(4,790)	(1,800)
Total interest income	$ 2,691	$ 2,198	$ 1,874
Interest Expense			
VITAS	$ 191	$ 153	$ 128
Roto-Rooter	368	563	206
Total	559	716	334
Corporate	16,909	20,548	20,824
Total interest expense	$ 17,468	$ 21,264	$ 21,158
Income Tax Provision			
VITAS	$ 28,705	$ 20,097	$ 20,037
Roto-Rooter	18,748	16,048	11,202
Total	47,453	36,145	31,239
Corporate	(14,891)	(17,717)	(17,503)
Total income tax provision	$ 32,562	$ 18,428	$ 13,736
Identifiable Assets			
VITAS	$ 517,112	$ 523,494	$ 500,670
Roto-Rooter	185,580	179,063	174,310
Total	702,692	702,557	674,980
Corporate	84,890	123,725	129,344
Discontinued Operations	5,705	12,821	21,242
Total identifiable assets	$ 793,287	$ 839,103	$ 825,566
Additions to Long-Lived Assets			
VITAS	$ 14,419	$ 24,462	$ 434,509
Roto-Rooter	10,268	7,938	8,690
Total	24,687	32,400	443,199
Corporate	137	443	785
Total additions to long-lived assets	$ 24,824	$ 32,843	$ 443,984
Depreciation and Amortization			
VITAS	$ 12,669	$ 11,504	$ 9,061
Roto-Rooter	7,737	8,361	8,702
Total	20,406	19,865	17,763
Corporate	1,624	1,207	558
Total depreciation			

and amortization	$ 22,030	$ 21,072	$ 18,321

4. Equity Interest in Affiliate (VITAS)

Until February 23, 2004, we held a 37% interest in privately held VITAS. During the period January 1 through February 23, 2004, VITAS recognized a net loss of $18.3 million due to the recognition of approximately $20.9 million of aftertax costs related to VITAS' sale of its business to us. Our aftertax share of VITAS' loss for this period was $ 4.1 million.

Included in the aftertax costs related to VITAS' sale of its business are the following (in thousands):

Accrual for potential severance costs under key employment agreements	$ 10,975
Legal and valuation costs	6,665
Loss on write-off of VITAS' deferred debt issuance costs	2,698
Other	592
Total	$ 20,930

5. Goodwill and Intangible Assets

Amortization of definite-lived intangible assets from continuing operations was $4.0 million, $4.0 million and $3.5 million for the years ended December 31, 2006, 2005 and 2004, respectively. The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2007	$ 4,038
2008	4,032
2009	4,002
2010	1,995
2011	1,197
Thereafter	2,651

The balance in identifiable intangible assets comprises the following (in thousands):

	Gross Asset	Accumulated Amortization	Net Book Value
December 31, 2006			
Referral networks	$ 21,142	$ (7,858)	$ 13,284
Covenants not to compete	8,751	(4,433)	4,318
Customer lists	1,223	(910)	313
Subtotal - definite-lived intangibles	31,116	(13,201)	17,915
VITAS trade name	51,300	-	51,300
Total	$ 82,416	$ (13,201)	$ 69,215
December 31, 2005			
Referral networks	$ 20,900	$ (5,108)	$ 15,792
Covenants not to compete	8,678	(3,238)	5,440
Customer lists	1,222	(866)	356
Subtotal - definite-lived intangibles	30,800	(9,212)	21,588
VITAS trade name	51,300	-	51,300
Total	$ 82,100	$ (9,212)	$ 72,888

The changes in the carrying amount of goodwill for the years ended December 31, 2005 and 2006 are as follows (in thousands):

	VITAS	Roto-Rooter	Total
December 31, 2004	$ 323,170	$ 108,402	$ 431,572
Acquired in business combinations, net of purchase accounting adjustments	414	498	912
Other adjustments	-	112	112
December 31, 2005	323,584	109,012	432,596
Acquired in business combinations, net of purchase accounting adjustments	(311)	2,727	2,416
Other adjustments	-	38	38
December 31, 2006	$ 323,273	$ 111,777	$ 435,050

We performed impairment tests of goodwill for all of our reporting units and for the VITAS trade name as of December 31, 2005. As further discussed in Note 24, in 2006, we changed the date of our annual goodwill impairment analysis to October 1.

For all reporting units included in continuing operations, the impairment tests indicated that our goodwill and VITAS trade name are not impaired. For the purpose of impairment testing, we consider the reporting units to be VITAS, Roto-Rooter Services (plumbing and drain cleaning services) and Roto-Rooter Franchising and Products (franchising and manufacturing and sale of plumbing and drain cleaning products). As further discussed in Note 7, VITAS sold its Phoenix program in November 2006. Prior to that sale, we determined that the acquired referral network was impaired and recorded a pretax impairment loss of $2.2 million during September 2006.

6. Other Expenses

Other expenses from continuing operations include the following pretax charges (in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Costs related to class action litigation	$ 272	$ 17,350	$ 3,135
Adjustments to transaction-related costs of the VITAS acquisition	-	(959)	442
Expenses related to debt registration	-	-	1,191
Total other expenses	$ 272	$ 16,391	$ 4,768

7. Discontinued Operations

Discontinued operations comprise (in thousands, except per share amounts):

	For the Years Ended December 31,		
	2006	2005	2004
VITAS Phoenix (2006):			
Income/(loss) before income taxes	$ (9,117)	$ 2,627	$ 152
Income taxes	3,645	(1,150)	(61)
Income/(loss) from operations, net of income taxes	(5,472)	1,477	91
Gain on disposal, net of income tax expense of $391	600	-	-
	(4,872)	1,477	91
Service America (2004):			
Income/(loss) before income taxes	(141)	576	(535)
Income taxes	109	(241)	222
Income/(loss) from operations, net of income taxes	(32)	335	(313)
(Loss)/gain on disposal, net of income tax benefit of $165 and $14,232 respectively	-	(2,148)	8,872
	(32)	(1,813)	8,559
Adjustment to accruals of operations discontinued in prior years:			
Settlement costs and other accruals (2002)	(2,246)	(120)	-
Environmental accruals (1991)	(1,194)	-	(700)
Allowance for uncollectible notes receivable and other accruals (2001)	28	-	383
Loss before income taxes	(3,412)	(120)	(317)
All other income taxes	1,245	45	84
Total adjustments	(2,167)	(75)	(233)
Total discontinued operations	$ (7,071)	$ (411)	$ 8,417
Earnings/(loss) per share	$ (0.27)	$ (0.02)	$ 0.35
Diluted earnings/(loss) per share	$ (0.26)	$ (0.02)	$ 0.34

In September 2006, our Board of Directors approved and we announced our intention to exit the hospice market in Phoenix, Arizona. Although we were successful in growing admissions of terminally ill patients, our growth was primarily patients who reside in assisted living settings. Patients residing in these types of facilities tend to exit curative care and enter into hospice care relatively early in their terminal diagnosis. The Medicare Cap limits payment for hospice care when a significant portion of the patient census enters into hospice early in their terminal diagnosis. Although we have, on average, relatively short average and median lengths of stay in the majority of our programs, all programs are measured separately and cannot be considered in the aggregate of programs under common control. Due to these billing limitations, we experienced significant operating losses at this program. As a result of our announcement, we performed impairment tests of our long-lived assets of the Phoenix operation as of September 30, 2006 in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment charge of $2.4 million was recorded for the referral network intangible asset and fixed assets during the third quarter of 2006. The sale was completed in November 2006. The acquiring corporation purchased the substantial majority of assets of the Phoenix program for $2.5 million.

On September 28, 2006, we announced a preliminary settlement in regard to litigation related to the 2002 divestiture of our Patient Care business segment. In connection with the sale of Patient Care in 2002, $5.0 million of the cash purchase price was placed in escrow pending collection of third-party payer receivables on Patient Care's balance sheet at the sale date. As of the settlement date, $4.2 million had been returned and the remainder was being withheld pending the settlement of certain third-party payer claims. Prior to the settlement, we had a long-term receivable from Patient Care of $12.5 million. We also had current accounts receivable from Patient Care for the post-closing balance sheet valuation and for expenses paid by us after closing on Patient Care's behalf of $3.4 million. We were in litigation with Patient Care over the collection of these current amounts and their allegations that our acquisition of VITAS violated a non-compete covenant in the sales agreement. We also have a warrant to purchase 2% of Patient Care's common stock that we recorded as a $1.4 million investment.

We settled this case in October 2006. We agreed to forgive $1.2 million of the current receivable related to the post-closing balance sheet valuation and convert the remaining amount into debt secured by a promissory note with the same terms as the $12.5 million long-term receivable. We have incurred additional costs related to the settlement of $1.1 million for additional insurance and legal costs related to workers' compensation claims incurred prior to the sale. The after tax charge related to these amounts of $1.5 million has been recorded as discontinued operations. As a result of financial information received during the negotiations, we determined that the value of the warrants has been permanently impaired and have recorded a pretax impairment charge of $1.4 million. This charge is included in income from continuing operations on the consolidated statement of income.

In December 2004, the Board of Directors authorized the discontinuance of our Service America segment through an asset sale to employees of Service America. The disposal was completed in May 2005. Our decision to dispose of Service America, which provides major-appliance and heating/air conditioning repair, maintenance and replacement services, was based on declining operating results and projected operating losses. The acquiring corporation purchased the substantial majority of Service America's assets in exchange for assuming substantially all of Service America's liabilities. The loss on disposal of Service America in 2005 arises from the finalization of asset and liability values and related tax benefits resulting from the consummation of the sale transaction. Included in the assets acquired was a receivable from us for approximately $4.7 million. We paid $1 million of the amount upon closing and the remainder was due over the following year in 11 equal installments. No balances are due Service America as of December 31, 2006. The balance due Service America as of December 31, 2005 was $1.3 million. We recognized a tax benefit of approximately $14.2 million on this disposal in 2004, primarily due to the recognition of non-deductible goodwill impairment losses in prior years.

During 2004, we increased our accrual for environmental liabilities related to the disposal of DuBois Chemicals, Inc. ("DuBois") in 1991 by $700,000. During 2006, we again increased our accrual for environmental liabilities related to the disposal of DuBois by $1.2 million. The adjustment made by us is based on an assessment by our environmental attorney, a preliminary settlement agreement with respect to one site and ongoing discussions with the U.S. Environmental Protection Agency. At December 31, 2006 and 2005, the accrual for our estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois amounted to $3.5 million and $3.0 million, respectively. Of the 2006 balance, $2.6 million is included in other current liabilities and $900,000 is included in other liabilities (long-term). We are contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the potential liability, we believe it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. The potential liability is not insured, and the recorded liability does not assume the recovery of insurance proceeds. Also, the environmental liability has not been discounted because it is not possible to reliably project the timing of payments. We believe that any adjustments to our recorded liability will not materially adversely affect our financial position or results of operations.

The $383,000 reduction to the allowance for uncollectible notes receivable from Cadre Computer Resources Co. ("Cadre Computer") (sold in 2001) in 2004 is attributable to Cadre Computer's experiencing better than anticipated financial results and to the expiration of $350,000 of Cadre Computer's line of credit with us.

Revenues generated by discontinued operations comprise (in thousands):

	For the Years Ended December 31,		
	2006	2005	2004
Service America	$ -	$ 10,716	$ 38,986
Phoenix	(98)	10,506	464
	$ (98)	$ 21,222	$ 39,450

At December 31, 2006, other current liabilities include accruals of $13.7 million and other liabilities (long-term) include accruals of $2.6 million for costs related to discontinued operations. The estimated timing of payments of these liabilities follows (in thousands):

2007	$ 13,735
2008	932
2009	963
2010	454
2011	264
After 2011	-
	$ 16,348

Our Chairman of the Board, President and Chief Executive Officer and our former Chief Administrative Officer (currently a director of our company) are directors of Cadre Computer. In addition, our former Chief Administrative Officer holds a 51% equity ownership interest in Cadre Computer at December 31, 2006 and is Chairman and Chief Executive Officer of Cadre Computer.

8. Business Combinations

During 2006, we completed three business combinations within the Roto-Rooter segment for an aggregate purchase price of $4.1 million in cash. We made no acquisitions within the VITAS segment during 2006. The Roto-Rooter acquisitions were completed mainly to increase our market penetration in Erie, Pennsylvania, Tyler, Texas and Lexington, Kentucky. The results of operations of these businesses are included in our results of operations from the date of acquisition. The purchase price allocations for the 2006 business combinations are preliminary and will be finalized during 2007.

During 2005, we completed one business combination within the Roto-Rooter segment and two within the VITAS segment for an aggregate purchase price of $6.2 million in cash. The acquisitions were completed mainly to increase our market penetration. The VITAS businesses acquired provide hospice services in the Pittsburgh, PA and Philadelphia, PA areas and the Roto-Rooter business acquired provides drain cleaning and plumbing services using the Roto-Rooter name in Greensboro, NC. The results of operations of these businesses are included in our results of operations from the date of acquisition.

During 2004, we completed two business combinations within the Roto-Rooter segment and two within the VITAS segment for an aggregate purchase price of $19.3 million in cash. The VITAS businesses acquired provide hospice services in the Phoenix, AZ and the Atlanta, GA areas, and the Roto-Rooter businesses acquired provide drain cleaning and plumbing services using the Roto-Rooter name in Harrisburg, PA and Spokane, WA. The results of operations of all of these businesses are included in our results of operations from the date of acquisition.

On February 24, 2004, we completed the acquisition of the 63% of VITAS common stock we did not previously own for cash consideration of $323.8 million. The total investment in VITAS, including $3.1 million of acquisition expenses and our $18.0 million prior investment in VITAS, was $366.2 million. We have completed the purchase price allocation and the excess of the purchase price over the fair value of the net assets acquired in purchase business combinations is classified as goodwill.

Total net assets acquired	$ 366,194
Less: prior investment in VITAS	(18,032)
Less-cash and cash equivalents acquired	(24,377)
Net cash used	$ 323,785

The purchase price of all businesses acquired during the year indicated, except the VITAS acquisition, has been allocated as follows (in thousands):

	For the Years Ended December 31,		
	2006	2005	2004
Identifiable intangible assets	$ 315	$ -	$ -
Goodwill	2,416	1,429	19,274
Other assets and liabilities-net	1,414	4,736	(8)
Total net assets	$ 4,145	$ 6,165	$ 19,266

Approximately $20.9 million of the goodwill related to the VITAS acquisition and all of the goodwill related to business combinations completed in 2006, 2005 and 2004 is expected to be deductible for income tax purposes.

The unaudited pro forma results of operations, assuming purchase business combinations completed in 2006 and 2005 were completed on January 1, 2005 are presented below (in thousands, except per share data):

	For the Years Ended December 31,	
	2006	2005
Service revenues and sales	$ 1,019,530	$ 917,615
Net Income	50,988	36,196
Earnings per share	1.95	1.42
Diluted Earnings per share	1.91	1.38

9. Other Income--Net

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

	For the Years Ended December 31,		
	2006	2005	2004
Interest income	$ 2,691	$ 2,198	$ 1,874
Market value gains on trading investments of employee benefit trusts	2,030	863	1,859
Loss on disposal of property and equipment	(161)	(131)	(350)
Other - net	88	192	87
Total other income	$ 4,648	$ 3,122	$ 3,470

10. Income Taxes

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

	For the Years Ended December 31,		
Continuing Operations:	2006	2005	2004
Current			
U.S. federal	$ 21,955	$ 21,201	$ 7,042
U.S. state and local	2,808	1,763	1,209
Foreign	391	519	516
Deferred			
U.S. federal, state and local	7,474	(4,951)	5,060
Foreign	(66)	(104)	(91)
Total	$ 32,562	$ 18,428	$ 13,736
Discontinued Operations:			
Current U.S. federal	$ (4,175)	$ (14,497)	$ (2,351)
Current U.S. state and local	(440)	(1,214)	(55)
Deferred U.S. federal, state and local	7	16,892	(12,071)
Total	$ (4,608)	$ 1,181	$ (14,477)

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

	December 31, 2006	December 31, 2005
Accrued liabilities	$ 27,248	$ 34,646
Allowance for uncollectible accounts receivable	2,692	2,765
State net operating loss carryforwards	1,427	1,878
Other	3,556	2,527
Deferred income tax assets	34,923	41,816
Amortization of intangible assets	(32,162)	(30,064)
Accelerated tax depreciation	(8,222)	(8,426)
Currents assets	(1,776)	(1,690)
Other	(701)	(422)
Deferred income tax liabilities	(42,861)	(40,602)
Net deferred income tax assets	$ (7,938)	$ 1,214

Included in other assets at December 31, 2006, are deferred income tax assets of $574,000 (December 31, 2005--$499,000). At December 31, 2006 and 2005, state net operating loss carryforwards were $29.0 million and $39.6 million, respectively. These net operating losses will expire, in varying amounts, between 2009 and 2026. Based on our history of operating earnings, we have determined that our operating income will, more likely than not, be sufficient to ensure realization of our deferred income tax assets. We believe no net operating losses will be lost due to the continuity of business requirement.

The difference between the actual income tax provision for continuing operations and the income tax provision calculated at the statutory U.S. federal tax rate is explained as follows (in thousands):

	For the Years Ended December 31, 2006	2005	2004
Income tax provision calculated using the statutory rate of 35%	$ 31,599	$ 19,130	$ 12,928
State and local income taxes, less federal income tax effect	3,112	1,994	2,500
Tax accrual adjustments	(1,758)	(2,387)	(2,025)
Other --net	(391)	(309)	333
Income tax provision	$ 32,562	$ 18,428	$ 13,736
Effective tax rate	36.1%	33.7%	37.2%

Summarized below are the total amounts of income taxes paid/(refunded) during the years ended December 31 (in thousands):

2006	$ 3,823
2005	9,923
2004	(13,131)

Provision has not been made for additional taxes on $35.1 million of undistributed earnings of our domestic subsidiaries. Should we elect to sell our interest in all of these businesses rather than to effect a tax-free liquidation, additional taxes amounting to approximately $12.8 million would be incurred based on current income tax rates.

11. Cash Overdrafts and Cash Equivalents

Included in accounts payable are cash overdrafts of $10.6 million and $8.0 million as of December 31, 2006 and 2005, respectively.

From time to time throughout the year, we invest our excess cash in repurchase agreements directly with major commercial banks. We do not physically hold the collateral, 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. Included in cash and cash equivalents at December 31, 2006, are cash equivalents in the amount of

$22.5 million (2005-$53.2 million). 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 5.2% in 2006 and 4.1% in 2005.

12. Properties and Equipment

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

	December 31, 2006	December 31, 2005
Land	$ 1,713	$ 1,713
Buildings	24,349	22,941
Transportation equipment	12,270	12,696
Machinery and equipment	42,474	40,451
Computer software	21,223	19,568
Furniture and fixtures	31,017	26,142
Projects under development	14,201	8,271
Total properties and equipment	147,247	131,782
Less accumulated depreciation	(77,107)	(66,627)
Net properties and equipment	$ 70,140	$ 65,155

13. Long-Term Debt and Lines of Credit

A summary of our long-term debt follows (in thousands):

	December 31, 2006	December 31, 2005
Fixed rate notes due 2011	$ 150,000	$ 150,000
Term loan due 2005-2009	-	84,363
Other	540	740
Subtotal	150,540	235,103
Less current portion	(209)	(1,045)
Long-term debt, less current portion	$ 150,331	$ 234,058

The average interest rate for our long-term debt was 8.3% and 7.5% for the years ended December 31, 2006 and 2005, respectively.

2006 AMENDMENTS

On March 31, 2006, we repaid in full our $84.4 million term loan with JPMorgan Chase Bank ("TL"). The TL was paid with a combination of cash on hand and a draw on our revolving credit facility. At that time, we also amended the $175 million revolving credit facility ("RCF") with JPMorgan Chase Bank to reduce the commitment and annual fees and to reduce the floating interest rate by approximately 50 basis points. The interest rate of the amended RCF is LIBOR plus 1.25%. There were no borrowings under the RCF as of December 31, 2006. The amended RCF also includes an "accordion" feature that allows us the opportunity to expand the facility by $50 million. The RCF terminates in February 2010. In connection with the repayment of the TL, we recorded a write-off of unamortized debt issuance costs of $430,000.

2005 CREDIT FACILITY

In February 2005, we amended our bank credit facility with JPMorgan Chase Bank. The Amended and Restated Credit Agreement ("ARCA") provided for a TL of $85 million at a rate of LIBOR plus 2.0% and a RCF of $175 million at a rate of LIBOR plus 2.5%. Commitment fees included an annual fee of $100,000 plus a fee of .375% per annum of the unused RCF, payable quarterly.

Loans under the ARCA are collateralized by substantially all of our assets. Should we generate excess cash flow ("ECF") during a year, as defined in ARCA, an additional principal payment must be made. Based on our results as of and for the year ended December 31, 2005 and 2004, no additional term loan payments have been required.

Also in February 2005, we used proceeds from borrowings under the ARCA ($85 million TL and $3.5 million RCF) plus $54.4 million of our cash balances to retire our previous term loan ($30.5 million), to redeem the entire $110 million aggregate principal amount of our Floating Rate Notes due 2010, to pay $1.1 million prepayment penalty for the Floating Rate Notes and to pay $1.4 million of fees for the ARCA.

2004 CREDIT AGREEMENTS

On February 24, 2004, in conjunction with our acquisition of the VITAS shares not previously owned and to retire our senior notes due 2005 through 2009 , we issued 4 million shares of capital stock in a private placement and borrowed $335 million as follows:

- $150 million from the issuance of privately placed 8.75% senior notes ("Fixed Rate Notes") due 2011. Semiannual interest payments began in August 2004 and payment of unpaid principal and interest will be due February 2011. The Fixed Rate Notes are unsecured and are effectively subordinated to our secured indebtedness. In the second quarter of 2004, we filed a registration statement covering up to $150 million principal amount of new 8.75% senior notes due 2011 ("New Fixed Rate Notes"). Except for the lack of transfer restrictions, the terms of the New Fixed Rate Notes are substantially identical to those of the Fixed Rate Notes. Pursuant to our exchange offer, all holders of the Fixed Rate Notes exchanged their notes for like principal amounts of the New Fixed Rate Notes.
  Prior to February 24, 2007, up to a maximum of 35% of the principal of the New Fixed Rate Notes may be redeemed under specified circumstances at a price of 108.75% plus accrued interest.After February 24, 2007, the New Fixed Rate Notes may be redeemed, in whole or in part, at redemption prices ranging from 104.375% (beginning on February 24, 2007) to 100% (beginning on February 24, 2010) plus accrued interest.
- $110 million from the issuance of privately placed floating rate senior secured notes ("Floating Rate Notes") due 2010 which were redeemed in 2005.
- $75 million drawn down under a $135 million secured revolving credit/term loan facility ("2004 Credit Facility") with JPMorgan Chase Bank. The facility comprised a $35 million term loan and $100 million revolving credit facility, including up to $40 million in letters of credit. This facility was replaced in 2005 with the ARCA.

OTHER

Other long-term debt has arisen from loans in connection with acquisitions of various businesses and properties. Interest rates range from 5% to 8%, and the obligations are due on various dates through December 2009.

The following is a schedule by year of required long-term debt payments as of December 31, 2006 (in thousands):

2007	$ 209
2008	162
2009	169
2010	-
2011	150,000
Total long-term debt	$ 150,540

During 2006 and 2005, interest totaling $751,000 and $380,000, respectively, was capitalized. Summarized below are the total amounts of interest paid during the years ended December 31 (in thousands):

2006	$ 16,462
2005	20,368
2004	17,255

DEBT COVENANTS

Collectively, the ARCA and the New Fixed Rate Notes provide for affirmative and restrictive covenants including, without limitation, requirements or restrictions (subject to exceptions) related to the following:

- use of proceeds of loans,
- restricted payments, including payments of dividends and retirement of stock (permitting $.24 per share dividends so long as the aggregate amount of dividends in any fiscal year does not exceed $7.0 million), with exceptions for existing employee benefit plans and stock option plans,
- mergers and dissolutions,
- sales of assets,
- investments and acquisitions,
- liens,
- transactions with affiliates,

- hedging and other financial contracts,
- restrictions on subsidiaries,
- contingent obligations,
- operating leases,
- guarantors,
- collateral,
- sale and leaseback transactions,
- prepayments of indebtedness,
- maximum annual limit for acquisitions of $80 million (no single acquisition to exceed $50 million),
- maximum annual expenditures for operating leases of $30 million, and
- maximum annual capital expenditures of $30 million.

In addition, the credit agreements provide that the Company will be required to meet minimum net worth requirements, maximum leverage requirements, maximum senior leverage requirements and minimum fixed charge requirements, to be tested quarterly. The ARCA also contains cross-default provisions. We are in compliance with all debt covenants as of December 31, 2006. As of December 31, 2006, we have approximately $141.7 million of unused lines of credit available and eligible to be drawn down under the RCF.

In connection with the February 2005 amendment, we recorded a loss on the extinguishment of debt of $4.0 million that comprised a prepayment penalty of $1.1 million on the Floating Rate Notes and the write-off of $2.9 million of unamortized debt issuance costs for the Floating Rate Notes and the previous term loan. In connection with the February 2004 transaction, we incurred a prepayment penalty of $3.3 million on the senior notes.

14. Other Current Liabilities

At December 31, 2006 and 2005, other current liabilities comprised the following (in thousands):

	December 31, 2006	December 31, 2005
Accrued legal settlements	$ 1,889	$ 23,108
Accrued divestiture expenses	2,612	3,895
Accrued Medicare Cap estimate	3,373	-
Other	14,810	18,820
Total other current liabilities	$ 22,684	$ 45,823

15. 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 our employees are defined contribution plans. Expenses charged to continuing operations for our retirement and profit-sharing plans, ESOPs, excess benefit plans and other similar plans comprise the following (in thousands):

	For the Years Ended December 31, 2006	2005	2004
Compensation cost of ESOPs	$ -	$ 1,324	$ 1,811
Pension, profit-sharing and other similar plans	11,117	9,004	5,639
Total	$ 11,117	$ 10,328	$ 7,450
Dividends on ESOP shares used for debt service	$ -	$ 122	$ 129

We previously established two employee stock ownership plans ("ESOPs") that purchased a total of $56.0 million of our capital stock. Substantially all eligible employees of the Roto-Rooter segment and the Corporate Office participated in the ESOPs. All shares in the ESOP trust were allocated as of December 31, 2005. The ESOP trusts were terminated and participant balances transferred to the retirement plan in the first quarter of 2006.

We have excess benefit plans for key employees whose participation in the qualified plans is limited by U.S. Employee Retirement Income Security Act requirements. Benefits are determined based on theoretical participation in the qualified plans. Prior to September 1, 1998, the value of these benefits was invested in shares of our stock and in mutual funds, which were held by grantor

trusts. Currently, benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits in shares of our stock. Trust assets invested in shares of our stock are included in treasury stock, and the corresponding liability is included in a separate component of shareholders' equity. At December 31, 2006, these trusts held 133,315 shares or $2.4 million of our stock (December 31, 2005--133,870 shares or $2.4 million). The diversified assets of our excess benefit and deferred compensation plans, all of which are invested in either company-owned life insurance or various mutual funds, totaled $25.7 million at December 31, 2006 (December 31, 2005--$21.1 million).

16. Lease Arrangements

We have operating leases that cover our corporate office headquarters, various warehouse and office facilities, office equipment and transportation equipment. The remaining terms of these leases range from one year to nine years, and in most cases, we expect that these leases will be renewed or replaced by other leases in the normal course of business. We have no significant capital leases as of December 31, 2006 or 2005.

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, 2006 (in thousands):

2007	$ 16,761
2008	14,261
2009	12,473
2010	8,299
2011	6,062
After 2011	9,590
Total minimum rental payments	67,446
Less: minimum sublease rentals	(572)
Net minimum rental payments	$ 66,874

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

	For the Years Ended December 31, 2006	2005	2004
Total rental payments	$ 16,859	$ 17,027	$ 13,569
Less sublease rentals	(687)	(1,659)	(1,640)
Net rental expense	$ 16,172	$ 15,368	$ 11,929

17. Financial Instruments

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

- For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments.
- The carrying values of our investment in the Patient Care warrant in 2005 and the Note receivable due from Patient Care are considered to be the best indicator of fair value available. As mentioned in Note 7 above, we recorded an impairment charge of $1.4 million with respect to the Patient Care warrant in September 2006.
- For long-term debt, we calculated the fair value based either on market quotations received from financial institutions or discounted cash flow analysis.

The estimated fair values of our financial instruments are as follows (in thousands):

	December 31,			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other investments--				
Investment in Patient Care warrant	$ -	$ -	$ 1,445	$ 1,445
Note receivable	14,701	14,701	12,500	12,500
Total other investments	$ 14,701	$ 14,701	$ 13,945	$ 13,945
Long-term debt	$ 150,540	$ 155,040	$ 235,103	$ 244,091

18. Earnings Per Share

The computation of earnings per share follows (in thousands, except per share data):

	Income from Continuing Operations			Net Income		
	Income	Shares	Income Per Share	Income	Shares	Income Per Share
2006						
Earnings	$57,722	26,118	$ 2.21	$50,651	26,118	$ 1.94
Dilutive stock options	-	496		-	496	
Nonvested stock awards	-	55		-	55	
Diluted earnings	$57,722	26,669	$ 2.16	$50,651	26,669	$ 1.90
2005						
Earnings	$36,228	25,552	$ 1.42	$35,817	25,552	$ 1.40
Dilutive stock options	-	666		-	666	
Nonvested stock awards	-	81		-	81	
Diluted earnings	$36,228	26,299	$ 1.38	$35,817	26,299	$ 1.36
2004						
Earnings	$19,095	24,120	$ 0.79	$27,512	24,120	$ 1.14
Dilutive stock options	-	502		-	502	
Nonvested stock awards	-	14		-	14	
Diluted earnings	$19,095	24,636	$0.78	$27,512	24,636	$ 1.12

The impact of the CJSDs was excluded from the above computations in 2004 because it was antidilutive to earnings per share for all periods. All of the remaining CJSDs were either converted or retired as of May 18, 2004. The debentures were convertible into an average of 274,000 shares for the year ended December 31, 2004.

During 2006, 369,850 stock options granted in June 2006 at an exercise price of $51.76 were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price during most of the year. During 2005 and 2004, there were no options outstanding whose exercise price exceeded the average market price for the year.

19. Loans Receivable from Independent Contractors

At December 31, 2006, we had contractual arrangements with 61 independent contractors to provide plumbing repair and drain cleaning services under sublicensing agreements using the Roto-Rooter name in lesser-populated areas of the United States and Canada. The arrangements give the independent contractors the right to conduct a plumbing and drain cleaning business using the Roto-Rooter name in a specified territory in exchange for a royalty based on a percentage of labor sales, generally approximately 40%. We also pay for yellow pages advertising in these areas, provide certain capital equipment and provide operating manuals to serve as resources for operating a plumbing and drain

cleaning business. The contracts are generally cancelable upon 90 days' written notice (without cause) or upon a few days' notice (with cause). The independent contractors are responsible for running the businesses as they believe best.

Our maximum exposure to loss from arrangements with our independent contractors at December 31, 2006, is approximately $1.9 million ($2.6 million at December 31, 2005). The exposure to loss is mainly the result of loans given to the independent contractors. In most cases, these loans are partially secured by receivables and equipment owned by the independent contractor. The interest rates on the loans range from zero to 8% per annum, and the remaining terms of the loans range from 2.5 months to 5.4 years at December 31, 2006. During 2006, we recorded revenues of $19.2 million (2005--$18.1 million; 2004--$16.4 million) and pretax profits of $6.9 million (2005--$6.0 million; 2004--$5.1 million) from all of our independent contractors.

20. Litigation

We are party to a class action lawsuit filed in the Third Judicial Circuit Court of Madison County, Illinois in June of 2000 by Robert Harris, alleging certain Roto-Rooter plumbing was performed by unlicensed employees. We contested these allegations and believe them without merit. Plaintiff moved for certification of a class of customers in 32 states who allegedly paid for plumbing work performed by unlicensed employees. Plaintiff also moved for partial summary judgment on grounds the licensed apprentice plumber who installed his faucet did not work under the direct personal supervision of a licensed master plumber. On June 19, 2002, the trial judge certified an Illinois-only plaintiffs class and granted summary judgment for the named party Plaintiff on the issue of liability, finding violation of the Illinois Plumbing License Act and the Illinois Consumer Fraud Act through Roto-Rooter's representation of the licensed apprentice as a plumber. The court did not rule on certification of a class in the remaining 31 states. In December 2004, we reached a resolution of this matter with the Plaintiff and accrued $3.1 million as the anticipated cost of settling this litigation. The court approved this settlement in July 2006.

Like other large California employers, our VITAS subsidiary faces allegations of purported class-wide wage and hour violations. It was party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson ("Costa"). This case alleged failure to pay overtime wages for hours worked "off the clock" on administrative tasks, including voicemail retrieval, time entry, travel to and from work, and pager response. This case also alleged VITAS failed to provide meal and break periods to a purported class of California nurses, home health aides and licensed clinical social workers. The case also sought payment of penalties, interest, and Plaintiffs' attorney fees. VITAS contested these allegations.

Plaintiff moved for class certification, and VITAS opposed this motion. We reached an agreement with the Plaintiff class in order to avoid the uncertainty of litigation and the diversion of resources and personnel resulting from the litigation. In connection with our acquisition of VITAS in February 2004, we recorded a liability of $2.3 million on VITAS' opening balance sheet for this case. At that time, this represented our best estimate of our exposure in the matter. As a result of the tentative resolution, we recorded a pretax charge of $17.4 million ($10.8 million aftertax) in the fourth quarter of 2005, representing the portion of this settlement not accounted for on VITAS' opening balance sheet. These amounts are inclusive of Plaintiffs' class attorneys' fees and the costs of settlement administration. On June 26, 2006, the court granted final approval of the settlement ($19.9 million).

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in September 2006 by Bernadette Santos, Keith Knoche and Joyce White ("Santos"). This case, filed by the Costa case Plaintiffs' counsel, makes similar allegations of failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case likewise seeks payment of penalties, interest and Plaintiffs' attorney fees. VITAS contests these allegations. The lawsuit is in its early stage and we are unable to estimate our potential liability, if any, with respect to these allegations.

Regardless of outcome, defense of litigation adversely affects us through defense costs, diversion of our time and related publicity. In the normal course of business, we are a party to various claims and legal proceedings. We record a reserve for these matters when an adverse outcome is probable and the amount of the potential liability is reasonably estimable.

21. OIG Investigation

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. A qui tam complaint has been filed in U.S. District Court for the Southern District of Florida. We are conferring with the U.S. Attorney regarding our defenses to the complaint allegations. The U.S. Attorney has not decided whether to intervene in the qui tam action. We have incurred pretax expense related to complying with OIG requests and defending the litigation of $1.1 million and $637,000 for the years ended December 31, 2006 and 2005, respectively.

The government continues to investigate the complaint's allegations, against which VITAS is presently defending. We are unable to predict the outcome of this matter or the impact, if any, that the investigation may have on the business, results of operations, liquidity or capital resources. Regardless of outcome, responding to the subpoenas and defending the litigation can adversely affect us through defense costs, diversion of our time and related publicity.

22. Related Party Transactions

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR will provide specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically thereafter for one-year terms. Either party may cancel the Agreement at the end of any term by giving written notice at least 90 days prior to the end of said term. In June 2004, VITAS entered into a pharmacy services agreement with excelleRx. The agreement has a one-year term and automatically renews unless either party provides a 90-day written termination notice. Subsequent to June 2004, OCR acquired excelleRx. Under both agreements, VITAS made purchases of $30.4 million , $16.2 million and $344,000 for the years ended December 31, 2006, 2005 and 2004, respectively and has accounts payable of $4.0 million at December 31, 2006. Mr. E. L. Hutton is non-executive Chairman of the Board and a director of the Company and OCR. Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, Mr. Charles H. Erhart, Jr. and Ms. Sandra Laney are directors of both OCR and the Company. Mr. Kevin J. McNamara, President, Chief Executive Officer and a director of the Company, is a director emeritus of OCR. We believe that the terms of these agreements are no less favorable to VITAS than we could negotiate with an unrelated party.

23. Capital Stock Transactions

In July 2006, we announced a $50 million on-going stock repurchase program. Our previous stock repurchase program approved in February 2000 had remaining authorization of $8 million. For the year ended December 31, 2006, we repurchased 433,580 shares at a weighted average cost per share of $36.01 under the July 2006 and February 2000 programs.

On May 15, 2006, our shareholders approved an amendment to our Certificate of Incorporation increasing the number of authorized shares of capital stock from 40 million shares to 80 million shares.

On March 11, 2005, our Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend to shareholders of record at the close of business on April 22, 2005. This stock split was paid May 11, 2005. Under Delaware law, the par value of the capital stock remains $1 per share.

24. Change in Accounting Principle

Effective September 30, 2006, we changed the date of our annual goodwill impairment analysis to October 1. Previously, we performed this annual goodwill impairment test on December 31. We believe this change in accounting principle is preferable because the new date coincides with the Federal government's fiscal year end of September 30 and therefore allows for a better estimation of the Medicare related cash flows of our VITAS business. Medicare pays in excess of 90% of VITAS' revenue. Of the total goodwill recorded as of September 30, 2006, approximately 75% is related to VITAS. Due to the Medicare Cap discussed above, October 1 is the date when cash flows from our hospice programs are most predictable. The change in accounting principle will have no effect on our consolidated financial statements.

25. Guarantor Subsidiaries -Subsequent Event

Our 1.875% Senior Convertible Notes issued on May 14, 2007, as more fully described in our Form 10-Q filing for the quarter ended June 30, 2007, are fully and unconditionally guaranteed on an unsecured, joint and severally liable basis by certain of our 100% owned subsidiaries. The equity method has been used with respect to the parent company's (Chemed) investment in subsidiaries. No consolidating adjustment column is presented for the condensed consolidating statement of cash flow since there were no significant consolidating entries for the periods presented. The following condensed, consolidating financial data presents the composition of the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries as of December 31, 2006 and 2005 and for the periods ended December 31, 2006, 2005 and 2004 (in thousands):

Condensed Consolidating Balance Sheet

December 31, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$ 25,258	$(1,314)	$ 5,330	$ -	$ 29,274
Accounts receivable, less allowances	1,547	91,065	474	-	93,086
Intercompany receivables	84,784	-	-	(84,784)	-
Inventories	-	6,169	409	-	6,578
Current deferred income taxes	(117)	17,591	315	-	17,789
Current assets of discontinued operations	-	5,418	-	-	5,418
Prepaid expenses and other current assets	809	9,087	72	-	9,968
Total current assets	112,281	128,016	6,600	(84,784)	162,113
Investments of deferred compensation plans held in trust	12,214	13,499	-	-	25,713
Note receivable	14,701	-	-	-	14,701
Properties and equipment, at cost, less accumulated depreciation	6,412	62,023	1,705	-	70,140
Identifiable intangible assets less accumulated amortization	-	69,213	2	-	69,215
Goodwill	-	430,671	4,379	-	435,050
Noncurrent assets of discontinued operations	-	287	-	-	287
Other assets	12,845	2,514	709	-	16,068
Investments in subsidiaries	430,399	8,628	-	(439,027)	-
Total assets	$588,852	$714,851	$13,395	$(523,811)	$793,287
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	$ (189)	$ 49,502	$ 431	$ -	$ 49,744
Intercompany payables	-	84,036	748	(84,784)	-
Current portion of long-term debt	-	209	-	-	209
Income taxes	(5,906)	11,680	991	-	6,765
Accrued insurance	2,938	35,519	-	-	38,457
Accrued salaries and wages	2,530	32,731	729	-	35,990
Current liabilities of discontinued operations	-	12,215	-	-	12,215
Other current liabilities	9,568	11,715	1,401	-	22,684
Total current liabilities	8,941	237,607	4,300	(84,784)	166,064
Deferred income taxes	(6,946)	32,780	467	-	26,301
Long-term debt	150,000	331	-	-	150,331
Deferred compensation liabilities	12,247	13,267	-	-	25,514
Other liabilities	3,249	467	-	-	3,716
Stockholders' equity	421,361	430,399	8,628	(439,027)	421,361
Total liabilities and stockholders' equity	$588,852	$714,851	$13,395	$(523,811)	$793,287

Chemed Corporation and Subsidiary Companies

December 31, 2005

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$ 54,871	$ (1,419)	$ 3,681	$ -	$ 57,133
Accounts receivable, less allowances	4,912	85,501	681	-	91,094
Intercompany receivables	154,355	-	-	(154,355)	-
Inventories	-	6,124	375	-	6,499
Prepaid income taxes	8,931	(845)	65	-	8,151
Current deferred income taxes	548	25,967	212	-	26,727
Current assets of discontinued operations	-	5,189	-	-	5,189
Prepaid expenses and other current assets	2,479	7,224	64	-	9,767
Total current assets	226,096	127,741	5,078	(154,355)	204,560
Investments of deferred compensation plans held in trust	10,223	10,882	-	-	21,105
Other investments	1,445	-	-	-	1,445
Note receivable	12,500	-	-	-	12,500
Properties and equipment, at cost, less accumulated depreciation	6,756	56,867	1,532	-	65,155
Identifiable intangible assets less accumulated amortization	-	72,883	5	-	72,888
Goodwill	-	428,255	4,341	-	432,596
Noncurrent assets of discontinued operations	-	7,632	-	-	7,632
Other assets	13,372	7,187	663	-	21,222
Investments in subsidiaries	371,274	5,888	-	(377,162)	-
Total assets	$641,666	$717,335	$11,619	$ (531,517)	$839,103
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	$ (701)	$ 43,889	$ 249	$ -	$ 43,437
Intercompany payables	-	152,171	2,184	(154,355)	-
Current portion of long-term debt	850	195	-	-	1,045
Income taxes	(4,184)	7,267	1,106	-	4,189
Accrued insurance	4,503	33,906	-	-	38,409
Accrued salaries and wages	2,375	29,946	642	-	32,963
Current liabilities of discontinued operations	-	3,339	-	-	3,339
Other current liabilities	13,211	31,369	1,243	-	45,823
Total current liabilities	16,054	302,082	5,424	(154,355)	169,205
Deferred income taxes	(6,149)	31,854	307	-	26,012
Long-term debt	233,513	545	-	-	234,058
Deferred compensation liabilities	10,258	11,017	-	-	21,275
Noncurrent liabilities of discontinued operations	-	4	-	-	4
Other liabilities	3,815	559	-	-	4,374
Stockholders' equity	384,175	371,274	5,888	(377,162)	384,175
Total liabilities and stockholders' equity	$641,666	$717,335	$11,619	$ (531,517)	$839,103

Condensed Consolidating Income Statement

For the year ended December 31, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Net sales and service revenues	$ -	$ 996,714	$ 21,873	$ -	$1,018,587
Cost of services provided and goods sold	-	719,074	11,049	-	730,123
Selling, general and administrative expenses	11,239	144,276	5,668	-	161,183
Depreciation	479	15,710	586	-	16,775
Amortization	1,267	3,985	3	-	5,255
Other expenses - net	-	272	-	-	272
Total costs and expenses	12,985	883,317	17,306	-	913,608
Income/ (loss) from operations	(12,985)	113,397	4,567	-	104,979
Interest expense	(16,909)	(541)	(18)	-	(17,468)
Loss on extinguishment of debt	(430)	-	-	-	(430)
Investment impairment charge	(1,445)	-	-	-	(1,445)
Other income - net	21,742	(17,107)	13	-	4,648
Income/ (loss) before income taxes	(10,027)	95,749	4,562	-	90,284
Income tax (provision)/ benefit	3,818	(34,491)	(1,889)	-	(32,562)
Equity in net income of subsidiaries	59,059	2,673	-	(61,732)	-
Income from continuing operations	52,850	63,931	2,673	(61,732)	57,722
Discontinued Operations	(2,199)	(4,872)	-	-	(7,071)
Net income	$ 50,651	$ 59,059	$ 2,673	$ (61,732)	$ 50,651

For the year ended December 31, 2005

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Net sales and service revenues	$ -	$ 896,085	$ 19,885	$ -	$ 915,970
Cost of services provided and goods sold	-	634,670	9,806	-	644,476
Selling, general and administrative expenses	13,132	138,828	5,302	-	157,262
Depreciation	442	15,189	519	-	16,150
Amortization	886	4,027	9	-	4,922
Other (income)/expenses - net	(959)	17,350	-	-	16,391
Total costs and expenses	13,501	810,064	15,636	-	839,201
Income/ (loss) from operations	(13,501)	86,021	4,249	-	76,769
Interest expense	(20,548)	(695)	(21)	-	(21,264)
Loss on extinguishment of debt	(3,971)	-	-	-	(3,971)
Other income - net	22,362	(19,224)	(16)	-	3,122
Income/ (loss) before income taxes	(15,658)	66,102	4,212	-	54,656
Income tax (provision)/ benefit	6,935	(23,259)	(2,104)	-	(18,428)
Equity in net income of subsidiaries	42,936	2,108	-	(45,044)	-
Income from continuing operations	34,213	44,951	2,108	(45,044)	36,228
Discontinued Operations	1,604	(2,015)	-	-	(411)
Net income	$ 35,817	$ 42,936	$ 2,108	$ (45,044)	$ 35,817

Chemed Corporation and Subsidiary Companies

For the year ended December 31, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Net sales and service revenues	$ -	$ 717,091	$ 17,786	$ -	$ 734,877
Cost of services provided and goods sold	-	497,867	8,903	-	506,770
Selling, general and administrative expenses	18,944	123,022	5,098	-	147,064
Depreciation	354	13,684	504	-	14,542
Amortization	311	3,453	15	-	3,779
Other (income)/expenses - net	(47)	4,815	-	-	4,768
Total costs and expenses	19,562	642,841	14,520	-	676,923
Income/ (loss) from operations	(19,562)	74,250	3,266	-	57,954
Interest expense	(20,824)	(334)	-	-	(21,158)
Loss on extinguishment of debt	(3,330)	-	-	-	(3,330)
Other income - net	7,344	(3,863)	(11)	-	3,470
Income/ (loss) before income taxes	(36,372)	70,053	3,255	-	36,936
Income tax (provision)/ benefit	15,073	(27,491)	(1,318)	-	(13,736)
Equity in loss of affiliate	-	(4,105)	-	-	(4,105)
Equity in net income of subsidiaries	37,273	1,937	-	(39,210)	-
Income from continuing operations	15,974	40,394	1,937	(39,210)	19,095
Discontinued Operations	11,538	(3,121)	-	-	8,417
Net income	$ 27,512	$ 37,273	$ 1,937	$ (39,210)	$ 27,512

Condensed Consolidating Statement of Cash Flow

For the year ended December 31, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$ 6,326	$ 88,434	$ 3,829	$ 98,589
Cash Flow from Investing Activities:				
Capital expenditures	(138)	(21,073)	(776)	(21,987)
Business combinations, net of cash acquired	-	(4,145)	-	(4,145)
Net payments from sale of discontinued operations	(922)	-	-	(922)
Proceeds from sale of property and equipment	43	271	33	347
Investing activities of discontinued operations	-	(260)	-	(260)
Other sources and uses - net	(781)	16	-	(765)
Net cash used by investing activities	(1,798)	(25,191)	(743)	(27,732)
Cash Flow from Financing Activities:				
Increase/(decrease) in cash overdrafts payable	(489)	3,060	-	2,571
Change in intercompany accounts	67,502	(66,065)	(1,437)	-
Dividends paid to shareholders	(6,322)	-	-	(6,322)
Purchases of treasury stock	(19,885)	-	-	(19,885)
Proceeds from exercise of stock options	3,861	-	-	3,861
Excess tax benefit on share-based compensation	5,600	-	-	5,600
Debt issuance costs	(154)	-	-	(154)
Repayment of long-term debt	(84,363)	(200)	-	(84,563)
Financing activities of discontinued operations	109	67	-	176
Net cash used by financing activities	(34,141)	(63,138)	(1,437)	(98,716)
Net increase/(decrease) in cash and cash equivalents	(29,613)	105	1,649	(27,859)
Cash and cash equivalents at beginning of year	54,871	(1,419)	3,681	57,133
Cash and cash equivalents at end of year	$ 25,258	$ (1,314)	$ 5,330	$ 29,274

Chemed Corporation and Subsidiary Companies

For the year ended December 31, 2005	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$ 16,337	$ 59,702	$ 3,974	$ 80,013
Cash Flow from Investing Activities:				
Capital expenditures	(443)	(24,588)	(703)	(25,734)
Business combinations, net of cash acquired	-	(6,165)	-	(6,165)
Net payments from sale of discontinued operations	(9,367)	-	-	(9,367)
Proceeds from sale of property and equipment	1	153	3	157
Investing activities of discontinued operations	-	(239)	-	(239)
Other uses - net	(379)	(15)	-	(394)
Net cash used by investing activities	(10,188)	(30,854)	(700)	(41,742)
Cash Flow from Financing Activities:				
Increase in cash overdrafts payable	963	5,789	-	6,752
Change in intercompany accounts	45,051	(42,322)	(2,729)	-
Dividends paid to shareholders	(6,172)	-	-	(6,172)
Purchases of treasury stock	(7,401)	-	-	(7,401)
Proceeds from exercise of stock options	12,327	-	-	12,327
Proceeds from issuance of long-term debt	85,000	-	-	85,000
Debt issuance costs	(1,755)	-	-	(1,755)
Repayment of long-term debt	(141,125)	(467)	-	(141,592)
Other sources - net	34	221	-	255
Net cash used by financing activities	(13,078)	(36,779)	(2,729)	(52,586)
Net increase/(decrease) in cash and cash equivalents	(6,929)	(7,931)	545	(14,315)
Cash and cash equivalents at beginning of year	61,800	6,512	3,136	71,448
Cash and cash equivalents at end of period	$ 54,871	$ (1,419)	$ 3,681	$ 57,133

For the year ended December 31, 2004	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	$ 1,256	$ 88,006	$ 3,628	$ 92,890
Cash Flow from Investing Activities:				
Capital expenditures	(785)	(17,117)	(388)	(18,290)
Business combinations, net of cash acquired	-	(343,051)	-	(343,051)
Net payments from sale of discontinued operations	(759)	-	-	(759)
Vitas escrow deposit	-	10,000	-	10,000
Proceeds from sale of property and equipment	-	772	-	772
Investing activities of discontinued operations	-	(1,774)	-	(1,774)
Other uses - net	(78)	(29)	-	(107)
Net cash used by investing activities	(1,622)	(351,199)	(388)	(353,209)
Cash Flow from Financing Activities:				
Increase/(decrease) in cash overdrafts payable	(1,730)	2,995	-	1,265
Change in intercompany accounts	(260,346)	262,268	(1,922)	-
Dividends paid to shareholders	(5,718)	-	-	(5,718)
Purchases of treasury stock	(2,654)	-	-	(2,654)
Issuance of capital stock, net of costs	95,102	-	-	95,102
Proceeds from exercise of stock options	3,721	-	-	3,721
Collection of stock subscription receivable	-	8,053	-	8,053
Proceeds from issuance of long-term debt	295,000	-	-	295,000
Debt issuance costs	(14,447)	-	-	(14,447)
Repayment of long-term debt	(96,560)	(380)	-	(96,940)
Redemption of junior subordinated securities	(2,735)	-	-	(2,735)
Financing activities of discontinued operations	-	(255)	-	(255)
Other sources - net	423	264	-	687
Net cash provided/ (used) by financing activities	10,056	272,945	(1,922)	281,079
Net increase in cash and cash equivalents	9,690	9,752	1,318	20,760
Cash and cash equivalents at beginning of year	52,110	(3,240)	1,818	50,688
Cash and cash equivalents at end of period	$ 61,800	$ 6,512	$ 3,136	$ 71,448

EXHIBIT 99

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Year Ended December 31, 2006	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Continuing Operations					
Total service revenues and sales	$243,921	$249,068	$253,695	$ 271,903	$1,018,587
Gross profit	$ 67,886	$ 69,965	$ 68,296	$ 82,317	$ 288,464
Income from operations	$ 24,004	$ 25,945	$ 23,359	$ 31,671	$ 104,979
Interest expense	(5,345)	(4,300)	(4,081)	(3,742)	(17,468)
Loss from impairment of investment	-	-	(1,445)	-	(1,445)
Loss on extinguishment of debt	(430)	-	-	-	(430)
Other income--net	1,495	524	715	1,914	4,648
Income before income taxes	19,724	22,169	18,548	29,843	90,284
Income taxes	(7,686)	(8,619)	(5,673)	(10,584)	(32,562)
Income from continuing operations (a)	12,038	13,550	12,875	19,259	57,722
Discontinued Operations	177	(708)	(4,914)	(1,626)	(7,071)
Net Income (a)	$ 12,215	$ 12,842	$ 7,961	$ 17,633	$ 50,651
Earnings Per Share (a)					
Income from continuing operations	$ 0.46	$ 0.52	$ 0.49	$ 0.74	$ 2.21
Net income	$ 0.47	$ 0.49	$ 0.30	$ 0.68	$ 1.94
Diluted Earnings Per Share (a)					
Income from continuing operations	$ 0.45	$ 0.50	$ 0.48	$ 0.73	$ 2.16
Net income	$ 0.46	$ 0.48	$ 0.30	$ 0.67	$ 1.90
Average number of shares outstanding					
Earnings per share	26,044	26,201	26,190	26,030	26,118
Diluted earnings per share	26,723	26,846	26,633	26,411	26,669

(a) The following amounts are included in income from continuing operations during the respective quarter (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Legal expenses incurred in connection with the Office of Inspector General investigation	$ (132)	$ (342)	$ (344)	$ (250)	$ (1,068)
Prepayment penalty and write-off of debt issuance costs related to early extinguishment and refinancing of debt	(430)	-	-	-	(430)
Stock option expense	-	(18)	(597)	(596)	(1,211)
Costs related to class action litigation	-	-	(272)	-	(272)
Loss from impairment of investment	-	-	(1,445)	-	(1,445)
Other	-	-	-	467	467
Total	$ (562)	$ (360)	$ (2,658)	$ (379)	$ (3,959)
Aftertax (cost)/benefit:					
Legal expenses incurred in connection with the Office of Inspector General investigation:	$ (82)	$ (212)	$ (213)	$ (155)	$ (662)
Prepayment penalty and write-off of debt issuance costs related to early extinguishment and refinancing of debt	(273)	-	-	-	(273)
Tax adjustments and settlements from prior year returns	-	-	1,791	324	2,115
Stock option expense	-	(12)	(379)	(378)	(769)
Costs related to class action litigation	-	-	(169)	-	(169)
Loss from impairment of investment	-	-	(918)	-	(918)
Other	-	-	-	296	296
Total	$ (355)	$ (224)	$ 112	$ 87	$ (380)

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Year Ended December 31, 2005	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Continuing Operations					
Total service revenues and sales	$216,068	$223,271	$230,892	$ 245,739	$ 915,970
Gross profit	$ 64,842	$ 64,035	$ 67,476	$ 75,141	$ 271,494
Income from operations	$ 21,837	$ 20,941	$ 23,880	$ 10,111	$ 76,769
Interest expense	(5,835)	(5,039)	(5,147)	(5,243)	(21,264)
Loss on extinguishment of debt	(3,971)	-	-	-	(3,971)
Other income--net	727	601	1,315	479	3,122
Income before income taxes	12,758	16,503	20,048	5,347	54,656
Income taxes	(5,312)	(6,016)	(5,753)	(1,347)	(18,428)
Income from continuing operations (a)	7,446	10,487	14,295	4,000	36,228
Discontinued Operations	670	(1,602)	337	184	(411)
Net Income (a)	$ 8,116	$ 8,885	$ 14,632	$ 4,184	$ 35,817
Earnings Per Share (a)					
Income from continuing operations	$ 0.30	$ 0.41	$ 0.56	$ 0.15	$ 1.42
Net income	$ 0.32	$ 0.35	$ 0.57	$ 0.16	$ 1.40
Diluted Earnings Per Share (a)					
Income from continuing operations	$ 0.29	$ 0.40	$ 0.54	$ 0.15	$ 1.38
Net income	$ 0.31	$ 0.34	$ 0.55	$ 0.16	$ 1.36
Average number of shares outstanding					
Earnings per share	25,152	25,489	25,719	25,858	25,552
Diluted earnings per share	25,910	26,214	26,401	26,590	26,299

(a) The following amounts are included in income from continuing operations during the respective quarter (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Long-term incentive plan payout	$ (1,109)	$ (1,837)	$ -	$ (2,531)	$ (5,477)
Legal expenses incurred in connection with the Office of Inspector General investigation	-	(254)	(310)	(73)	(637)
Adjustment to casualty insurance related to prior periods experience	1,663	-	-	-	1,663
Prepayment penalty and write-off of debt issuance costs related to early extinguishment and refinancing of debt	(3,971)	-	-	-	(3,971)
Adjustment of transaction-related expenses of the VITAS acquisition	-	671	130	158	959
Costs related to class action litigation	-	-	-	(17,350)	(17,350)
Cost of accelerating vesting of stock options	(215)	-	-	-	(215)
Total	$ (3,632)	$ (1,420)	$ (180)	$ (19,796)	$ (25,028)
Aftertax (cost)/benefit:					
Long-term incentive plan payout	$ (695)	$ (1,152)	$ -	$ (1,587)	$ (3,434)
Legal expenses incurred in connection with the Office of Inspector General investigation:	-	(160)	(192)	(45)	(397)
Adjustment to casualty insurance related to prior periods experience	1,014	-	-	-	1,014

Prepayment penalty and write-off of debt issuance costs related to early extinguishment and refinancing of debt	(2,523)	-	-	-	(2,523)
Tax adjustments and settlements from prior year returns	-	-	1,787	174	1,961
Adjustment of transaction-related expenses of the VITAS acquisition	-	671	130	158	959
Costs related to class action litigation	-	-	-	(10,757)	(10,757)
Cost of accelerating vesting of stock options	(137)	-	-	-	(137)
Total	$ (2,341)	$ (641)	$ 1,725	$ (12,057)	$ (13,314)