

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

[X]

For the fiscal year ended December 31, 1997

or

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

[ ]

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

Commission File Number: 1-8351

CHEMED CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 31-0791746  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

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

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

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

Title of each class -----	Name of each exchange on which registered -----
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Capital Stock - Par Value \$1 Per Share	New York Stock Exchange
---	-------------------------

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange-Composite Transaction Listing on March 19, 1998 (\$40.81 per share), was \$398,136,360.

At March 19, 1998, 10,102,073 shares of Chemed Corporation Capital Stock (par value \$1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT -----	WHERE INCORPORATED -----
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1997 Annual Report to Stockholders (Specified Portions) Proxy Statement for Annual Meeting to be held May 18, 1998.	Parts I, II and IV Part III
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CHEMED CORPORATION  
1997 FORM 10-K ANNUAL REPORT  
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## PART I

## ITEM 1. BUSINESS

## GENERAL

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

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

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

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

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

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

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

Effective September 17, 1996, the Company completed a merger of a subsidiary of the Company, Chemed Acquisition Corp., and Roto-Rooter, Inc. pursuant to a Tender Offer commenced on August 8, 1996 to acquire any and all of the outstanding shares of Common Stock of Roto-Rooter, Inc. for \$41.00 per share in cash.

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

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

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

#### FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The required segment and geographic data for the Company's continuing operations (as described below) for the three years ended December 31, 1995, 1996 and 1997, are shown in the "Sales and Profit Statistics by Business Segment" and the "Additional Segment Data" on pages 30, 31 and 34 of the 1997 Annual Report to Stockholders and are incorporated herein by reference.

#### DESCRIPTION OF BUSINESS BY SEGMENT

The information called for by this item is included within Note 1 of the Notes to Financial Statements appearing on page 21 of the 1997 Annual Report to Stockholders and is incorporated herein by reference.

#### PRODUCT AND MARKET DEVELOPMENT

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

#### RAW MATERIALS

The principal raw materials needed for Chemed's United States manufacturing operations are purchased from United States sources. No segment of Chemed experienced any material raw material shortages during 1997, although such shortages may occur in the future. Products manufactured and sold by Chemed's active business segments generally may be reformulated to avoid the adverse impact of a specific raw material shortage.

#### PATENTS, SERVICE MARKS AND LICENSES

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

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

#### COMPETITION

##### ROTO-ROOTER

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

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

##### PATIENT CARE

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

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

##### SERVICE AMERICA

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

#### RESEARCH AND DEVELOPMENT

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

#### GOVERNMENT REGULATIONS

Roto-Rooter's franchising activities are subject to various federal and state franchising laws and regulations, including the rules and regulations of the Federal Trade Commission (the "FTC") regarding the offering or sale of franchises. The rules and regulations of the FTC require that Roto-Rooter provide all prospective franchisees with specific information regarding the franchise program and Roto-Rooter in the form of a detailed franchise offering circular. In addition, a number of states require Roto-Rooter to register its franchise offering prior to offering or selling franchises

in the state. Various state laws also provide for certain rights in favor of franchisees, including (i) limitations on the franchisor's ability to terminate a franchise except for good cause, (ii) restrictions on the franchisor's ability to deny renewal of a franchise, (iii) circumstances under which the franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of such laws, and (iv) provisions relating to arbitration. Roto-Rooter's ability to engage in the plumbing repair business is also subject to certain limitations and restrictions imposed by state and local licensing laws and regulations.

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

Patient Care's activities are subject to various federal and state laws and regulations. Changes in the law, new interpretations of existing laws, or changes in payment methodology, may have a dramatic effect on the definition of permissible or impermissible activities, the relative costs associated with doing business and the amount of reimbursement by both government and other third-party payors. In addition to specific legislative and regulatory influences, efforts to reduce the growth of the federal budget and the Medicare and the Medicaid programs have resulted in enactment of the Balanced Budget Act of 1997. This law contains several provisions affecting Medicare payment for the coverage of home healthcare services which directly or indirectly, together with Medicaid payments, accounted for 82 percent of Patient Care's net revenue in 1997. Certain of these provisions are expected to have an adverse effect on Patient Care. In addition, state legislatures periodically consider various healthcare reform proposals. Congress and state legislatures can be expected to continue and review and assess alternative healthcare delivery systems and payment methodologies, and public debate of these issues can be expected to continue in the future. The ultimate timing or effect of such additional legislative efforts cannot be predicted and may impact Patient Care in different ways. No assurance can be given that any such efforts will not have a material adverse effect on Patient Care.

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

## ENVIRONMENTAL MATTERS

Roto-Rooter's operations are subject to various federal, state, and local laws and regulations regarding environmental matters and other aspects of the operation of a sewer and drain cleaning and plumbing services business. For certain other activities, such as septic tank pumping, Roto-Rooter is subject to state and local environmental health and sanitation regulations. Compliance with federal, state and local laws governing discharge of materials into the environment have not had nor are expected to have a material effect upon the operations of Roto-Rooter.

In connection with the sale of DuBois to the Diversey Corporation, the Company contractually assumed for a period of ten years the estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois up to a maximum of \$25,500,000. The Company had accrued \$15,500,000 with respect to these potential liabilities. Based upon an updated assessment of the Company's environmental-related liability by the Company's environmental adviser, this accrual was reduced in 1997 and now has a balance of \$7,242,000. Prior to the sale of DuBois, DuBois had been designated as a Potentially Responsible Party ("PRP") at fourteen Superfund sites by the U.S. Environmental Protection Agency ("USEPA"). With respect to all of these sites, the Company has been unable to locate any records indicating it disposed of waste of any kind at such sites. Nevertheless, it settled claims at five such sites at minimal cost. In addition, because there was a number of other financially responsible companies designated as PRPs relative to these sites, management believes that it is unlikely that such actions will have a material effect on the Company's financial condition or results of operations. With respect to one of these sites, the Company's involvement is based on the location of one of its manufacturing plants. Currently, the USEPA and the state governmental agency are attempting to resolve jurisdictional issues, and action against PRPs is not proceeding.

Chemed, to the best of its knowledge, is currently in compliance in all material respects with the environmental laws and regulations affecting its operations. Such environmental laws, regulations and enforcement proceedings have not required Chemed to make material increases in or modifications to its capital expenditures and they have not had a material adverse effect on sales or net income. Capital expenditures for the purposes of complying with environmental laws and regulations during 1998 and 1999 with respect to continuing operations are not expected to be material in amount; there can be no assurance, however, that presently unforeseen legislative or enforcement actions will not require additional expenditures.

## EMPLOYEES

On December 31, 1997, Chemed had a total of 6,849 employees; 6,775 were located in the United States and 74 were in Canada.

## ITEM 2. PROPERTIES

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

Location -----	Type ----	Owned -----	Leased -----
ROTO-ROOTER GROUP			
Cincinnati, OH (1)	Office and service facilities	22,000 sq. ft.	24,000 sq. ft.
West Des Moines, IA	Office, manufacturing and distribution center facilities	29,000 sq. ft.	--
Northeastern U.S. Area (2)	Office and service facilities	27,000 sq. ft.	73,000 sq. ft.
Central U.S. Area (3)	Office and service facilities	17,000 sq. ft.	39,000 sq. ft.
Mid-Atlantic U.S. Area (4)	Office and service facilities	18,000 sq. ft.	24,000 sq. ft.
Midwestern U.S. Area (5)	Office and service facilities	10,000 sq. ft.	28,000 sq. ft.
Southeastern U.S. Area (6)	Office and service facilities	22,000 sq. ft.	14,000 sq. ft.
Western U.S. Area (7)	Office and service facilities	19,000 sq. ft.	33,000 sq. ft.
Canada (8)	Office and service facilities	--	11,000 sq. ft.
PATIENT CARE			
New Jersey (9)	Office	--	65,000 sq. ft.
Connecticut (10)	Office	--	44,000 sq. ft.
New York (11)	Office	--	41,000 sq. ft.
Louisville, KY	Office	--	6,000 sq. ft.
SERVICE AMERICA			
Florida (12)	Office and service facilities	46,000 sq. ft.	48,000 sq. ft.
Arizona (13)	Office and service facilities	--	11,000 sq. ft.

Location -----	Type ----	Owned -----	Leased -----
CORPORATE			
Cincinnati, OH (14)	Corporate offices and related facilities	--	36,000 sq. ft.
Detroit, MI (15)	Former production facility	64,000 sq. ft.	--
-----			

- (1) Includes 6,000 square feet that formerly housed a service facility.
- (2) Comprising locations in Stoughton, Springfield, West Springfield and Woburn, Massachusetts; West Stratford, Groton and Bloomfield, Connecticut; Buffalo, West Seneca, Staten Island, Rochester, Farmingdale and Hawthorne, New York; and Cranston, Rhode Island.
- (3) Comprising locations in Atlanta, Decatur, Keenesaw and Newnan, Georgia; Birmingham, and Adamsville, Alabama; Memphis and Nashville, Tennessee; Charlotte, North Carolina; and St. Louis, Missouri.
- (4) Comprising locations in Pennsauken and North Brunswick, New Jersey; Levittown, Pennsylvania; Fairfax, Virginia; Newark, Delaware; and Baltimore and Jessup, Maryland.
- (5) Comprising locations in Cleveland and Columbus, Ohio; Indianapolis, Indiana; and Pittsburgh and Wilmerding, Pennsylvania.
- (6) Comprising locations in Jacksonville, Longwood, Miami and Orlando, Florida; Raleigh, North Carolina; and Virginia Beach, Virginia.
- (7) Comprising locations in Houston and San Antonio, Texas; Addison, Schaumburg and Posen, Illinois; Commerce City, Colorado; Honolulu, Hawaii; Minneapolis and St. Paul, Minnesota; Tacoma, Washington; and Fresno, California.
- (8) Comprising locations in Port Coquitlam, British Columbia; and Winnipeg, Manitoba.
- (9) Comprising locations in Princeton, Jersey City, Ridgewood, Montclair, Westfield, and West Orange, New Jersey.
- (10) Comprising locations in Greenwich, Madison, Newington, Norwalk, East Haven, Stratford, Waterbury, Stamford, Bridgeport and Danbury, Connecticut.
- (11) Comprising locations in Brooklyn, Manhattan, Queens, Bronx and Staten Island, New York.
- (12) Comprising locations in Pompano Beach, Miami, Fort Myers, St. Petersburg, Orlando, West Palm Beach, Deerfield Beach, and Delray Beach, Florida.
- (13) Comprising locations in Phoenix and Tucson, Arizona.
- (14) Excludes 103,000 square feet in current Cincinnati, Ohio office facilities that are sublet to outside parties - portions of this space may revert to the Company

beginning in 1998. Includes 27,000 square feet leased for the Company's corporate office facilities.

- (15) Comprises a former production facility of the Omnia Group which was sold to Banta Corporation in September 1997. The facility is being leased to Banta Corporation under an agreement which expires September 1998.

ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Office	First Elected
Edward L. Hutton	78	Chairman and Chief Executive Officer	November 3, 1993 (1)
Kevin J. McNamara	44	President	August 2, 1994 (2)
Paul C. Voet	51	Executive Vice President	May 20, 1991 (3)
Timothy S. O'Toole	42	Executive Vice President and Treasurer	May 18, 1992 (4)
Sandra E. Laney	54	Senior Vice President and Chief Administrative Officer	November 3, 1993 (5)
Arthur V. Tucker, Jr.	48	Vice President and Controller	May 20, 1991 (6)

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

- (6) Mr. A. V. Tucker, Jr. is a Vice President and Controller of the Company and has held these positions since February 1989. From May 1983 to February 1989, he held the position of Assistant Controller of the Company.

Each executive officer holds office until the annual election at the next annual organizational meeting of the Board of Directors of the Company which is scheduled to be held on May 18, 1998.

## PART II

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

The Company's Capital Stock (par value \$1 per share) is traded on the New York Stock Exchange under the symbol CHE. The range of the high and low sale prices on the New York Stock Exchange and dividends paid per share for each quarter of 1996 and 1997 are set forth below.

	Closing -----		Dividends Paid
	High	Low	Per Share
-----			
1997			
----			
First Quarter	\$37-1/2	35-1/2	\$.52
Second Quarter	37-7/16	31-1/2	.52
Third Quarter	39-5/16	35-1/16	.52
Fourth Quarter	43	38-1/16	.53
1996			
----			
First Quarter	\$40-1/8	\$36-7/8	\$.52
Second Quarter	39	35-7/8	.52
Third Quarter	39-1/8	35-1/2	.52
Fourth Quarter	39	35-1/8	.52

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

As of March 19, 1998, there were approximately 5,514 stockholders of record of the Company's Capital Stock. This number only includes stockholders of record and does not include stockholders with shares beneficially held for them in nominee name or within clearinghouse positions of brokers, banks or other institutions.

## ITEM 6. SELECTED FINANCIAL DATA.

The information called for by this Item for the five years ended December 31, 1997 is set forth on pages 32 and 33 of the 1997 Annual Report to Stockholders and is incorporated herein by reference.

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

The information called for by this Item is set forth on pages 36 through 39 of the 1997 Annual Report to Stockholders and is incorporated herein by reference.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements, together with the report thereon of Price Waterhouse, LLP dated February 2, 1998, appearing on pages 15 through 30 and 34 of the 1997 Annual Report to Stockholders, along with the Supplementary Data (Unaudited Summary of Quarterly Results) appearing on page 35, are incorporated herein by reference.

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

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The directors of the Company are:

Edward L. Hutton  
James H. Devlin  
Charles H. Erhart, Jr.  
Joel F. Gemunder  
Lawrence J. Gillis  
Patrick P. Grace  
Thomas C. Hutton

Walter L. Krebs  
Sandra E. Laney  
Kevin J. McNamara  
John M. Mount  
Timothy S. O'Toole  
D. Walter Robbins, Jr.  
Paul C. Voet  
George J. Walsh III

The additional information required under this Item with respect to the directors and executive officers is set forth in the Company's 1998 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

## ITEM 11. EXECUTIVE COMPENSATION.

Information required under this Item is set forth in the Company's 1998 Proxy Statement, which is incorporated herein by reference.

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

Information required under this Item is set forth in the Company's 1998 Proxy Statement, which is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required under this Item is set forth in the Company's 1998 Proxy Statement, which is incorporated herein by reference.

## PART IV

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

## EXHIBITS

3.1 Certificate of Incorporation of Chemed Corporation.\*

- 3.2 By-Laws of Chemed Corporation.\*
- 10.1 Agreement and Plan of Merger among Diversey U.S. Holdings, Inc., D. C. Acquisition Inc., Chemed Corporation and DuBois Chemicals, Inc., dated as of February 25, 1991.\*
- 10.2 Stock Purchase Agreement between Omnicare, Inc. and Chemed Corporation, dated as of August 5, 1992.\*
- 10.3 Agreement and Plan of Merger among National Sanitary Supply Company, Unisource Worldwide, Inc. and TFBD, Inc. dated as of August 11, 1997.\*
- 10.4 1981 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
- 10.5 1983 Incentive Stock Option Plan, as amended through May 20, 1991.\*,\*\*
- 10.6 1986 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
- 10.7 1988 Stock Incentive Plan, as amended through May 20, 1991.\*,\*\*
- 10.8 1993 Stock Incentive Plan.\*,\*\*
- 10.9 1995 Stock Incentive Plan.\*,\*\*
- 10.10 1997 Stock Incentive Plan.\*\*
- 10.11 Directors Emeriti Plan.\*,\*\*
- 10.12 Employment Contracts with Executives.\*,\*\*
- 10.13 Amendment No. 9 to Employment Contracts with Executives.\*\*
- 10.15 Split Dollar Agreement with Executives.\*,\*\*
- 10.16 Split Dollar Agreement with Edward L. Hutton.\*,\*\*
- 10.17 Split Dollar Agreement with Paul C. Voet.\*,\*\*
- 10.18 Amendment No. 7 to Employment Agreement with Edward L. Hutton.\*,\*\*
- 10.19 Excess Benefits Plan, as restated and amended, effective April 1, 1997.\*\*
- 10.20 Non-Employee Directors' Deferred Compensation Plan.\*,\*\*
- 10.21 Stock Purchase Agreement by and Among Banta Corporation, Chemed Corporation and OCR Holding Company as of September 24, 1997.\*
- 10.22 Amendment No. 3 to Employment Contract with James H. Devlin.\*\*
- 10.23 Employment Contracts with John M. Mount and Walter L. Krebs.\*\*
- 10.24 Employment Contract with Lawrence J. Gillis.\*\*
- 13. 1997 Annual Report to Stockholders.

- 21. Subsidiaries of Chemed Corporation.
- 23. Consent of Independent Accountants.
- 24. Powers of Attorney.
- 27. Financial Data Schedule +

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

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

+ Not filed herewith.

FINANCIAL STATEMENT SCHEDULE

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

REPORTS ON FORM 8-K

A Form 8-K was filed October 9, 1997 announcing Chemed Corporation's sale of its wholly owned businesses comprising The Omnia Group to Banta Corporation for \$50 million in cash and \$2.3 million in deferred payments; and Chemed's sale of National Sanitary Supply Company to Unisource Worldwide, Inc. for approximately \$120.2 million.

## SIGNATURES

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

## CHEMED CORPORATION

March 27, 1998

By /s/ Edward L. Hutton

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

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

Signature -----	Title -----	Date -----
/s/ Edward L. Hutton ----- Edward L. Hutton	Chairman and Chief Executive Officer and a Director (Principal Executive Officer)	
/s/ Timothy S. O'Toole ----- Timothy S. O'Toole	Executive Vice President and Treasurer and a Director (Principal Financial Officer)	
/s/ Arthur V. Tucker, Jr. ----- Arthur V. Tucker, Jr.	Vice President and Controller (Principal Accounting Officer)	March 27, 1998
James H. Devlin* Charles H. Erhart, Jr.* Joel F. Gemunder* Lawrence J. Gillis* Patrick P. Grace* Thomas C. Hutton* Walter L. Krebs*	Sandra E. Laney* Kevin J. McNamara* John M. Mount* D. Walter Robbins, Jr.* Paul C. Voet* George J. Walsh III*	----- --Directors

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

March 27, 1998

/s/ Naomi C. Dallob

Date

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

## CHEMED CORPORATION AND SUBSIDIARY COMPANIES

## INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

1995, 1996 AND 1997

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\* Indicates page numbers in Chemed Corporation 1997 Annual Report to Stockholders.

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The consolidated financial statements of Chemed Corporation listed above, appearing in the 1997 Annual Report to Stockholders, are incorporated herein by reference. The Financial Statement Schedule should be read in conjunction with the consolidated financial statements listed above. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto as listed above.

REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors  
of Chemed Corporation

Our audits of the consolidated financial statements referred to in our report dated February 2, 1998 appearing on page 15 of the 1997 Annual Report to Stockholders of Chemed Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14 of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP

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PRICE WATERHOUSE LLP

Cincinnati, Ohio  
February 2, 1998

## SCHEDULE II

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

Description	Balance at Beginning of Period	Additions			Deductions (c)	Balance at End of Period
		(Charged) Credited to Costs and Expenses	(Charged) Credited to Other Accounts (b)	Applicable to Companies Acquired in Period		
Allowances for doubtful accounts (d)						
For the year 1997.....	\$ (1,583) =====	\$ (702) =====	\$ -- =====	\$ (974) =====	\$ 633 =====	\$ (2,626) =====
For the year 1996.....	\$ (1,496) =====	\$ (877) =====	\$ (78) =====	\$ ( 16) =====	\$ 884 =====	\$ (1,583) =====
For the year 1995.....	\$ (1,214) =====	\$ (835) =====	\$ (72) =====	\$ -- =====	\$ 625 =====	\$ (1,496) =====
Allowances for doubtful accounts - notes receivable (e)						
For the year 1997.....	\$ (120) =====	\$ -- =====	\$ -- =====	\$ -- =====	\$ 97 =====	\$ (23) =====
For the year 1996.....	\$ (247) =====	\$ 8 =====	\$ 78 =====	\$ -- =====	\$ 41 =====	\$ (120) =====
For the year 1995.....	\$ (267) =====	\$ (64) =====	\$ 72 =====	\$ -- =====	\$ 12 =====	\$ (247) =====
Valuation allowance for available-for-sale securities						
For the year 1997.....	\$ 40,096 =====	\$ -- =====	\$ 2,844 =====	\$ -- =====	\$(12,235) =====	\$ 30,705 =====
For the year 1996.....	\$ 56,030 =====	\$ -- =====	\$ 12,232 =====	\$ -- =====	\$(28,166) =====	\$ 40,096 =====
For the year 1995.....	\$ 31,729 =====	\$ -- =====	\$ 33,379 =====	\$ -- =====	\$ (9,078) =====	\$ 56,030 =====

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

## INDEX TO EXHIBITS

Exhibit Number -----		Page Number or Incorporation by Reference -----	Previous Exhibit No. -----
3.1	Certificate of Incorporation of Chemed Corporation	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	By-Laws of Chemed Corporation	Form 10-K 3/28/89	2
10.1	Agreement and Plan of Merger among Diversey U.S. Holdings, Inc., D.C. Acquisition Inc., Chemed Corporation and DuBois Chemicals, Inc., dated as of February 25, 1991	Form 8-K 3/11/91	1
10.2	Stock Purchase Agreement between Omnicare, Inc. and Chemed Corporation dated as of August 5, 1992	Form 10-K 3/25/93	5
10.3	Agreement and Plan of Merger among National Sanitary Supply Company, Unisource Worldwide, Inc. and TFBD, Inc.	Form 8-K 10/13/97	1
10.4	1981 Stock Incentive Plan, as amended through May 20, 1991	Form 10- K 3/27/92	7
10.5	1983 Incentive Stock Option Plan, as amended through May 20, 1991	Form 10-K 3/27/92	8
10.6	1986 Stock Incentive Plan, as amended through May 20, 1991	Form 10-K 3/27/92	9
10.7	1988 Stock Incentive Plan, as amended through May 20, 1991	Form 10-K 3/27/92	10
10.8	1993 Stock Incentive Plan	Form 10-K 3/29/94	10.8
10.9	1995 Stock Incentive Plan	Form 10-K 3/28/96	10.14
10.10	1997 Stock Incentive Plan	*	
10.11	Directors Emeriti Plan	Form 10-Q 5/12/88	10.12

Page Number  
or  
Incorporation by Reference  
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Exhibit Number -----		File No. and Filing Date -----	Previous Exhibit No. -----
10.12	Employee Contracts with Executives	Form 10-K 3/28/89	10.13
10.13	Amendment No. 9 to Employment Contracts with Executives	*	
10.15	Split Dollar Agreements	Form 10-K 3/28/96	10.16
10.16	Split Dollar Agreement with Edward L. Hutton	Form 10-K 3/28/96	10.17
10.17	Split Dollar Agreement with Paul C. Voet	Form 10-K 3/28/96	10.18
10.18	Amendment No. 7 to Employment Agreement with Edward L. Hutton	Form 10-K 3/27/97	
10.19	Excess Benefits Plan, as restated and amended, effective April 1, 1997	*	10.9
10.20	Non-Employee Directors' Deferred Compensation Plan	Form 10-K 3/24/88	10.10
10.21	Stock Purchase Plan by and among Banta Corporation, Chemed Corporation and OCR Holding Company	Form 8-K 10/13/97	1
10.22	Amendment No. 3 to Employment Contract with James H. Devlin	*	
10.23	Employment Contracts with John M. Mount and Walter L. Krebs	*	
10.24	Employment Contract with Lawrence J. Gillis	*	
13	1997 Annual Report to Stockholders	*	
21	Subsidiaries of Chemed Corporation	*	
23	Consent of Independent Accountants	*	
24	Powers of Attorney	*	

27 Financial Data Schedule +

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\* Filed herewith.

+ Not filed herewith.

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CHEMED CORPORATION  
1997 STOCK INCENTIVE PLAN  
AS APPROVED MAY 19, 1997

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CHEMED CORPORATION  
1997 STOCK INCENTIVE PLAN

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

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

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

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

CORPORATION: Chemed Corporation, a Delaware corporation.

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

to a Stock Incentive of the type involved, Fair Market Value in the case of such Stock Incentive shall be determined in accordance with such regulations and shall mean the value as so determined.

**INCENTIVE COMMITTEE:** The Incentive Committee designated to administer this Plan pursuant to the provisions of section 10.

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

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

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

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

**PLAN:** The 1997 Stock Incentive Plan herein set forth as the same may from time to time be amended.

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

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

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

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

### 3. GRANTS OF STOCK INCENTIVES:

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

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

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

### 4. STOCK SUBJECT TO THIS PLAN:

(a) Subject to the provisions of paragraph (c) and (d) of this section 4 and of section 8, the aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives granted under this Plan shall not exceed 500,000 shares; provided, however, that the maximum aggregate number of shares of Capital Stock which may be issued or transferred pursuant to Stock Incentives in the form of Stock Awards, shall not exceed 250,000 shares.

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

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

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

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

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

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

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

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

the Fair Market Value on such date of the shares which would otherwise have been delivered.

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

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

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

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

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

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

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

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

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

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

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

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

If so provided in the Option or if so authorized by the Incentive Committee and subject to such terms and conditions as are specified in the Option or by the Incentive Committee, the Corporation may, upon or without the request of the holder of the Option and at any time or from time to time, cancel all or a portion of the Option then subject to exercise and either (i) pay

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

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

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

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

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

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

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

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

9. TERM: This Plan shall be deemed adopted and shall become effective on the date it is approved and adopted by the stockholders of the Corporation. No Stock Incentives shall be granted under this Plan after May 19, 2007.

10. ADMINISTRATION:

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

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

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

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

11. GENERAL PROVISIONS:

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

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

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

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

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

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

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

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

#### 12. AMENDMENTS AND DISCONTINUANCE:

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

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

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

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

## EXHIBIT 10.13

AMENDMENT NO. 9  
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 19, 1997 between \_\_\_\_\_ ("Employee") and Chemed Corporation (the "Company").

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

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

NOW, THEREFORE, Employee and the Company mutually agree that the Employment Agreement shall be amended, effective as of May 19, 1997, as follows:

- A. The date, amended as of May 20, 1996, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of May 3, 2002 is hereby substituted therefor.
- B. The base salary amount set forth in the first sentence of Section 2.1 of the Employment Agreement is hereby deleted and the base salary amount of \$\_\_\_\_\_ per annum is hereby substituted.
- C. The amount of unrestricted stock award recognized in lieu of incentive compensation in 1996 is \$\_\_\_\_\_. Except as specifically amended in this Amendment No. 9

to Employment Agreement, the Employment Agreement, as amended,

shall continue in full force and effect in accordance with its terms, conditions and provisions.

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

EMPLOYEE

-----

CHEMED CORPORATION

-----

Kevin J. McNamara  
President

## SCHEDULE TO EXHIBIT 10.13

Name and Position -----	Minimum Annual Base Salary and Bonus -----	Current (a) Stock Award Compensation -----	Current Expiration Date of Agreement -----
Kevin J. McNamara President	283,728.00 38,285.00	51,063.00	5/3/2002
Paul C. Voet Executive Vice President	289,500.00 85,000.00	89,482.00	5/3/2002
Timothy S. O'Toole Executive Vice President and Treasurer	171,525.00 23,857.00	47,206.00	5/3/2002
Sandra E. Laney Senior Vice President and Chief Administrative Officer	174,825.00 37,455.00	41,652.00	5/3/2002
Arthur V. Tucker Vice President and Controller	109,000.00 17,102.00	12,993.00	5/3/2002
Thomas C. Hutton Vice President	167,825.00 16,477.00	19,088.00	5/3/2002

-----  
(a) Amount of unrestricted stock award recognized in lieu of incentive compensation in 1996.

## EXHIBIT 10.19

## CHEMED CORPORATION

## EXCESS BENEFIT PLAN

As Restated and Amended  
Effective January 1, 1987

## 1. Purpose of the Plan

To induce the employment or continued employment of key employees and to enable the Company and its Subsidiaries to compete with other corporations offering comparable benefits in obtaining and retaining the services of competent executives, in order that the interests of the Company and its Subsidiaries may be advanced.

## 2. Definitions

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

(a) "Base Plans": The General Retirement Plan, the Employees Savings and Investment Plan, the Sales Retirement Plan, the Sales Thrift Plan, and the Chemed Employee Stock Ownership Plan.

(b) "Beneficiary": As defined in Section 10.2.

(c) "Benefit Amounts": As described in Section 7.

(d) "Board of Directors": The Board of Directors of the Company.

(e) "Chemed Employee Stock Ownership Plan": The Chemed Employee Stock Ownership Plan, adopted effective November 1, 1987.

(f) "Code": The Internal Revenue Code of 1986, as amended

from time to time.

(g) "Committee": The Committee designated to administer the Plan pursuant to the provisions of Section 3.

(h) "Company": Chemed Corporation, a Delaware corporation.

(i) "Compensation": The amount of annual compensation paid to an Employee during each calendar year commencing with the year 1983 when computed, as the case may be, in accordance with the definition of "Compensation" as set forth in each of the following pension, profit sharing or thrift plans of the Company:

- General Retirement Plan
- Employees Saving and Investment Plan
- General Pension Plan
- Sales Retirement Plan
- Sales Thrift Plan
- Chemed Employee Stock Ownership Plan

(j) "Earnings (Loss) Factor": As described in Section 7.3.

(k) "Effective Date": January 1, 1983.

(l) "Eligible Employee": A management or highly compensated Employee other than a Union Employee who (i) participates in or who, but for the Section 415 limitations of the Code, would participate in, any one or more of the General Retirement Plan, General Thrift Plan, the Sales Retirement Plan and the Sales Thrift Plan and, Chemed Employee Stock Ownership Plan, and (ii) is designated by the Committee from time to time as eligible to participate in the Plan. The Company may revoke the designation at any time if the Committee determines that the Employee ceases to be a management or highly compensated Employee.

(m) "Employee": Any person who is employed by the Company or a Subsidiary.

(n) "Excess Benefit Plan" or "Plan": The Excess Benefit Plan of the Company herein set forth as the same may from time to time be amended.

(o) "Excess Benefit Plan Statement": The quarterly statement provided to a Participant pursuant to Section 6.3.

(p) "General Pension Plan": The Chemed General Pension Plan, as amended, including the amendment thereto effective January 1, 1984. The General Pension Plan was terminated effective October 31, 1985.

(q) "General Retirement Plan": The Chemed General Retirement Plan, adopted effective January 1, 1984, as amended August 1, 1985.

(r) "General Thrift Plan": The Employees Savings and Investment Plan, adopted effective July 1, 1971, as amended, and as further amended and restated effective August 1, 1985.

(s) "Permanent Disability": Disability retirement from employment by the Company due to a physical or mental disability which permanently disables the Employee from performing the customary duties of his regular job with the Company.

(t) "Plan Year": The calendar year commencing with the calendar year 1983.

(u) "Quarter": The three-month period beginning January 1, April 1, July 1 and October 1 of each Plan Year.

(v) "Retirement": Any of (a) normal retirement from employment by the Company or a Subsidiary at age 65; (b) early retirement from employment by the Company or a Subsidiary from

age 55 to age 65 with not less than 10 Years of Service; (c) postponed retirement from employment by the Company after age 65.

(w) "Sales Employee": As defined in the Sales Thrift Plan.

(x) "Sales Retirement Plan": The Chemed Sales Retirement Plan, adopted effective August 1, 1985.

(y) "Sales Thrift Plan": The Sales Retirement and Thrift Plan of the Company, adopted effective January 1, 1983, and as amended and restated and renamed as the Sales Thrift Plan effective August 1, 1985.

(z) "Severance": Termination of employment with the Company or a Subsidiary under any circumstances other than death, Retirement or Permanent Disability.

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

(bb) "Union Employee": An Employee with respect to whom compensation, hours of work, or conditions of employment are determined through collective bargaining with a recognized bargaining agent.

(cc) "Valuation Date": The last business day of each month.

(dd) "Value of Account": The value of the amounts credited to an account of a Participant as of a Valuation Date.

3. Administration

(a) The Plan shall be administered by the Compensation Committee of the Board of Directors provided that such Committee

shall consist of no fewer than three (3) directors of the Company, and provided further, that no member of the Committee shall be eligible to participate in the Plan while serving on the Committee.

(b) The Committee may establish such rules and regulations, not inconsistent with the provisions of the Plan, as it deems necessary for the proper administration of the Plan, and may amend or revoke any rule or regulation so established. The Committee may make such determinations and interpretations under or in connection with the Plan as it deems necessary or advisable. All such rules, regulations, determinations and interpretations, subject to the provisions of Section 4.03 of the By-Laws of the Company, shall be binding and conclusive upon the Company, each Subsidiary, its shareholders, Employees, Participants, and upon their respective legal representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them.

(c) Any action required or permitted to be taken by the Committee under this Plan may be taken in accordance with Article IV of the By-Laws of the Company even though, because of a vacancy or vacancies as a result of resignations or otherwise, the total number of directors who are then members of the Committee shall be less than three.

(d) Members of the Board of Directors and members of the Committee acting under the Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur

no liability except for gross negligence or willful misconduct in the performance of their duties.

4. Participation

4.1 General. Each Eligible Employee who was a Participant in the General Pension Plan on October 31, 1985 shall be a Participant. In addition, each Eligible Employee for whom or in respect of whom benefits payable from or contributions by the Company or a Subsidiary to any of the Base Plans shall have been limited, restricted or otherwise less than the benefits payable from or contributions by the Company or a Subsidiary pursuant to the general terms and provisions of such plans by reason of the application of benefit and/or contribution limitations imposed by the Code and/or the regulations issued thereunder, or any comparable law which may hereafter be enacted including any regulations issued thereunder, shall be a Participant in the Plan. The personnel, payroll and other records of the Company or any Subsidiary shall be conclusive evidence for the purpose of determining all matters relating to benefits under this Plan, including Compensation and the period of employment of any and all Employees, Eligible Employees and Participants.

4.2 Participation Date. Each Participant shall be deemed to have commenced his participation in the Plan effective on the first day of the Plan Year during which he became a Participant.

4.3 Continuance of Participation. Each Participant's participation in the Plan shall continue until the first to occur of the following events:

- (a) his death;
- (b) his Severance;
- (c) his Retirement;
- (d) his Permanent Disability; or,
- (e) termination of the Plan.

5. Contributions

5.1 Participants' Contributions. No contributions to the Plan shall be required of or permitted to be made by any Participant.

5.2 Company Contributions. No contributions to a separate trustee or otherwise shall be required to be made by the Company or any Subsidiary for the purpose of establishing a fund for the payment of benefits to any Participant or Beneficiary under this Plan. Instead, all such accrued benefits, whether or not currently payable, shall be paid when due from the general funds of the Company or from a grantor trust or series of grantor trusts established for this purpose.

6. Reserve Fund; Participant Accounts

6.1 General Fund. The Company shall establish on its book of account a reserve fund equal to the present value of all benefits currently accrued in favor of Participants pursuant to the Plan. The amount of such reserve fund shall, at all times, be considered as a general obligation of the Company in favor of all Participants generally.

6.2 Participant Accounts. The Company shall establish for each Participant a separate account or accounts to which shall be

credited monthly all Benefit Amounts pursuant to Sections 7.1 and 7.2 plus or minus the Earnings (Loss) Factor as to each such account pursuant to Section 7.3 hereof.

6.3 Statements of Participant's Accounts. The Committee shall, as soon as practicable after the end of each Quarter, cause to be delivered or mailed to each Participant having an account balance a statement (the "Excess Benefit Plan Statement") setting forth the status of the account of such Participant as of the end of such Quarter. Such statement shall be deemed to have been accepted as correct unless written notice to the contrary is received by the Committee within 30 days after the mailing thereof.

7. Benefit Amounts

7.1 Initial and Annual Benefit Amounts. The Benefit Amounts to be credited initially and monthly to the account of each Participant whose designation described in Section 2(k) is not revoked shall be an amount determined as follows:

(a) As to the General Pension Plan for Plan Years thereunder prior to 1984 - An amount necessary to fund the present value of the additional accrued benefit of the Participant (including his beneficiaries) under such plan as at December 31, 1983 which, but for the annual benefit limitations as set forth in Section 415 of the Code, would have been provided to the Participant or his beneficiaries pursuant to the stated terms and provisions of such plan. In determining the amount, as above, all actuarial assumptions applicable to such plan on

December 31, 1983 shall be utilized.

(b) As to each of the Base Plans - The amount by which all Company contributions to the account (or accounts) of the Participant for each month of each Plan Year commencing on and after January 1, 1983 under each such plan is less than the amount which would have been so contributed by the Company or a Subsidiary without regard to (i) the annual contribution limitations as set forth in Section 415 of the Code, (ii) the actual deferral percentage limitation imposed upon "highly compensated employees" (as defined and applied in Section 401(k) (5) of the Code) as set forth in Sections 401(k)(3)(a)(ii) of the Code, (iii) the limitation on compensation as set forth in Section 401(a)(17) of the Code and (iv) the contribution percentage requirement as set forth in Section 401(m) of the Code.

7.2 Earnings (Loss) Factor. In addition to the Benefit Amount(s) which may be credited monthly to each Participant's account under this Plan, there shall be credited or debited monthly an Earnings (Loss) Factor amount computed as follows:

(a) As to each Participant's Corporation Contribution Account under each of the General Retirement Plan and the Sales Retirement Plan - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Trust Fund established under each such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan(s)

pursuant to subsection (b) of Section 7.1.

(b) As to each Participant's Employer Contribution Account under the General Thrift Plan or Chemed Employee Stock Ownership Plan - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Chemed Stock Fund of such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan pursuant to subsection (b) of Section 7.1.

(c) As to each Participant's "Retirement" account under the Sales Thrift Plan prior to August 1, 1985 - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Fixed Income Fund A-1 of such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan pursuant to subsection (b) of Section 7.1.

(d) As to each Participant's Employer Contribution Account on and after August 1, 1985 and each Participant's "Thrift" account for periods prior to August 1, 1985 under the Sales Thrift Plan - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Chemed Stock Fund of such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan pursuant to subsection (b) of Section 7.1.

8. Vesting

8.1 Full Vesting. Participants will have a fully vested interest in all amounts credited to their accounts hereunder upon Retirement, Severance while eligible for Retirement, Permanent Disability or upon death prior to Retirement or Permanent Disability.

8.2 Partial Vesting. Participants will have a fully vested interest in each amount credited to their accounts under this Plan to the same extent as if such amounts had been contributed to their accounts under each of the Base Plans.

8.3 Forfeitures. If a Participant's employment by the Company shall terminate for any reason other than death, Permanent Disability, Retirement or Severance while eligible for Retirement, he shall forfeit the unvested portion of his accounts in the Plan. All amounts so forfeited shall revert to the credit of the Company.

9. In-Service Withdrawals

9.1 Upon written request of a Participant filed with the Company at least 30 days in advance of a Valuation Date, a Participant who has attained age 65 and who is concurrently effecting a withdrawal of his entire account balance under any or all of the Base Plans shall have the right to withdraw, and the Company shall pay to the Participant an amount equal to the value, as of such Valuation Date, of all or such portion of his accounts established under this Plan in respect to the Base Plan(s) under which he is effecting a concurrent withdrawal as

the Participant shall so request, but the amount of any such withdrawal shall be limited and restricted to the same extent and to the same circumstances as would otherwise be permitted under the terms and provisions of the applicable Base Plan(s), provided, however, the consent of the Participant's spouse or any other person shall not be required as to any withdrawal under this Plan.

9.2 In the event of any in-service withdrawal by a Participant of all or any portion of his account(s) established under this Plan in respect of the General Retirement Plan and/or the Sales Retirement Plan, for purposes of Section 7.2 of this Plan, the Participant's employment with the Company shall be deemed to have terminated as of the Valuation Date in respect of which such in-service withdrawal was made. Thereupon, the benefit amount provided under Section 7.2 of this Plan shall be determined, and if any Benefit Amount is then accrued in favor of the Participant, such amount shall be paid to the Participant. In such event and upon payment of such amount, if any, to the Participant, all further rights or potential rights of a Participant (including his Beneficiary) for a benefit pursuant to or under said Section 7.2 shall lapse and the Company's obligations, if any, to the Participant (including his Beneficiary) in respect thereof shall be deemed to have been satisfied in full, whether or not any such Benefit Amount is then accrued in favor of the Participant.

10. Distribution of Benefits; Beneficiary

10.1 Upon termination of a Participant's employment with the Company or a Subsidiary, as the case may be, his account(s) established pursuant to this Plan shall be valued as of the first Valuation Date thereafter and the aggregate value of the fully vested portion thereof as at the date of such termination of employment shall be promptly (within 60 days) paid by the Company in one lump sum to the Participant, or in the event of his death, to his Beneficiary.

10.2 As used herein the term "Beneficiary" of a Participant shall mean the person or persons (which may include, without limitation, the Participant's estate or one or more trusts or other entities) designated by such Participant in a "Designation of Beneficiary" form filed with the Company pursuant to this Plan or, if no such form has been so filed, then the term "Beneficiary" of a Participant shall mean the person or persons (which may include, without limitation, the Participant's estate or one or more trusts or other entities) designated by such Participant as his Beneficiary pursuant to the provisions of the General Pension Plan and each of the Base Plans. In the event the Participant has designated a different Beneficiary(ies) under each of said plans, then the Beneficiary under this Plan with respect to amounts contributed to this Plan in respect of the General Pension Plan shall be the Participant's Beneficiary(ies) designated under the General Pension Plan and, with respect to amounts contributed to this Plan in respect of each of the Base

Plans, the Participant's Beneficiary(ies) designated under each of the Base Plans, as the case may be. Such "Designation of Beneficiary" form pursuant to this Plan shall be in such form as the Committee may from time to time prescribe or accept. Participant may at any time change any such Designation of Beneficiary by filing a new form with the Company. If Participant has not made any such designation, or if any such Beneficiary shall not have survived the Participant, or if any such designation shall not be effective, "Beneficiary" shall mean the Participant's estate. In the event the Company has any doubt as to the proper person or persons entitled to receive payments due hereunder, the Company shall have the right to withhold such payments until the matter is decided by a court of competent jurisdiction.

11. General Provisions

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

(b) The Company or a Subsidiary may make such provisions as it may deem appropriate for the withholding of any taxes which the Company or a Subsidiary determines it is required to withhold in connection with any payment hereunder.

(c) Nothing in the Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of,

any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any retirement, pension, thrift, group insurance, stock purchase, stock bonus or stock option plan.

(d) The Plan may be amended or terminated by the Board of Directors at any time in whole or in part provided, however, that no such amendment or termination shall adversely affect that portion of a Participant's account(s) hereunder which is fully vested. Upon termination of the Plan, all fully vested amounts credited to the Participant's account(s) as at the date of such termination shall be promptly paid to the Participant.

(e) In the event any dispute pertaining to the Plan shall arise between the Company and an Employee (including a Participant) which shall not be resolved after good faith negotiation, either the Employee of the Company, or both, may submit the disputed issue to the Committee for resolution. All such submissions shall be in writing, addressed to the Secretary of the Committee and shall set forth the issue and all relevant facts known to the submitting party. The Committee may determine the issue in such manner as it shall determine and may (but need not) request the disputant Employee and one or more representatives of the Company to appear before the Committee for the purpose of presenting such matters of fact as the Committee shall specify. The decision of the Committee as to any issue

presented to it involving this Plan shall be conclusive and final and binding on all concerned parties, unless, within thirty days after receipt of the Committee's decision, the disputant Employee files a written notice with the Secretary of the Committee requesting that the issue be presented to the Board of Directors for final resolution. As promptly thereafter as is reasonably practicable, the issue shall be presented to and resolved finally and conclusively by the Board of Directors based upon all facts presented to it by the Committee, the Company and the disputant Employee.

CHEMED CORPORATION  
EXCESS BENEFIT PLAN

## AMENDMENT NO. 1

Effective January 1, 1995, Section 7.1(b) of the Chemed Corporation Excess Benefit Plan shall be amended in its entirety as follows:

(b) As to each of the Base Plans - The amount by which all Company contributions to the account (or accounts) of the Participant for each month of each Plan Year commencing on and after January 1, 1983 under each such plan is less than the amount which would have been so contributed by the Company or a Subsidiary without regard to (i) the annual contribution limitations as set forth in Section 415 of the Code, (ii) the actual deferral percentage limitation imposed upon "highly compensated employees" (as defined and applied in Section 401(k)(3)(a)(ii) of the Code, (iii) the limitation on compensation as set forth in Section 401(a)(17) of the Code, (iv) the contribution percentage requirement as set forth in Section 401(m) of the Code and (v) any amounts contributed to the Chemed Corporation Deferred Compensation Plan.

## CERTIFICATE

The undersigned, Secretary of Chemed Corporation, hereby certifies that the foregoing is a true and correct copy of Amendment No. 1 to its Excess Benefit Plan.

Signed at Cincinnati, Ohio this 9th day of February, 1995.

/s/ Naomi C. Dallob

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Secretary

CHEMED CORPORATION  
EXCESS BENEFIT PLAN

AMENDMENT NO. 2

The Chemed Corporation Excess Benefit Plan (the "Plan") is hereby amended, effective January 1, 1997, in the following respects.

1. Sections 2(a), 2(e), 2(i) and 2(l) of the Plan are hereby amended in their entirety as follows:

- 2(a) "Base Plans": The General Retirement Plan, the Employees Savings and Investment Plan and the Chemed Employee Stock Ownership Plans I and II.
- 2(e) "Chemed Employee Stock Ownership Plans I and II": The Chemed Employee Stock Ownership Plan I, adopted effective November 1, 1987 and the Chemed Employee Stock Ownership Plan II, adopted effective August 1, 1988.
- 2(i) "Compensation": The amount of annual compensation paid to an Employee during each calendar year commencing with the year 1983 when computed, as the case may be, in accordance with the definition of "Compensation" as set forth in each of the following pension, profit sharing or thrift plans of the Company:
- General Retirement Plan  
Employees Savings and Investment Plan  
General Pension Plan  
Chemed Employee Stock Ownership Plans I and II
- 2(l) "Eligible Employee": A management or highly compensated Employee other than a Union Employee who (i) participates in or who, but for the Section 415 limitations of the Code, would participate in, any one or more of the General Retirement Plan, General Thrift Plan and Chemed Employee Stock Ownership Plans I and II, and (ii) is designated by the Committee from time to time as eligible to participate in the Plan. The Company may revoke the designation at any time if the Committee determines that the Employee ceases to be a management or highly compensated Employee.

2. Section 2 is hereby amended by deleting Sections 2(w), 2(x) and 2(y).

3. Section 7.2 of the Plan is hereby amended in its entirety to read as follows:

- 7.2 Earnings (Loss) Factor. In addition to the Benefit Amount(s) which may be credited monthly to each Participant's account under this Plan, there shall be credited or debited monthly an Earning (Loss) Factor amount computed as follows:
- (a) As to each Participant's Corporation Contribution Account under the General Retirement Plan - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Trust Fund established under each such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan(s) pursuant to subsection (b) of Section 7.1.
  - (b) As to each Participant's Employer Contribution Account under the General Thrift Plan or Chemed Employee Stock Ownership Plans I and II - An amount determined by application of the percentage of investment earnings (or investment loss) experienced by the Chemed Stock Fund of such plan during the preceding month to the aggregate amount then credited to the Participant's account hereunder in respect of such plan pursuant to subsection (b) of Section 7.1.

4. Section 9.2 of the Plan is hereby amended in its entirety to read as follows:

- 9.2 In the event of any in-service withdrawal by a Participant of all or any portion of his account(s) established under this Plan in respect of the General Retirement Plan for purposes of Section 7.2 of this Plan, the Participant's employment with the Company shall be deemed to have terminated as of the Valuation Date in respect of which such in-service withdrawal was made. Thereupon, the benefit amount provided under Section 7.2 of this Plan shall be determined, and if any Benefit Amount is then accrued in favor of the Participant, such amount shall be paid to the Participant. In such event and upon payment of such amount, if any, to the Participant, all further rights or potential rights of a Participant (including his Beneficiary) for a benefit pursuant to or under said Section 7.2 shall lapse and the Company's obligations, if any, to the Participant (including his Beneficiary) in respect thereof shall be

deemed to have been satisfied in full, whether or not any such Benefit Amount is then accrued in favor of the Participant.

5. Section 10.1 of the Plan is hereby amended in its entirety to read as follows:

10.1 Upon termination of a Participant's employment with the Company or a Subsidiary, as the case may be, his account(s) established pursuant to this Plan shall be valued as of the first Valuation Date thereafter and the aggregate value of the fully vested portion thereof as at the date of such termination of employment shall be promptly (within 60 days) paid by the Company to the Participant, or in the event of his death, to his Beneficiary.

Any vested amounts payable from the Participants' account on behalf of the Chemed General Retirement Plan shall be paid in one lump sum. Any vested amounts payable on behalf of the Chemed Employees Savings and Investment Plan or Chemed Employee Stock Ownership Plans I and II shall be paid in whole shares of Chemed stock credited to his/her account(s) plus cash in lieu of any fractional shares of Chemed stock.

6. In all other respects, the Chemed Excess Benefit plan shall remain unchanged.

CERTIFICATE

The undersigned, Secretary of Chemed Corporation, hereby certifies that the foregoing is a true and correct copy of Amendment No. 2 to its Excess Benefit Plan.

Signed at Cincinnati, Ohio this 7th day of January, 1997.

/s/ Naomi C. Dallob

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Naomi C. Dallob, Secretary

CHEMED CORPORATION  
EXCESS BENEFIT PLAN AMENDMENT NO. 3

The Chemed Corporation Excess Benefit Plan (the "Plan") is hereby amended effective April 1, 1997 as follows:

1. Section 3(a) shall be rewritten in its entirety to read as follows:

- (a) The Plan shall be administered by the Company's Benefit Plan Committee. Each member of the Committee who is also a Participant in the Plan shall abstain from voting or participating in any decision with respect to such Participant's Accounts under the Plan, including but not limited to, approval of the Participant's directed investments under Section 7.2(c).

2. Section 7.2(c) shall be added to read as follows:

- (c) Notwithstanding any provision herein to the contrary, a Participant may direct the investment of the Participant's Accounts in respect of the Chemed Stock Ownership Plans I and II, provided all the following requirements are satisfied:
- (i) the Participant must have attained age fifty-eight (58),
  - (ii) such directed investments shall be subject to restrictions and procedures established by the Committee and limited to the investment funds then offered under the Employees Savings & Investment Plan, the Chemed Stock Fund and/or such other fund(s) as may be selected by the Committee,
  - (iii) the Participant's directed investment shall be subject to the approval of the Committee.

3. In all other respects, the Plan shall remain in full force and effect.

CERTIFICATE

The undersigned, Secretary of Chemed Corporation, hereby certifies that the foregoing is a true and correct copy of Amendment No. 3 to its Excess Benefit Plan.

Signed at Cincinnati, Ohio as of this 1st day of April, 1997.

/s/ Naomi C. Dallob  
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Naomi C. Dallob, Secretary

## EXHIBIT 10.22

AMENDMENT NO. 3  
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 19, 1997 between James H. Devlin ("Employee") and Chemed Corporation (the "Company").

WHEREAS, Employee and the Company have entered into an Employment Agreement dated as of May 16, 1994 and amended May 15, 1995 and May 20, 1996 ("Employment Agreement"); and

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

NOW, THEREFORE, Employee and the Company mutually agree that the Employment Agreement shall be amended, effective as of May 19, 1997, as follows:

- A. The date, amended as of May 20, 1996, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of May 16, 2002 is hereby substituted therefor.
- B. The base salary amount set forth in the first sentence of Section 2.1 of the Employment Agreement is hereby deleted and the base salary amount of \$225,300 per annum is hereby substituted.
- C. The amount of unrestricted stock award recognized in lieu of incentive compensation in 1996 is \$26,666. Except as specifically amended in this Amendment No. 3

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

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

EMPLOYEE

/s/ James H. Devlin  
-----

CHEMED CORPORATION

/s/ Kevin J. McNamara  
-----

Kevin J. McNamara  
President

## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 5th day of November, 1997 by and between John M. Mount residing at 6685 Miralake Drive, Cincinnati, Ohio 45243 ("Employee"), and Chemed Corporation, a Delaware corporation (Chemed and its subsidiaries referred to as the "Company").

WHEREAS, the Company has employed Employee and desires to continue to employ Employee as a senior executive and Employee desires to work for the Company in such capacity on the terms and conditions hereinafter provided;

WHEREAS, Employee is a key senior executive of the Company with major responsibilities for planning, directing, coordinating and controlling overall corporate operations;

WHEREAS, in such capacity Employee will develop or have access to all or substantially all of the business methods and confidential information relating to the Company, including but not limited to, its financial performance and results, its product formulae, its manufacturing organization and methods, its product research and development policies and programs, its service techniques, its purchasing organization and methods, its sales organization and methods, its pricing of products, its market development and expansion plans, its personnel policies and training and development programs, and its customer and supplier relationships; and franchising programs and franchisee relationships;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. EMPLOYMENT

Section 1.1 Position and Duties.

(a) The Company agrees to employ Employee and Employee agrees to work for the Company as a senior executive. Employee shall have such duties and authority as are normally associated with his office. Employee will also serve in such other management capacities as may be mutually agreed upon from time to time. While employed hereunder, Employee shall devote his full time, effort, skill and attention to the affairs of the Company. During the term of his employment hereunder, Employee shall not render any services to any other person that might be in competition with the Company or any of its subsidiaries or affiliates or in conflict with his position as a senior executive of the Company or his duty of undivided loyalty to the Company. Section 1.2 Term. Unless sooner terminated in accordance with the provisions hereof, the term of employment shall commence on November 5, 1997 and shall continue until November 5, 2000. 2. COMPENSATION Section 2.1 Base Salary. While employed hereunder the Company shall pay Employee a base salary of \$200,000 per annum or such higher amount or amounts as the Company may from time to time approve. The base salary shall be due and payable at the same times and intervals at which salary payments are made to other senior executives.

Section 2.2 Incentive Compensation. Employee will be entitled to participate in all incentive compensation and bonus plans as such have been maintained by the Company for its senior executives generally. The Employee's annual incentive compensation will be payable, with respect to each calendar year, on or before February 10 in the following year.

Section 2.3 Employee Benefits. Employee shall be entitled to participate in and receive rights and benefits under those "fringe" benefit plans which Service America Systems, Inc. provides for its headquarters executives generally, which at the present time include:

- Deferred Compensation Plan
- Cafeteria Plan
- Flexible Spending Plan (Reimbursement Account)
- Group Health Insurance
- Group Term Life and AD&D Insurance
- Stock Incentive Plans
- Long-Term Disability Insurance
- Voluntary Group Accident Insurance
- Business Travel Accident Insurance
- Tuition Reimbursement Program
- Optional Term Life Insurance

Employee's participation in such plans will be in accordance with and subject to the terms and provisions thereof.

Section 2.4 Pension. Employee will be eligible to participate in the Service America Systems, Inc.'s Retirement and Savings Plan

("Retirement Plan") and in the Excess Benefit Plan in accordance with and subject to their respective provisions.

Section 2.5 Miscellaneous.

(a) Company will pay or reimburse Employee for his reasonable business expenses in accordance with Company policies.

(b) Employee will be entitled to paid vacation in accordance with current Company policy. Employee will be entitled to payment for unused vacation time in accordance with Company policy.

(c) Subject to Section 1.1(a) of this Agreement, compliance with applicable laws relating to interlocking directorships, the Company's policies on conflicts of interest and improper payments and accounting records contained in a statement entitled "Policies on Business Ethics" and to any other current applicable Company policy, during the term of Employee's employment hereunder, Employee will be permitted to accept election, and to serve as, a director of other entities. Employee will be permitted to retain all fees and other benefits resulting from his service as a director of any such entity.

(d) The Company shall promptly pay upon demand any reasonable legal fees incurred by Employee in connection with any enforcement of his rights under this Agreement.

3. TERMINATION.

Section 3.1 Termination of Employment. The employment of Employee shall terminate prior to the expiration of the term specified in Section 1.2 upon the occurrence of either of the following prior to such time:

(a) The death of Employee;

(b) The termination by the Company of Employee's employment for Cause pursuant to Section 3.2.

The termination by the Company of Employee's employment hereunder for any reason other than those specified in paragraphs (a) and (b) above shall hereinafter be referred to as a termination "Without Cause". Any disability of an Employee shall not be grounds for termination.

Section 3.2 For Cause. The Company may, at any time by written notice to the Employee, terminate his services hereunder for Cause. Such notice shall specify the event or events and the actions or failure to act constituting Cause. The term "Cause", as used herein, shall mean and be limited to the occurrence of one or more of the following events:

(a) His conviction, by a court of competent jurisdiction, of a felony, which through lapse of time or otherwise is not subject to appeal;

(b) His commission of an act of fraud upon, or an act evidencing material dishonesty toward, the Company; or

(c) Any willful failure by him to observe or perform his material agreements herein contained.

If the basis for discharge is pursuant to paragraph (c) above, Employee shall have thirty (30) days from his receipt of the notice of termination for Cause to cure the actions or failure to act specified in such notice and, in the event of any such cure within such period, such conduct shall not constitute Cause hereunder.

Section 3.3 Consequences of Termination.

(a) If Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, his base salary and incentive compensation referred to in Sections 2.1 and 2.2 shall cease to accrue forthwith.

(b) If the Company shall terminate Employee's employment hereunder Without Cause, the Company shall pay Employee monthly severance payments at an annual rate equal to 150% of the sum of (i) the Employee's then current base salary plus (ii) the amount of the annual incentive bonus most recently paid or approved to be paid to Employee in respect of the previous year, plus (iii) the fair market value of all shares of Chemed Corporation capital stock subject to stock awards granted to Employee under one or more stock incentive plans of Chemed Corporation which have vested during the 12 months prior to the Employee's termination, such fair market value to be determined as of the date of vesting of any such shares. Such monthly severance payments shall be made for a period equal to the balance of the term of employment provided for in Section 1.2.

(c) In the event that Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, the rights of Employee under any incentive compensation plan referred to in Section 2.2, under the executive or employee benefit plans or arrangements referred to in Section 2.3 and Section 2.4 or otherwise, shall be determined in accordance with the terms and provisions of such plans, arrangements and options applicable to an employee whose

employment has terminated in the manner that occurred, except that a termination Without Cause shall be treated as a retirement under a retirement plan of the Company for the purposes of the Company stock incentive plans.

4. OTHER COVENANTS OF EMPLOYEE.

Section 4.1 Employee shall have no right, title or interest in any reports, studies, memoranda, correspondence, manuals, records, plans, or other written, printed or otherwise recorded materials of any kind belonging to or in the possession of the Company or its subsidiaries, or in any copies, pictures, duplicates, facsimiles or other reproductions, recordings, abstracts or summaries thereof and Employee will promptly surrender to the Company any such materials (other than materials which have been published or otherwise have lawfully been made available to the public generally) in his possession upon the termination of his employment or any time prior thereto upon request of the Company.

Section 4.2 Without the prior written consent of the Company, Employee shall not at any time (whether during or after his employment with the Company) use for his own benefit or purposes or for the benefit or purposes of any other person, firm, partnership, association, corporation or business organization, entity or enterprise, or disclose (except in the performance of his duties hereunder) in any manner to any person, firm, partnership, association, corporation or business organization, entity or enterprise,

any trade secret, or other confidential or proprietary information, data, know-how or knowledge (including, but not limited to, that relating to financial policies, product composition, manufacturing organization and methods, research and development policies and programs, service techniques, purchasing organization and methods, sales organization and methods, product pricing, market development and expansion plans, personnel policies and training and development programs, customer and supplier relationships, and franchising programs and franchisee relationships) belonging to, or relating to the affairs of, the Company or its subsidiaries.

Section 4.3 Employee shall promptly disclose to the Company (and to no one else) all improvements, discoveries and inventions that may be of significance to the Company or its subsidiaries made or conceived alone or in conjunction with others (whether or not patentable, whether or not made or conceived at the request of or upon the suggestion of the Company during or out of his usual hours of work or in or about the premises of the Company or elsewhere) while in the employ of the Company, or made or conceived within six months after the termination of his employment by the Company, if resulting from, suggested by or relating to such employment. All such improvements, discoveries and inventions shall, to the extent that they are patentable, be the sole and exclusive property of the Company and are hereby assigned to the Company. At the request of the Company and at its cost and without liability to Employee, Employee shall assist the Company, or any person or persons from time to time designated by it, in obtaining the grant of patents in

the United States and/or in such other country or countries as may be designated by the Company covering such improvements, discoveries and inventions and shall in connection therewith execute such applications, statements or other documents, furnish such information and data and take all such other action (including, but not limited to, the giving of testimony) as the Company may from time to time request.

Section 4.4 The obligations of Employee set forth in this Article 4 are in addition to and not in limitation of any obligations which would otherwise exist as a matter of law. The provisions of this Article 4 shall survive the termination of Employee's employment hereunder.

#### 5. CERTAIN REMEDIES

Section 5.1 Breach by the Company. In the event that the Company shall fail, in any material respect, to observe and perform its obligations hereunder, the Employee may give written notice to the Company specifying the nature of such failure. If within thirty (30) days after its receipt of such notice the Company shall not have remedied such failure, the Employee shall have the right and option to treat such failure as termination of his employment by the Company Without Cause, to cease rendering services hereunder and thereafter to receive the severance benefits and have the other rights and obligations provided for in Article 3 hereof in the case of a termination by the Company Without Cause. The parties agree that a material breach by the Company for purposes of this ss.5.1 shall include, but not be limited to, a material reduction in Employee's title, authority or responsibilities from those he was

exercising on the date of execution of this Agreement. The remedy provided for in this Section 5.1 shall be in addition to and not in limitation of any other remedies which would otherwise exist as a matter of law.

Section 5.2 Breach by the Employee. Employee acknowledges and agrees that the Company's remedy at law for any breach of any of Employee's obligations under Sections 1.1(a), 4.1, 4.2 and 4.3 would be inadequate, and agrees and consents that temporary and permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of any such sections, without the necessity of proof of actual damage.

#### 6. GENERAL PROVISIONS

Section 6.1 Representations and Warranties. Employee represents and warrants to the Company that he is free to enter into the agreement and that he has no prior or other obligations or commitments of any kind to anyone that would in any way hinder or interfere with his acceptance of, or the full, uninhibited and faithful performance of, his employment hereunder or the exercise of his best efforts as an employee of the Company.

Section 6.2 Understandings; Amendments. Except as otherwise provided herein, this Agreement sets forth the entire agreement and understanding of the parties concerning the subject matter hereof and supersedes all prior agreements, arrangements and understandings between Employee and the Company concerning such subject matter. No representation, promise, inducement or statement of intention has been made by or on behalf of either party hereto that is not set forth in this Agreement or the

documents referred to herein. This Agreement may not be amended or modified except by a written instrument specifically referring to this agreement executed by the parties hereto.

Section 6.3 Notices.

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and may either be delivered personally to the addressee or be mailed, registered mail, postage prepaid, as follows:

If to the Company:

Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202  
Attn: President

with a copy to:

Secretary  
Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202

If to Employee:

6685 Miralake Drive  
Cincinnati, Ohio 45243

(b) Either party may change the address to which any such notices or communications are to be directed to it by giving written notice to the other party in the manner provided in the preceding paragraph (a).

Section 6.4 Assignments; Binding Effect.

(a) Employee acknowledges that the services to be rendered by him are unique and personal. Accordingly, Employee may not assign any of his rights or delegate any of his duties or obligations under this Agreement. This Agreement shall be binding

upon, and to the extent herein permitted shall inure to the benefit of, Employee's heirs, legatees and legal representatives.

(b) The Company may not assign this Agreement or its rights hereunder except to a successor of all or substantially all of the business and assets of the Company. This Agreement shall be binding upon, and shall inure to the benefit of, the Company's successors and permitted assigns.

Section 6.5 Waivers. The failure of either party hereto at any time or from time to time to require performance of any of the other party's obligations under this agreement shall in no manner affect the right to enforce any provision of this Agreement at a subsequent time, and the waiver of any rights arising out of any breach shall not be construed as a waiver of any rights arising out of any subsequent breach.

Section 6.6 Severance Plans. Amounts paid hereunder are in addition to any amounts payable under the Company severance plans, without offset or reduction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written hereinabove.

CHEMED CORPORATION

By: /s/ Kevin J. McNamara  
-----  
Kevin J. McNamara, President

EMPLOYEE

/s/ John M. Mount  
-----

## EXHIBIT 10.23

## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 5th day of November, 1997 by and between Walter L. Krebs residing at 2495 Legends Way, Crestview Hills, Kentucky 41017 ("Employee"), and Chemed Corporation, a Delaware corporation (Chemed and its subsidiaries referred to as Company").

WHEREAS, the Company has employed Employee and desires to continue to employ Employee as a senior executive and Employee desires to work for the Company in such capacity on the terms and conditions hereinafter provided;

WHEREAS, Employee is a key senior executive of the Company with major responsibilities for planning, directing, coordinating and controlling overall corporate operations;

WHEREAS, in such capacity Employee will develop or have access to all or substantially all of the business methods and confidential information relating to the Company, including but not limited to, its financial performance and results, its product formulae, its manufacturing organization and methods, its product research and development policies and programs, its service techniques, its purchasing organization and methods, its sales organization and methods, its pricing of products, its market development and expansion plans, its personnel policies and training and development programs, and its customer and supplier relationships; and franchising programs and franchisee relationships;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. EMPLOYMENT

Section 1.1 Position and Duties.

(a) The Company agrees to employ Employee and Employee agrees to work for the Company as a senior executive. Employee shall have such duties and authority as are normally associated with his office. Employee will also serve in such other management capacities as may be mutually agreed upon from time to time. While employed hereunder, Employee shall devote his full time, effort, skill and attention to the affairs of the Company. During the term of his employment hereunder, Employee shall not render any services to any other person that might be in competition with the Company or any of its subsidiaries or affiliates or in conflict with his position as a senior executive of the Company or his duty of undivided loyalty to the Company.

Section 1.2 Term. Unless sooner terminated in accordance with the provisions hereof, the term of employment shall commence on November 5, 1997 and shall continue until November 5, 2000.

2. COMPENSATION

Section 2.1 Base Salary. While employed hereunder the Company shall pay Employee a base salary of \$130,000 per annum or such higher amount or amounts as the Company may from time to time approve. The base salary shall be due and payable at the same

times and intervals at which salary payments are made to other senior executives.

Section 2.2 Incentive Compensation. Employee will be entitled to participate in all incentive compensation and bonus plans as such have been maintained by the Company for its senior executives generally. The Employee's annual incentive compensation will be payable, with respect to each calendar year, on or before February 10 in the following year.

Section 2.3 Employee Benefits. Employee shall be entitled to participate in and receive rights and benefits under those "fringe" benefit plans which Service America Systems, Inc. provides for its headquarters executives generally, which at the present time include:

- Deferred Compensation Plan
- Cafeteria Plan
- Flexible Spending Plan (Reimbursement Account)
- Group Health Insurance
- Group Term Life and AD&D Insurance
- Stock Incentive Plans
- Long-Term Disability Insurance
- Voluntary Group Accident Insurance
- Business Travel Accident Insurance
- Tuition Reimbursement Program
- Optional Term Life Insurance

Employee's participation in such plans will be in accordance with and subject to the terms and provisions thereof.

Section 2.4 Pension. Employee will be eligible to participate in the Service America System, Inc.'s Retirement and Savings Plan ("Retirement Plan") and in the Excess Benefit Plan in accordance with and subject to their respective provisions.

Section 2.5 Miscellaneous.

(a) Company will pay or reimburse Employee for his reasonable business expenses in accordance with Company policies.

(b) Employee will be entitled to paid vacation in accordance with current Company policy. Employee will be entitled to payment for unused vacation time in accordance with Company policy.

(c) Subject to Section 1.1(a) of this Agreement, compliance with applicable laws relating to interlocking directorships, the Company's policies on conflicts of interest and improper payments and accounting records contained in a statement entitled "Policies on Business Ethics" and to any other current applicable Company policy, during the term of Employee's employment hereunder, Employee will be permitted to accept election, and to serve as, a director of other entities. Employee will be permitted to retain all fees and other benefits resulting from his service as a director of any such entity.

(d) The Company shall promptly pay upon demand any reasonable legal fees incurred by Employee in connection with any enforcement of his rights under this Agreement.

3. TERMINATION.

Section 3.1 Termination of Employment. The employment of Employee shall terminate prior to the expiration of the term

specified in Section 1.2 upon the occurrence of either of the following prior to such time:

(a) The death of Employee;

(b) The termination by the Company of Employee's employment for Cause pursuant to Section 3.2.

The termination by the Company of Employee's employment hereunder for any reason other than those specified in paragraphs (a) and (b) above shall hereinafter be referred to as a termination "Without Cause". Any disability of an Employee shall not be grounds for termination.

Section 3.2 For Cause. The Company may, at any time by written notice to the Employee, terminate his services hereunder for Cause. Such notice shall specify the event or events and the actions or failure to act constituting Cause. The term "Cause", as used herein, shall mean and be limited to the occurrence of one or more of the following events:

(a) His conviction, by a court of competent jurisdiction, of a felony, which through lapse of time or otherwise is not subject to appeal;

(b) His commission of an act of fraud upon, or an act evidencing material dishonesty toward, the Company; or

(c) Any willful failure by him to observe or perform his material agreements herein contained.

If the basis for discharge is pursuant to paragraph (c) above, Employee shall have thirty (30) days from his receipt of the notice of termination for Cause to cure the actions or failure to act specified in such notice and, in the event of any such cure

within such period, such conduct shall not constitute Cause hereunder.

Section 3.3 Consequences of Termination.

(a) If Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, his base salary and incentive compensation referred to in Sections 2.1 and 2.2 shall cease to accrue forthwith.

(b) If the Company shall terminate Employee's employment hereunder Without Cause, the Company shall pay Employee monthly severance payments at an annual rate equal to 150% of the sum of (i) the Employee's then current base salary plus (ii) the amount of the annual incentive bonus most recently paid or approved to be paid to Employee in respect of the previous year, plus (iii) the fair market value of all shares of Chemed Corporation capital stock subject to stock awards granted to Employee under one or more stock incentive plans of Chemed Corporation which have vested during the 12 months prior to the Employee's termination, such fair market value to be determined as of the date of vesting of any such shares. Such monthly severance payments shall be made for a period equal to the balance of the term of employment provided for in Section 1.2.

(c) In the event that Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, the rights of Employee under any incentive compensation plan referred to in Section 2.2, under the executive or employee benefit plans or arrangements referred to in Section 2.3 and Section 2.4 or otherwise, shall be

determined in accordance with the terms and provisions of such plans, arrangements and options applicable to an employee whose employment has terminated in the manner that occurred, except that a termination Without Cause shall be treated as a retirement under a retirement plan of the Company for the purposes of the Company stock incentive plans.

#### 4. OTHER COVENANTS OF EMPLOYEE.

Section 4.1 Employee shall have no right, title or interest in any reports, studies, memoranda, correspondence, manuals, records, plans, or other written, printed or otherwise recorded materials of any kind belonging to or in the possession of the Company or its subsidiaries, or in any copies, pictures, duplicates, facsimiles or other reproductions, recordings, abstracts or summaries thereof and Employee will promptly surrender to the Company any such materials (other than materials which have been published or otherwise have lawfully been made available to the public generally) in his possession upon the termination of his employment or any time prior thereto upon request of the Company.

Section 4.2 Without the prior written consent of the Company, Employee shall not at any time (whether during or after his employment with the Company) use for his own benefit or purposes or for the benefit or purposes of any other person, firm, partnership, association, corporation or business organization, entity or enterprise, or disclose (except in the performance of his duties hereunder) in any manner to any person, firm, partnership, association, corporation or business organization, entity or enterprise,

in any manner to any person, firm, partnership, association, corporation or business organization, entity or enterprise, any trade secret, or other confidential or proprietary information, data, know-how or knowledge (including, but not limited to, that relating to financial policies, product composition, manufacturing organization and methods, research and development policies and programs, service techniques, purchasing organization and methods, sales organization and methods, product pricing, market development and expansion plans, personnel policies and training and development programs, customer and supplier relationships, and franchising programs and franchisee relationships) belonging to, or relating to the affairs of, the Company or its subsidiaries. Section 4.3 Employee shall promptly disclose to the Company (and to no one else) all improvements, discoveries and inventions that may be of significance to the Company or its subsidiaries made or conceived alone or in conjunction with others (whether or not patentable, whether or not made or conceived at the request of or upon the suggestion of the Company during or out of his usual hours of work or in or about the premises of the Company or elsewhere) while in the employ of the Company, or made or conceived within six months after the termination of his employment by the Company, if resulting from, suggested by or relating to such employment. All such improvements, discoveries and inventions shall, to the extent that they are patentable, be the sole and exclusive property of the Company and are hereby assigned to the Company. At the request of the Company and at its cost and without liability to Employee,

Employee shall assist the Company, or any person or persons from time to time designated by it, in obtaining the grant of patents in the United States and/or in such other country or countries as may be designated by the Company covering such improvements, discoveries and inventions and shall in connection therewith execute such applications, statements or other documents, furnish such information and data and take all such other action (including, but not limited to, the giving of testimony) as the Company may from time to time request.

Section 4.4 The obligations of Employee set forth in this Article 4 are in addition to and not in limitation of any obligations which would otherwise exist as a matter of law. The provisions of this Article 4 shall survive the termination of Employee's employment hereunder.

#### 5. CERTAIN REMEDIES

Section 5.1 Breach by the Company. In the event that the Company shall fail, in any material respect, to observe and perform its obligations hereunder, the Employee may give written notice to the Company specifying the nature of such failure. If within thirty (30) days after its receipt of such notice the Company shall not have remedied such failure, the Employee shall have the right and option to treat such failure as termination of his employment by the Company Without Cause, to cease rendering services hereunder and thereafter to receive the severance benefits and have the other rights and obligations provided for in Article 3 hereof in the case of a termination by the Company Without Cause. The parties agree that a material breach by the Company for purposes of this Section 5.1

shall include, but not be limited to, a material reduction in Employee's title, authority or responsibilities from those he was exercising on the date of execution of this Agreement. The remedy provided for in this Section 5.1 shall be in addition to and not in limitation of any other remedies which would otherwise exist as a matter of law.

Section 5.2 Breach by the Employee. Employee acknowledges and agrees that the Company's remedy at law for any breach of any of Employee's obligations under Sections 1.1(a), 4.1, 4.2 and 4.3 would be inadequate, and agrees and consents that temporary and permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of any such sections, without the necessity of proof of actual damage.

#### 6. GENERAL PROVISIONS

Section 6.1 Representations and Warranties. Employee represents and warrants to the Company that he is free to enter into the agreement and that he has no prior or other obligations or commitments of any kind to anyone that would in any way hinder or interfere with his acceptance of, or the full, uninhibited and faithful performance of, his employment hereunder or the exercise of his best efforts as an employee of the Company.

Section 6.2 Understandings; Amendments. Except as otherwise provided herein, this Agreement sets forth the entire agreement and understanding of the parties concerning the subject matter hereof and supersedes all prior agreements, arrangements and understandings between Employee and the Company concerning such subject matter. No representation, promise, inducement or

statement of intention has been made by or on behalf of either party hereto that is not set forth in this Agreement or the documents referred to herein. This Agreement may not be amended or modified except by a written instrument specifically referring to this Agreement executed by the parties hereto.

Section 6.3 Notices.

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and may either be delivered personally to the addressee or be mailed, registered mail, postage prepaid, as follows:

If to the Company:

Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202  
Attn: President

with a copy to:

Secretary  
Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202

If to Employee:

2495 Legends Way  
Crestview Hills, Kentucky 41017

(b) Either party may change the address to which any such notices or communications are to be directed to it by giving written notice to the other party in the manner provided in the preceding paragraph (a).

Section 6.4 Assignments; Binding Effect.

(a) Employee acknowledges that the services to be rendered by him are unique and personal. Accordingly, Employee may

not assign any of his rights or delegate any of his duties or obligations under this Agreement. This Agreement shall be binding upon, and to the extent herein permitted shall inure to the benefit of, Employee's heirs, legatees and legal representatives.

(b) The Company may not assign this Agreement or its rights hereunder except to a successor of all or substantially all of the business and assets of the Company. This Agreement shall be binding upon, and shall inure to the benefit of, the Company's successors and permitted assigns.

Section 6.5 Waivers. The failure of either party hereto at any time or from time to time to require performance of any of the other party's obligations under this agreement shall in no manner affect the right to enforce any provision of this Agreement at a subsequent time, and the waiver of any rights arising out of any breach shall not be construed as a waiver of any rights arising out of any subsequent breach.

Section 6.6 Severance Plans. Amounts paid hereunder are in addition to any amounts payable under the Company severance plans, without offset or reduction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written hereinabove.

CHEMED CORPORATION

By: /s/ Kevin J. McNamara  
-----  
Kevin J. McNamara, President

EMPLOYEE

/s/ Walter L. Krebs  
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## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 19th day of May, 1997 by and between Lawrence J. Gillis residing at 9036 Terwilliger Ridge Drive, Cincinnati, Ohio 45249 ("Employee"), and Chemed Corporation, a Delaware corporation (the "Company").

WHEREAS, the Company has employed Employee and desires to continue to employ Employee as a senior executive and Employee desires to work for the Company or its subsidiaries in such capacity on the terms and conditions hereinafter provided;

WHEREAS, Employee is a key senior executive of the Company with major responsibilities for planning, directing, coordinating and controlling overall corporate operations;

WHEREAS, in such capacity Employee will develop or have access to all or substantially all of the business methods and confidential information relating to the Company, including but not limited to, its financial performance and results, its product formulae, its manufacturing organization and methods, its product research and development policies and programs, its service techniques, its purchasing organization and methods, its sales organization and methods, its pricing of products, its market development and expansion plans, its personnel policies and training and development programs, and its customer and supplier relationships; and franchising programs and franchisee relationships;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. EMPLOYMENT

Section 1.1 Position and Duties.

(a) The Company agrees to employ Employee and Employee agrees to work for the Company as a senior executive. Employee shall have such duties and authority as are normally associated with his office. Employee will also serve in such other management capacities as may be mutually agreed upon from time to time. While employed hereunder, Employee shall devote his full time, effort, skill and attention to the affairs of the Company. During the term of his employment hereunder, Employee shall not render any services to any other person that might be in competition with the Company or any of its subsidiaries or affiliates or in conflict with his position as a senior executive of the Company or his duty of undivided loyalty to the Company.

Section 1.2 Term. Unless sooner terminated in accordance with the provisions hereof, the term of employment shall commence on May 19, 1997 and shall continue until May 19, 2000.

2. COMPENSATION

Section 2.1 Base Salary. While employed hereunder the Company shall pay Employee a base salary of \$250,000 per annum or such higher amount or amounts as the Company may from time to time approve. The base salary shall be due and payable at the same times and intervals at which salary payments are made to other senior executives.

Section 2.2 Incentive Compensation. Employee will be entitled to participate in all incentive compensation and bonus plans as such have been maintained by the Company for its senior executives generally. The Employee's annual incentive compensation will be payable, with respect to each calendar year, on or before February 10 in the following year.

Section 2.3 Employee Benefits. Employee shall be entitled to participate in and receive rights and benefits under those "fringe" benefit plans which the Company provides for its executives generally, which at the present time include:

- Deferred Compensation Plan
- Cafeteria Plan
- Flexible Spending Plan (Reimbursement Account)
- Group Health Insurance
- Group Term Life and AD&D Insurance
- Stock Incentive Plans
- Long-Term Disability Insurance
- Voluntary Group Accident Insurance
- Business Travel Accident Insurance
- Tuition Reimbursement Program
- Optional Term Life Insurance

Employee's participation in such plans will be in accordance with and subject to the terms and provisions thereof.

Section 2.4 Pension. Employee will continue to participate in Roto-Rooters's Retirement and Thrift Plan ("Retirement Plan") and in the Excess Benefit Plan in accordance with and subject to their respective provisions.

Section 2.5 Miscellaneous.

(a) Company will pay or reimburse Employee for his reasonable business expenses in accordance with Company policies.

(b) Employee will be entitled to paid vacation in accordance with current Company policy. Employee will be entitled to payment for unused vacation time in accordance with Company policy.

(c) Subject to Section 1.1(a) of this Agreement, compliance with applicable laws relating to interlocking directorships, the Company's policies on conflicts of interest and improper payments and accounting records contained in a statement entitled "Policies on Business Ethics" and to any other current applicable Company policy, during the term of Employee's employment hereunder, Employee will be permitted to accept election, and to serve as, a director of other entities. Employee will be permitted to retain all fees and other benefits resulting from his service as a director of any such entity.

(d) The Company shall promptly pay upon demand any reasonable legal fees incurred by Employee in connection with any enforcement of his rights under this Agreement.

3. TERMINATION.

Section 3.1 Termination of Employment. The employment of Employee shall terminate prior to the expiration of the term specified in Section 1.2 upon the occurrence of any of the following prior to such time:

(a) The death of Employee;

(b) The termination by the Company of Employee's employment for Cause pursuant to Section 3.2.

The termination by the Company of Employee's employment hereunder for any reason other than those specified in paragraphs (a) and (b) above shall hereinafter be referred to as a termination "Without Cause". Any disability of an employee shall not be grounds for termination.

Section 3.2 For Cause. The Company may, at any time by written notice to the Employee, terminate his services hereunder for Cause. Such notice shall specify the event or events and the actions or failure to act constituting Cause. The term "Cause", as used herein, shall mean and be limited to the occurrence of one or more of the following events:

- (a) His conviction, by a court of competent jurisdiction, of a felony, which through lapse of time or otherwise is not subject to appeal;
- (b) His commission of an act of fraud upon, or an act evidencing material dishonesty toward, the Company; or
- (c) Any willful failure by him to observe or perform his material agreements herein contained.

If the basis for discharge is pursuant to paragraph (c) above, Employee shall have thirty (30) days from his receipt of the notice of termination for Cause to cure the actions or failure to act specified in such notice and, in the event of any such cure within such period, such conduct shall not constitute Cause hereunder.

Section 3.3 Consequences of Termination.

(a) If Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, his base salary and incentive compensation referred to in Section 2.1 and 2.2 shall cease to accrue forthwith.

(b) If the Company shall terminate Employee's employment hereunder Without Cause, the Company shall pay Employee monthly severance payments at an annual rate equal to 150% of the sum of (i) the Employee's then current base salary plus (ii) the amount of the annual incentive bonus most recently paid or approved to be paid to Employee in respect of the previous year, plus (iii) the fair market value of all shares of Chemed Corporation capital stock and its subsidiaries' common stock subject to stock awards granted to Employee under one or more stock incentive plans of Chemed Corporation or of any of its subsidiaries which have vested during the 12 months prior to the Employee's termination, such fair market value to be determined as of the date of vesting of any such shares. Such monthly severance payments shall be made for a period equal to the balance of the term of employment provided in Section 1.2.

(c) In the event that Employee's employment hereunder shall terminate pursuant to any of the provisions of this Article 3, the rights of Employee under any incentive compensation plan referred to in Section 2.2, under the executive or employee benefit plans or arrangements referred to in Section 2.3 and Section 2.4 or otherwise, shall be determined in accordance with the terms and provisions of such plans, arrangements and options applicable to an employee whose employment has terminated in the manner that occurred, except that

a termination Without Cause shall be treated as a retirement under a retirement plan of the Company for the purposes of the Company stock incentive plans.

4. OTHER COVENANTS OF EMPLOYEE.

Section 4.1 Employee shall have no right, title or interest in any reports, studies, memoranda, correspondence, manuals, records, plans, or other written, printed or otherwise recorded materials of any kind belonging to or in the possession of the Company or its subsidiaries, or in any copies, pictures, duplicates, facsimiles or other reproductions, recordings, abstracts or summaries thereof and Employee will promptly surrender to the Company any such materials (other than materials which have been published or otherwise have lawfully been made available to the public generally) in his possession upon the termination of his employment or any time prior thereto upon request of the Company.

Section 4.2 Without the prior written consent of the Company, Employee shall not at any time (whether during or after his employment with the Company) use for his own benefit or purposes or for the benefit or purposes of any other person, firm, partnership, association, corporation or business organization, entity or enterprise, or disclose (except in the performance of his duties hereunder) in any manner to any person, firm, partnership, association, corporation or business organization, entity or enterprise,

information, data, know-how or knowledge (including, but not limited to, that relating to financial policies, product composition, manufacturing organization and methods, research and development policies and programs, service techniques, purchasing organization and methods, sales organization and methods, product pricing, market development and expansion plans, personnel policies and training and development programs, customer and supplier relationships) belonging to, or relating to the affairs of, the Company or its subsidiaries.

Section 4.3 Employee shall promptly disclose to the Company (and to no one else) all improvements, discoveries and inventions that may be of significance to the Company or its subsidiaries made or conceived alone or in conjunction with others (whether or not patentable, whether or not made or conceived at the request of or upon the suggestion of the Company during or out of his usual hours of work or in or about the premises of the Company or elsewhere) while in the employ of the Company, or made or conceived within six months after the termination of his employment by the Company, if resulting from, suggested by or relating to such employment. All such improvements, discoveries and inventions shall, to the extent that they are patentable, be the sole and exclusive property of the Company and are hereby assigned to the Company. At the request of the Company and at its cost and without liability to Employee, Employee shall assist the Company, or any person or persons from time to time designated by it, in obtaining the grant of patents in the United States and/or in such other country or countries as may be designated by the Company covering such improvements,

discoveries and inventions and shall in connection therewith execute such applications, statements or other documents, furnish such information and data and take all such other action (including, but not limited to, the giving of testimony) as the Company may from time to time request.

Section 4.4 The obligations of Employee set forth in this Article 4 are in addition to and not in limitation of any obligations which would otherwise exist as a matter of law. The provisions of this Article 4 shall survive the termination of Employee's employment hereunder.

#### 5. CERTAIN REMEDIES

Section 5.1 Breach by the Company. In the event that the Company shall fail, in any material respect, to observe and perform its obligations hereunder, the Employee may give written notice to the Company specifying the nature of such failure. If within thirty (30) days after its receipt of such notice the Company shall not have remedied such failure, the Employee shall have the right and option to treat such failure as termination of his employment by the Company Without Cause, to cease rendering services hereunder and thereafter to receive the severance benefits and have the other rights and obligations provided for in Article 3 hereof in the case of a termination by the Company Without Cause. The parties agree that a material breach by the Company for purposes of this Section 5.1 shall include, but not be limited to, a material reduction in Employee's title, authority or responsibilities from those he was exercising on the date of execution of this Agreement. The remedy provided for in this Section 5.1 shall be in addition to and not in

limitation of any other remedies which would otherwise exist as a matter of law.

Section 5.2 Breach by the Employee. Employee acknowledges and agrees that the Company's remedy at law for any breach of any of Employee's obligations under Section 1.1(a), 4.1, 4.2 and 4.3 would be inadequate, and agrees and consents that temporary and permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of any such sections, without the necessity of proof of actual damage.

#### 6. GENERAL PROVISIONS

Section 6.1 Representations and Warranties. Employee represents and warrants to the Company that he is free to enter into the agreement and that he has no prior or other obligations or commitments of any kind to anyone that would in any way hinder or interfere with his acceptance of, or the full, uninhibited and faithful performance of, his employment hereunder or the exercise of his best efforts as an employee of the Company.

Section 6.2 Understandings; Amendments. Except as otherwise provided herein, this Agreement sets forth the entire agreement and understanding of the parties concerning the subject matter hereof and supersedes all prior agreements, arrangements and understandings between Employee and the Company concerning such subject matter. No representation, promise, inducement or statement of intention has been made by or on behalf of either party hereto that is not set forth in this Agreement or the documents referred to herein. This Agreement may not be amended or

modified except by a written instrument specifically referring to this Agreement executed by the parties hereto.

Section 6.3 Notices.

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and may either be delivered personally to the addressee or be mailed, registered mail, postage prepaid, as follows:

If to the Company:

Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202  
Attn: President

with a copy to:

Secretary  
Chemed Corporation  
2600 Chemed Center  
Cincinnati, OH 45202

If to Employee:

9036 Terwilliger Ridge Drive  
Cincinnati, OH 45249

(b) Either party may change the address to which any such notices or communications are to be directed to it by giving written notice to the other party in the manner provided in the preceding paragraph (a).

Section 6.4 Assignments; Binding Effect.

(a) Employee acknowledges that the services to be rendered by him are unique and personal. Accordingly, Employee may not assign any of his rights or delegate any of his duties or obligations under this Agreement. This Agreement shall be binding

upon, and to the extent herein permitted shall inure to the benefit of, Employee's heirs, legatees and legal representatives.

(b) The Company may not assign this Agreement or its rights hereunder except to a successor of all or substantially all of the business and assets of the Company. This Agreement shall be binding upon, and shall inure to the benefit of, the Company's successors and permitted assigns.

Section 6.5 Waivers. The failure of either party hereto at any time or from time to time to require performance of any of the other party's obligations under this agreement shall in no manner affect the right to enforce any provision of this Agreement at a subsequent time, and the waiver of any rights arising out of any breach shall not be construed as a waiver of any rights arising out of any subsequent breach.

Section 6.6 Severance Plans. Amounts paid hereunder are in addition to any amounts payable under the Company severance plans, without offset or reduction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written hereinabove.

CHEMED CORPORATION

By: /s/ N. C. Dallob  
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EMPLOYEE

/s/ Lawrence J. Gillis  
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## FINANCIAL HIGHLIGHTS

## Chemed Corporation and Subsidiary Companies

For the Years Ended December 31,	1997	1996 (a)	Change
<b>Continuing Operations</b>			
Sales and Service Revenues .....	\$341,729,000	\$301,213,000	13%
Income Before Capital Gains .....	\$9,425,000	\$7,386,000	28%
Income from Continuing Operations(b) .....	\$17,077,000	\$25,117,000	(32)%
<b>Discontinued Operations</b>			
Net Income(b) .....	\$13,160,000	\$7,211,000	82%
Net Income(b) .....	\$30,237,000	\$32,328,000	(6)%
<b>Earnings Per Common Share</b>			
Income Before Capital Gains .....	\$ .95	\$ .75	27%
Income from Continuing Operations(b) .....	\$1.72	\$2.56	(33)%
Net Income(b) .....	\$3.04	\$3.30	(8)%
Average Number of Shares Outstanding .....	9,940,000	9,801,000	1%
<b>Diluted Earnings Per Common Share</b>			
Income Before Capital Gains .....	\$ .94	\$ .74	27%
Income from Continuing Operations(b) .....	\$1.71	\$2.54	(33)%
Net Income(b) .....	\$3.02	\$3.26	(7)%
Average Number of Shares Outstanding .....	10,014,000	9,879,000	1%
Dividends Per Share .....	\$2.09	\$2.08	--%
Number of Shareholders .....	5,365	5,685	(6)%
Number of Employees (c).....	6,849	5,884	16%
Return on Average Equity .....	13.8%	15.3%	(1.5) pts.

(a) Average shares and earnings per share have been restated to conform to accounting rules effective in December 1997.

(b) Amounts include pretax gains from sales of investments of \$12,235,000 (\$7,652,000 aftertax) in 1997 and \$28,166,000 (\$17,731,000 aftertax) in 1996.

(c) Continuing operations

Revenues from Continuing Operations  
(in millions)

	91	92	93	94	95	96	97
Average Annual Growth 26%	\$84.8	\$104.7	\$136.4	\$241.0	\$270.4	\$301.2	\$341.7

Income  
(in millions)

	91	92	93	94	95	96	97
Average Annual Growth							
Continuing Operations 17%	\$53.0	\$15.7	\$19.5	\$43.9	\$23.2	\$32.3	\$30.2
Net Income (9)%	\$36.8	\$ 8.7	\$ 7.6	\$ 7.0	\$11.7	\$25.1	\$17.1

## Financial Review

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PRICE WATERHOUSE LLP [LOGO]

## Report of Independent Accountants

To the Stockholders and Board of Directors of Chemed Corporation

In our opinion, the consolidated financial statements appearing on pages 16 through 30 and on page 34 of this report present fairly, in all material respects, the financial position of Chemed Corporation and its subsidiaries ("the Company") at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Cincinnati, Ohio  
February 2, 1998

## STATEMENT OF ACCOUNTING POLICIES

## Chemed Corporation and Subsidiary Companies

## Principles of Consolidation

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

## Cash Equivalents

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

## Other Investments

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

## Inventories

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

## Depreciation and Properties and Equipment

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

## Intangible Assets

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

The lives of the Company's gross intangible assets at December 31, 1997, are (in thousands):

1 - 10 years	\$ 3,892
11 - 30 years	3,077
31 - 40 years	171,550

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

## Revenue Recognition

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

## Computation of Earnings Per Share

Effective December 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings Per Share. Accordingly, all prior years' average share and per share data have been restated to comply with SFAS 128.

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

## Employee Stock Ownership Plans

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

## Stock-Based Compensation Plans

The Company uses Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, to account for stock-based compensation.

## Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Reclassifications

In September 1997, the Company sold The Omnia Group (previously 100% owned) and National Sanitary Supply Company (previously 81% owned). These businesses are classified as discontinued operations and prior years' financial statements have been reclassified to reflect their operating results, net assets and cash flows as discontinued operations.

## CONSOLIDATED STATEMENT OF INCOME

## Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Years Ended December 31,

	1997	1996	1995
<b>Continuing Operations</b>			
Sales and service revenues .....	\$341,729	\$301,213	\$270,449
Cost of goods sold and services provided .....	212,647	182,773	167,037
General and administrative expenses .....	76,047	70,223	62,268
Selling and marketing expenses .....	24,931	23,383	20,537
Depreciation .....	8,622	7,353	6,505
Total costs and expenses .....	322,247	283,732	256,347
Income from operations .....	19,482	17,481	14,102
Interest expense .....	(10,552)	(8,267)	(7,895)
Other income--net (Note 4) .....	18,951	36,069	18,621
Income before income taxes and minority interest .....	27,881	45,283	24,828
Income taxes (Note 5) .....	(10,804)	(17,202)	(9,105)
Minority interest in earnings of subsidiary (Note 1) .....	--	(2,964)	(4,008)
Income from continuing operations .....	17,077	25,117	11,715
Discontinued Operations (Note 3) .....	13,160	7,211	11,467
Net Income .....	\$ 30,237	\$ 32,328	\$ 23,182
<b>Commencement Date Earnings Per Common Share (Note 14)</b>			
Income from continuing operations .....	\$ 1.72	\$ 2.56	\$ 1.19
Net income .....	\$ 3.04	\$ 3.30	\$ 2.36
Average number of shares outstanding .....	9,940	9,801	9,830
<b>Diluted Earnings Per Common Share (Note 14)</b>			
Income from continuing operations .....	\$ 1.71	\$ 2.54	\$ 1.18
Net income .....	\$ 3.02	\$ 3.26	\$ 2.33
Average number of shares outstanding .....	10,014	9,879	9,898

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

## CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except share and per share data)

December 31,

1997

1996

## Assets

## Current assets

Cash and cash equivalents (Note 6) .....	\$ 70,958	\$ 14,028
Accounts receivable less allowances of \$2,626 (1996--\$1,583) .....	42,142	31,555
Inventories (Note 7) .....	8,743	8,350
Statutory deposits .....	16,137	19,962
Current portion of redeemable preferred stock (Note 15) .....	27,136	16,443
Other current assets (Note 5) .....	12,352	9,037
<b>Total current assets .....</b>	<b>177,468</b>	<b>99,375</b>

Net assets of discontinued operations (Note 3) .....	--	140,138
Other investments (Note 15) .....	40,406	62,098
Properties and equipment, at cost less accumulated depreciation (Note 8) .....	53,089	40,661
Identifiable intangible assets less accumulated amortization of \$4,194 (1996--\$2,851) .....	13,645	12,390
Goodwill less accumulated amortization of \$17,677 (1996--\$14,501) .....	143,003	138,203
Other assets .....	21,227	16,496
<b>Total Assets .....</b>	<b>\$448,838</b>	<b>\$509,361</b>

## Liabilities

## Current liabilities

Accounts payable .....	\$ 8,774	\$ 8,959
Bank notes and loans payable (Note 9) .....	--	5,000
Current portion of long-term debt (Note 10) .....	5,313	12,526
Income taxes (Note 5) .....	12,460	3,333
Deferred contract revenue .....	25,489	24,735
Other current liabilities (Note 11) .....	42,329	35,826
<b>Total current liabilities .....</b>	<b>94,365</b>	<b>90,379</b>

Deferred income taxes (Note 5) .....	--	2,974
Long-term debt (Note 10) .....	83,720	158,140
Other liabilities (Note 11) .....	42,633	39,977
<b>Total Liabilities .....</b>	<b>220,718</b>	<b>291,470</b>

## Stockholders' Equity

Capital stock--authorized 15,000,000 shares \$1 par; issued 13,019,722 shares (1996--12,767,565 shares) .....	13,020	12,768
Paid-in capital .....	158,485	150,296
Retained earnings .....	148,680	139,262
Treasury stock--2,942,205 shares (1996--2,815,655 shares), at cost .....	(88,063)	(82,943)
Unearned compensation (Note 12) .....	(23,959)	(27,554)
Unrealized appreciation on investments (Note 15) .....	19,957	26,062
<b>Total Stockholders' Equity .....</b>	<b>228,120</b>	<b>217,891</b>
Commitments and contingencies (Notes 11 and 13)		
<b>Total Liabilities and Stockholders' Equity .....</b>	<b>\$448,838</b>	<b>\$509,361</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

## Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,

	1997	1996	1995
<b>Cash Flows from Operating Activities</b>			
Net income .....	\$ 30,237	\$ 32,328	\$ 23,182
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization .....	15,163	11,778	10,630
Discontinued operations (Note 3) .....	(13,160)	(7,211)	(11,467)
Gains on sales of investments .....	(12,235)	(28,166)	(9,078)
Provision for deferred income taxes (Note 5) .....	(1,820)	(2,707)	(916)
Provision for uncollectible accounts receivable .....	702	869	899
Minority interest in earnings of subsidiaries .....	--	2,964	4,008
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Decrease/(increase) in accounts receivable .....	(7,327)	162	(4,977)
Decrease/(increase) in statutory reserve requirements ..	3,825	(1,019)	(4,535)
Decrease/(increase) in inventories and other current assets .....	(762)	(914)	103
Increase in accounts payable, deferred contract revenue and other current liabilities .....	2,209	6,327	2,746
Increase/(decrease) in income taxes (Note 5) .....	7,565	(715)	(3,290)
Other--net .....	(650)	(177)	(1,920)
Net cash provided by continuing operations .....	23,747	13,519	5,385
Net cash provided by discontinued operations .....	9,699	23,123	14,040
Net cash provided by operating activities .....	33,446	36,642	19,425
<b>Cash Flows from Investing Activities</b>			
Net proceeds from sales of discontinued operations (Note 3) .....	154,691	(2,140)	2,401
Capital expenditures .....	(20,117)	(10,988)	(9,219)
Business combinations, net of cash acquired (Note 2) .....	(14,669)	(9,668)	(3,957)
Proceeds from sales of investments .....	14,060	42,501	32,437
Investing activities of discontinued operations .....	(6,792)	(8,148)	125
Purchase of Roto-Rooter minority interest .....	(2,734)	(96,247)	--
Other--net .....	1,514	306	(1,964)
Net cash provided/(used) by investing activities .....	125,953	(84,384)	19,823
<b>Cash Flows from Financing Activities</b>			
Repayment of long-term debt (Note 10) .....	(96,487)	(1,240)	(1,204)
Proceeds from issuance of long-term debt (Note 10) .....	35,000	85,000	--
Dividends paid .....	(21,000)	(20,440)	(20,319)
Prepayment of ESOP debt (Note 10) .....	(16,201)	--	--
Decrease in bank notes and loans payable .....	(5,000)	(20,000)	--
Purchases of treasury stock .....	--	(3,653)	(2,966)
Other--net .....	1,219	1,700	295
Net cash provided/(used) by financing activities .....	(102,469)	41,367	(24,194)
Increase/(decrease) in cash and cash equivalents .....	56,930	(6,375)	15,054
Cash and cash equivalents at beginning of year .....	14,028	20,403	5,349
Cash and cash equivalents at end of year .....	\$ 70,958	\$ 14,028	\$ 20,403

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

CONSOLIDATED STATEMENT OF CHANGES  
IN STOCKHOLDERS' EQUITY

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock-- at Cost	Unearned Compen- sation	Unrealized Appreci- ation on Invest- ments	Total
Balance, December 31, 1994 .....	\$ 12,369	\$138,733	\$123,993	\$ (71,230)	\$ (38,486)	\$ 20,941	\$186,320
Net income .....	--	--	23,182	--	--	--	23,182
Dividends paid (\$2.06 per share) .....	--	--	(20,319)	--	--	--	(20,319)
Increase in unrealized appreciation on investments (Note 15) .....	--	--	--	--	--	16,038	16,038
Decrease in unearned compensation --ESOPs (Note 12) .....	--	--	--	--	5,131	--	5,131
Purchases of treasury stock .....	--	--	--	(2,966)	--	--	(2,966)
Stock awards and exercise of stock options (Note 16) .....	229	6,972	--	(5,800)	--	--	1,401
Other .....	--	(415)	285	--	--	--	(130)
Balance, December 31, 1995 .....	12,598	145,290	127,141	(79,996)	(33,355)	36,979	208,657
Net income .....	--	--	32,328	--	--	--	32,328
Dividends paid (\$2.08 per share) .....	--	--	(20,440)	--	--	--	(20,440)
Decrease in unrealized appreciation on investments (Note 15) .....	--	--	--	--	--	(10,917)	(10,917)
Decrease in unearned compensation --ESOPs (Note 12) .....	--	--	--	--	5,801	--	5,801
Reclassification of employee benefit trust assets .....	--	--	--	5,085	--	--	5,085
Purchases of treasury stock .....	--	--	--	(3,653)	--	--	(3,653)
Stock awards and exercise of stock options (Note 16) .....	170	5,382	--	(4,379)	--	--	1,173
Other .....	--	(376)	233	--	--	--	(143)
Balance, December 31, 1996 .....	12,768	150,296	139,262	(82,943)	(27,554)	26,062	217,891
Net income .....	--	--	30,237	--	--	--	30,237
Dividends paid (\$2.09 per share) .....	--	--	(21,000)	--	--	--	(21,000)
Decrease in unrealized appreciation on investments (Note 15) .....	--	--	--	--	--	(6,105)	(6,105)
Decrease in unearned compensation --ESOPs (Note 12) .....	--	--	--	--	5,788	--	5,788
Stock awards and exercise of stock options (Note 16) .....	252	8,558	--	(5,120)	(2,193)	--	1,497
Other .....	--	(369)	181	--	--	--	(188)
Balance, December 31, 1997 .....	\$ 13,020	\$158,485	\$148,680	\$ (88,063)	\$ (23,959)	\$ 19,957	\$228,120

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

## NOTES TO FINANCIAL STATEMENTS

## Chemed Corporation and Subsidiary Companies

## 1. SEGMENTS AND NATURE OF THE BUSINESS

Chemed is a diversified public corporation with strategic positions in plumbing, drain cleaning, and heating, ventilating and air conditioning ("HVAC") services (Roto-Rooter); home healthcare services (Patient Care); and residential appliance and air conditioning repair services (Service America). Relative contributions to operating profit are 66%, 21%, and 13% in 1997, respectively. During 1997, the Company redefined its reportable segments to present Service America as a separate segment since it is no longer managed as a part of the Roto-Rooter Group. All prior years' segment data have been reclassified to reflect this change.

The business segments are defined as follows:

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

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

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

Substantially all of the Company's sales and service revenues from continuing operations are generated from business within the United States. Within the Patient Care segment, one customer's balance at December 31, 1997, accounts for approximately 10% of the Company's consolidated accounts receivable balance. In addition, substantially all of that segment's accounts receivable at December 31, 1997 (\$27.6 million), are due from customers located in the northeastern United States.

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

Approximately 37% of Patient Care's net revenues are derived from services provided directly to patients with coverage under the federal government's Medicare program or under joint federal-and-state-sponsored Medicaid programs. In addition, 45% of Patient Care's revenues arise from contractual arrangements with other certified home-health agencies to provide services to recipients under these entitlement programs.

Financial data by business segment are shown on pages 30, 31 and 34 of this annual report. The segment data for 1997, 1996 and 1995 are integral parts of these financial statements.

## 2. BUSINESS COMBINATIONS

During 1997, 12 business combinations were completed within the Patient Care and Roto-Rooter segments for aggregate purchase prices of \$12,698,000 in cash. The Patient Care acquisition is a home healthcare provider and the Roto-Rooter acquisitions are primarily in the business of providing plumbing repair, HVAC and drain cleaning services.

Effective September 1, 1996, the Company acquired all of the outstanding shares of Roto-Rooter Inc. it did not already own (approximately 2,261,000 shares) for \$41 per share in cash. As a result, the Company's ownership interest in Roto-Rooter increased from 58% to 100%. The aggregate estimated purchase price of \$102,100,000, including acquisition-related expenses, represents a premium of \$67,900,000 (goodwill) over the fair value of the net assets acquired.

During 1996, six business combinations were completed within the Roto-Rooter and Patient Care segments for aggregate purchase prices of \$3,642,000 in cash. Also during 1995, five business combinations were completed in the Roto-Rooter segment for aggregate purchase prices of \$2,490,000 in cash.

Other than the impact on sales and service revenues, the results of businesses acquired in 1997 were not material to the Company's results of operations. Unaudited pro forma sales and service revenues, assuming the businesses acquired in 1997 had been acquired effective January 1, 1996, total \$354,484,000 and \$331,772,000 for 1997 and 1996, respectively. The results of business combinations completed in 1996 and 1995 were not material to the Company's results of operations.

## Chemed Corporation and Subsidiary Companies

The following data present the unaudited pro forma consolidated results of the Company, assuming the 42% minority interest in Roto-Rooter had been acquired on January 1 of each period presented (in thousands, except per share data):

	For the Years Ended December 31,	
	1996	1995
Income from continuing operations	\$25,170	\$10,751
Net income	32,381	22,218
Earnings per share:		
Income from continuing operations	2.57	1.09
Net income	3.30	2.26
Diluted earnings per share:		
Income from continuing operations	2.54	1.08
Net income	3.27	2.23

The excess of the purchase price over the fair value of the net assets acquired in business combinations is classified as goodwill. A summary of net assets acquired in business combinations by the Company's continuing operations, all of which have been recorded under purchase accounting rules, follows (in thousands):

	December 31,		
	1997	1996	1995
Working capital	\$ 2,961	\$ 4,292	\$ (3,366)
Identifiable intangible assets	1,105	246	869
Goodwill	11,449	3,243	3,864
Other assets and liabilities--net	(827)	1,901	4,693
Total net assets	14,688	9,682	6,060
Less--cash and cash equivalents acquired	(19)	(14)	(103)
--present value of deferred payments	--	--	(2,000)
Net cash used	\$14,669	\$ 9,668	\$ 3,957

## 3. DISCONTINUED OPERATIONS

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

	For the Years Ended December 31,		
	1997	1996	1995
Sales and service revenues	\$49,754	\$72,479	\$87,803
Income before income taxes	\$ 2,977	\$ 3,460	\$ 6,312
Income taxes	(1,172)	(1,031)	(2,435)
Net income	\$ 1,805	\$ 2,429	\$ 3,877

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

thousands):

	For the Years Ended December 31,		
	1997	1996	1995
Sales and service revenues	\$235,301	\$310,125	\$340,913
Income before income taxes	\$ 2,542	\$ 8,642	\$ 9,819
Income taxes	(997)	(3,633)	(4,074)
Minority interest	(281)	(827)	(898)
Net income	\$ 1,264	\$ 4,182	\$ 4,847

## Chemed Corporation and Subsidiary Companies

Discontinued operations, as shown in the accompanying Consolidated Statement of Income, comprise the following (in thousands):

	For the Years Ended December 31,		
	1997	1996	1995
Net gain on sale of operations discontinued in 1997	\$ 9,493	\$ --	\$ --
Income from operations discontinued in 1997	3,069	6,611	8,724
Adjustments relating to the settlement of tax issues arising from the sale of operations discontinued in 1994	598	--	--
Accrual adjustments relating to operations discontinued in 1991	--	600	2,743
Total discontinued operations	\$13,160	\$ 7,211	\$11,467

The assets and liabilities of Omnia and National have also been reclassified in the Consolidated Balance Sheet as net assets of discontinued operations. The components of net assets of discontinued operations at December 31, 1996, comprise the following (in thousands):

Current assets	\$ 95,077
Properties and equipment, at cost	
less accumulated depreciation	42,597
Goodwill less accumulated amortization	48,730
Other assets	5,815
Current liabilities	(36,290)
Deferred income taxes	(3,675)
Other liabilities	(1,296)
Minority interest	(10,820)
Net assets of discontinued operations	\$140,138

## 4. OTHER INCOME--NET

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

	For the Years Ended December 31,		
	1997	1996	1995
Gain on sales of investments	\$12,235	\$28,166	\$ 9,078
Interest income	3,687	4,505	6,353
Dividend income	2,920	3,110	3,190
Other--net	109	288	--
Total other income --net	\$18,951	\$36,069	\$18,621

## 5. INCOME TAXES

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

	For the Years Ended December 31,		
	1997	1996	1995
Continuing operations:			
Current			
U.S. federal	\$ 9,752	\$17,927	\$ 8,873
U.S. state and local	1,985	1,826	1,165

Foreign	245	156	(17)
Deferred			
U.S. federal	(971)	(2,710)	(940)
Foreign	(207)	3	24
	-----	-----	-----
Total	\$10,804	\$17,202	\$ 9,105
	=====	=====	=====

Discontinued operations:

Current			
U.S. federal	\$26,853	\$ 4,127	\$ 7,860
U.S. state and local	5,807	(265)	(3,116)
Deferred U.S. federal	(54)	(136)	(978)
	-----	-----	-----
Total	\$32,606	\$ 3,726	\$ 3,766
	=====	=====	=====

## Chemed Corporation and Subsidiary Companies

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

	December 31,	
	1997	1996
Accruals related to discontinued operations	\$ 8,005	\$ 7,123
Accrued insurance expense	4,903	4,475
Deferred compensation	4,577	3,758
Amortization of intangibles	2,441	2,735
Severance payments	2,123	2,674
Other	4,866	4,376
Gross deferred income tax assets	26,915	25,141
Market valuation of investments	(10,743)	(14,034)
Accelerated tax depreciation	(4,572)	(4,573)
Cash to accrual adjustments	(1,470)	(1,305)
Investment basis difference	(359)	(1,132)
Other	(1,328)	(1,558)
Gross deferred income tax liabilities	(18,472)	(22,602)
Net deferred income tax assets	\$ 8,443	\$ 2,539

Based on the Company's history of prior operating earnings and its expectations for future growth, management has determined that the operating income of the Company will, more likely than not, be sufficient to ensure the full realization of the deferred income tax assets.

Included in other current assets at December 31, 1997, are deferred income tax assets of \$8,076,000 (December 31, 1996--\$5,513,000). Included in other assets at December 31, 1997, are deferred tax assets of \$367,000.

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

	For the Years Ended December 31,		
	1997	1996	1995
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Nondeductible amortization of goodwill	5.0	2.1	3.2
State and local income taxes, less federal income tax benefit	4.6	2.6	3.1
Domestic dividend exclusion	(2.6)	(1.6)	(2.9)
Tax benefit on dividends paid to ESOPs	(2.6)	(1.5)	(2.6)
Other--net	(.6)	1.4	.9
Effective tax rate	38.8%	38.0%	36.7%

The total amount of income taxes paid during the year ended December 31, 1997, was \$36,849,000 (1996--\$26,513,000; 1995--\$18,253,000).

## 6. CASH EQUIVALENTS

Included in cash and cash equivalents at December 31, 1997, are cash equivalents in the amount of \$69,479,000 (1996--\$11,122,000). The cash equivalents at both dates consist of investments in various money market funds and repurchase agreements yielding interest at a weighted average rate of 5.9% in 1997 and 5.2% in 1996.

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

## 7. INVENTORIES

A summary of inventories of continuing operations follows (in thousands):

	December 31,	
	1997	1996

Raw materials	\$ 709	\$ 720
Finished goods and general merchandise	8,034	7,630
Total inventories	\$8,743	\$8,350
	=====	=====

#### 8. PROPERTIES AND EQUIPMENT

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

	December 31,	
	1997	1996
	-----	-----
Land	\$ 2,449	\$ 2,074
Buildings	16,033	13,117
Transportation equipment	25,138	17,784
Machinery and equipment	20,728	17,168
Furniture and fixtures	20,248	16,870
Projects under construction	4,672	2,836
	-----	-----
Total properties and equipment	89,268	69,849
Less accumulated depreciation	(36,179)	(29,188)
	-----	-----
Net properties and equipment	\$53,089	\$40,661
	=====	=====

## Chemed Corporation and Subsidiary Companies

## 9. BANK NOTES AND LOANS PAYABLE

At December 31, 1996, the Company had \$5,000,000 of borrowings outstanding under an uncommitted line of credit with Sanwa Bank Ltd. In addition, the Company had approximately \$34,153,000 of unused lines of credit with various banks at December 31, 1997.

The Company's short-term borrowings provide temporary capital for operations. There are no restrictions on any cash balances maintained at the banks. The weighted average interest rate on short-term borrowings at December 31, 1996, was 6.2%.

## 10. LONG-TERM DEBT

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

	December 31,	
	1997	1996
Senior notes:		
8.15%, due 2000 - 2004	\$ 50,000	\$ 50,000
7.31%, due 2005 - 2009	25,000	--
10.67%, due 1997 - 2003	6,000	7,000
Revolving credit:		
6.00%, due 2001	--	85,000
Employee Stock Ownership Plans loan guarantees:		
7.17% (1996--6.83%), due 1997 - 2000	5,565	27,554
Other	2,468	1,112
Subtotal	89,033	170,666
Less current portion	(5,313)	(12,526)
Long-term debt, less current portion	\$ 83,720	\$158,140

## Revolving Credit Agreement

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

## Senior Notes

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

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

In November 1988, the Company borrowed \$31,000,000 from a consortium of insurance companies. Of this amount, \$21,000,000 was due and paid on November 1, 1993, and annual installments of \$1,000,000 were due and paid November 1, 1994 through 1997. The remaining \$6,000,000 bears interest at the rate of 10.67% with annual principal payments of \$1,000,000 due on November 1, 1998 through 2003. Interest is payable on May 1 and November 1 of each year.

## Employee Stock Ownership Plans ("ESOPs")

## Loan Guarantees

The Company has guaranteed ESOP loans made by various institutional lenders. Payments by the ESOPs, including both principal and interest, are to be made in quarterly installments over the next three years, the final payments being due on June 30, 2000. The loans, secured in part by the unallocated shares of the Company's capital stock held by the ESOP trusts, currently bear interest at an average annual rate of 7.17% (1996--6.83%). Such rates are subject to adjustments for changes in interest rates of specified U.S. Treasury obligations, U.S. federal statutory income tax rates and certain federal tax law changes.

The market value of the unallocated shares of the Company's capital stock held by the ESOPs at December 31, 1997, based on that day's closing price of \$41.44 was \$18,742,000 as compared with aggregate loan guarantees of \$5,565,000.

## Other

Other long-term debt has arisen from debt incurred in connection with various acquisitions. Interest rates range from 6% to 8%, and the obligations are due on various dates through 2009.

The following is a schedule by year of required long-term debt payments as of December 31, 1997 (in thousands):

1998	\$ 5,313
1999	3,344
2000	11,811
2001	11,228
2002	11,080
After 2002	46,257

Total long-term debt

-----  
\$89,033  
=====

## Chemed Corporation and Subsidiary Companies

The various loan agreements contain certain covenants which could restrict the amount of cash dividend payments, treasury stock purchases and certain other transactions of the Company. Under the most restrictive of these covenants (i.e., the interest coverage ratio for the most recent four quarters), the Company estimates that it is limited to taking on additional debt during 1998 ranging from \$3.5 million in the first quarter to between \$31 and \$50 million in the fourth quarter. In addition, the Company cannot permit its net worth to fall below \$146.2 million and is limited to incurring additional annual net rentals under operating leases with terms of three years or more aggregating \$9.1 million. Also, the Company must maintain an interest coverage ratio of at least 3.0. At December 31, 1997, the Company's interest coverage ratio was 3.0.

The total amount of interest paid during the year ended December 31, 1997, was \$9,949,000 (1996--\$10,705,000; 1995--\$7,972,000).

## 11. OTHER LIABILITIES

At December 31, 1997, other current liabilities of continuing operations included accrued insurance liabilities of \$14,143,000 and accrued wages of \$6,014,000 (1996--\$12,315,000 and \$5,082,000, respectively).

Included in other liabilities at December 31, 1997, is an accrual of \$7,242,000 for the Company's estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois Chemicals Inc. ("DuBois") in April 1991. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of \$14,665,000. On the basis of a continuing evaluation of the Company's potential liability by the Company's environmental adviser, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

## 12. PENSION AND RETIREMENT PLANS

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

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

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

	For the Years Ended December 31,		
	1997	1996	1995
ESOPs:			
Interest expense	\$ 336	\$ 216	\$ 307
Compensation cost	1,426	1,527	1,583
Pension, profit-sharing and other similar plans	3,152	3,216	2,431
Total	\$4,914	\$4,959	\$4,321
Dividends on ESOP shares used for debt service	\$2,570	\$2,676	\$2,758

At December 31, 1997, there were 754,629 allocated shares (December 31, 1996--668,471 shares) and 452,281 unallocated shares (December 31, 1996--598,611 shares) in the ESOP trusts.

## Chemed Corporation and Subsidiary Companies

The Company has a directors' deferred compensation plan and an excess benefit plan for key employees whose participation in the ESOPs is limited by ERISA rules. Benefits are denominated in shares of the Company's stock. The value of these benefits is invested in shares of the Company's stock and in mutual funds, which are held by grantor trusts. The trusts' assets are included in other assets, and the corresponding liability is included in other liabilities. At December 31, 1997, these trusts held 151,489 shares of the Company's stock (December 31, 1996--145,453 shares) and mutual fund investments with a market value of approximately \$187,000.

## 13. LEASE ARRANGEMENTS

The Company, as lessee, has operating leases which cover its corporate office headquarters; various plant, warehouse and office facilities; office equipment; and transportation equipment. The remaining terms of these leases range from one year to 10 years, and in most cases, management expects that these leases will be renewed or replaced by other leases in the normal course of business. All major plants and warehouses and substantially all equipment are owned by the Company.

The following is a summary of future minimum rental payments and sublease rentals to be received under operating leases that have initial or remaining noncancelable terms in excess of one year at December 31, 1997 (in thousands):

1998	\$ 8,320
1999	7,244
2000	6,319
2001	5,571
2002	4,901
After 2002	16,032
	-----
Total minimum rental payments	48,387
Less minimum sublease rentals	(8,017)
	-----
Net minimum rental payments	\$40,370
	=====

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

	For the Years Ended December 31,		
	1997	1996	1995
	-----	-----	-----
Total rental payments	\$9,993	\$8,690	\$7,563
Less sublease rentals	(2,426)	(3,881)	(3,554)
	-----	-----	-----
Net rental expense	\$7,567	\$4,809	\$4,009
	=====	=====	=====

## 14. EARNINGS PER SHARE

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

For the Years Ended December 31,	Income from Continuing Operations			Net Income		
	Income (Numerator)	Shares (Denominator)	Income Per Share	Income (Numerator)	Shares (Denominator)	Income Per Share
	-----	-----	-----	-----	-----	-----
1997						
Earnings per share	\$17,077	9,940	\$1.72	\$30,237	9,940	\$3.04
			=====			=====
Nonvested stock awards	--	34		--	34	
Dilutive stock options	--	40		--	40	
Subsidiary stock options	--	--		(10)	--	
	-----	-----	-----	-----	-----	-----
Diluted earnings per share	\$17,077	10,014	\$1.71	\$30,227	10,014	\$3.02
	=====	=====	=====	=====	=====	=====
1996						
Earnings per share	\$25,117	9,801	\$2.56	\$32,328	9,801	\$3.30
			=====			=====
Nonvested stock awards	--	19		--	19	
Dilutive stock options	--	59		--	59	
Subsidiary stock options	(48)	--		(99)	--	
	-----	-----	-----	-----	-----	-----
Diluted earnings per share	\$25,069	9,879	\$2.54	\$32,229	9,879	\$3.26
	=====	=====	=====	=====	=====	=====
1995						
Earnings per share	\$11,715	9,830	\$1.19	\$23,182	9,830	\$2.36
			=====			=====
Nonvested stock awards	--	18		--	18	
Dilutive stock options	--	50		--	50	
Subsidiary stock options	(57)	--		(119)	--	

Diluted earnings per share	----- \$11,658 =====	----- 9,898 =====	\$1.18 =====	----- \$23,063 =====	----- 9,898 =====	\$2.33 =====
----------------------------	----------------------------	-------------------------	-----------------	----------------------------	-------------------------	-----------------

## Chemed Corporation and Subsidiary Companies

Earnings per share from discontinued operations were \$1.32, \$.74 and \$1.17 in 1997, 1996 and 1995, respectively. Similarly, diluted earnings per share from discontinued operations were \$1.31, \$.72 and \$1.15, respectively.

During 1995 and 1997, all stock options outstanding were dilutive at some time during the year. Options to purchase shares of capital stock at \$38.75 per share were outstanding during the last seven months of 1996, but were excluded from the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the shares. At December 31, 1997, 172,050 of these options were outstanding.

## 15. FINANCIAL INSTRUMENTS

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

- For cash and cash equivalents, accounts receivable, statutory deposits and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments.

- For other investments and other assets, fair value is based upon quoted market prices for these or similar securities, if available. Included in other investments is the noncurrent portion of the Company's investment in privately held Vitas Healthcare Corporation ("Vitas"), which provides noncurative care to chronically ill patients. Since it is not considered practicable to obtain an appraisal of the value of Vitas Common Stock Purchase Warrants, it has been assumed that the market value of the Vitas warrants is equal to book value at December 31, 1997, and December 31, 1996 (\$1,500,000). The value of the Vitas 9% Cumulative Preferred Stock is based on the present value of the mandatory redemption payments, using an interest rate of 9% (1996--15%), rates which management believes are reasonable in view of risk factors attendant to the investment.

- The fair value of the Company's long-term debt is estimated by discounting the future cash outlays associated with each debt instrument using interest rates currently available to the Company for debt issues with similar terms and remaining maturities.

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

December 31,	Carrying Amount	Fair Value
1997		
Other investments(a)	\$ 67,542	\$ 67,542
Long-term debt	89,033	90,880
1996		
Other investments(a)	78,541	78,541
Long-term debt	170,666	172,184

(a) Amounts for 1997 include \$27,136,000 representing the current portion of Vitas preferred stock, which is recorded in current assets on the balance sheet (1996--\$16,443,000).

The Company has classified its investments in equity securities and certain debt securities as available-for-sale. Investments included in cash equivalents are considered to be trading securities.

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

	December 31,	
	1997	1996
Aggregate fair value	\$67,542	\$78,541
Gross unrealized holding gains	30,705	41,422
Gross unrealized holding losses	--	1,326
Amortized cost	36,837	38,445

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

	For the Years Ended December 31,		
	1997	1996	1995
Proceeds from sale	\$14,060	\$42,501	\$32,437
Gross realized gains	12,248	28,188	9,088
Gross realized losses	13	22	10

Included in other investments at December 31, 1996, is the noncurrent portion of the Company's investment in Vitas mandatorily redeemable preferred

stock with a fair value of \$9,150,000 at December 31, 1996.

#### 16. STOCK INCENTIVE PLANS

The Company has eight Stock Incentive Plans under which 3,150,000 shares of Chemed Capital Stock are issued to key employees pursuant to the grant of stock awards and/or options to purchase such shares. All options granted under these plans provide for a purchase price equal to the market value of the stock at the date of grant. The latest plan, covering 500,000 shares, was adopted in May 1997.

## Chemed Corporation and Subsidiary Companies

Under the plan adopted in 1983, both nonstatutory and incentive stock options have been granted. Incentive stock options granted under the 1983 plan become exercisable in full six months following the date of the grant; nonstatutory options granted under the 1983 plan become exercisable in four annual installments commencing six months after the date of grant.

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

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

	1997		1996		1995	
	Number of Shares	Average Price	Number of Shares	Average Price	Number of Shares	Average Price
Stock options:						
Outstanding at January 1 .	644,025	\$ 33.70	627,666	\$ 31.05	553,472	\$ 29.38
Granted .....	212,800	35.94	180,900	38.74	291,650	32.57
Exercised .....	(166,712)	31.45	(148,903)	28.61	(208,668)	28.77
Forfeited .....	(10,100)	34.94	(14,888)	33.96	(7,738)	30.81
Expired .....	--	--	(750)	36.38	(1,050)	31.81
Outstanding at December 31	680,013	34.93	644,025	33.70	627,666	31.05
Exercisable at December 31	369,279	34.03	320,467	32.34	325,385	30.03
Stock awards issued .....	86,149	35.48	20,791	39.63	20,538	33.55

The weighted average contractual life of options outstanding at December 31, 1997, was 8.0 years. The range of exercise prices for these options was from \$21.94 to \$38.75. At December 31, 1997, there were 326,778 shares available for granting of stock options and awards.

Total compensation cost recognized for stock awards for continuing operations, including awards granted by Roto-Rooter Inc. (58% owned prior to September 1996), was \$886,000 in 1997 (1996--\$1,106,000; 1995--\$970,000). The shares of capital stock were issued to key employees and directors at no cost and generally are restricted as to the transfer of ownership. Restrictions covering between 7% and 33% of each holder's shares lapse annually.

Summarized below are the pro forma results of operations of Chemed assuming the provisions of the fair-value-based method of valuing stock options, described in Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, had been applied to options granted in 1995, 1996 and 1997 (in thousands, except per share data):

	For the Years Ended December 31,		
	1997	1996	1995
Net income	\$29,802	\$31,887	\$22,931
Earnings per share	3.00	3.25	2.33
Diluted earnings per share	2.98	3.22	2.30
Per share average fair value of options granted	5.74	6.93	5.31

In view of the fact that the fair value method of accounting is applied to option grants issued only during 1995, 1996 and 1997, the preceding pro forma data do not reflect the full impact of applying such fair value method to Chemed's stock options.

The fair values of employee stock options were estimated using the Black-Scholes option pricing model and following key assumptions:

	For the Years Ended December 31,		
	1997	1996	1995
Average risk-free interest rate	6.6%	6.5%	7.1%
Expected volatility	21.4	22.3	22.5

It has been assumed that the options have an expected life of six years. For the 1997 computations, it was assumed that the annual dividend was increased \$.01 per share per quarter in the fourth quarter of every other year beginning in 1999. For the 1996 and 1995 computations, it was assumed that the dividend was increased \$.01 per share per quarter in the third quarter of every other year beginning in 1997. These assumptions should not be construed to be an indication of future dividend amounts to be paid.

## Sales and Profit Statistics by Business Segment(a)

## Chemed Corporation and Subsidiary Companies

(in thousands, except percentages and footnote data)

	% of Total 1997	% of Total 1991	1997
<b>Sales and Service Revenues from Continuing Operations(b)</b>			
Roto-Rooter .....	45%	93%	\$153,883
Patient Care .....	35	---	121,143(d)
Service America .....	20	7	66,703
	-----	-----	-----
<b>Total .....</b>	<b>100%</b>	<b>100%</b>	<b>\$341,729</b>
	=====	=====	=====
<b>Operating Profit from Continuing Operations(c)</b>			
Roto-Rooter .....	66%	93%	\$ 17,989
Patient Care .....	21	---	5,580(d)
Service America .....	13	7	3,643
	-----	-----	-----
<b>Total .....</b>	<b>100%</b>	<b>100%</b>	<b>\$ 27,212</b>
	=====	=====	=====

(a) The data are presented on a continuing operations basis, thus excluding The Omnia Group and National Sanitary Supply Company, both sold in 1997, and DuBois Chemicals Inc., sold in 1991. The data for 1997, 1996 and 1995 are covered by the report of independent accountants.

(b) Intersegment sales are not material. Total sales by segment consist of sales and services to unaffiliated companies.

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

1996	1995	1994	1993	1992	1991
\$140,163	\$121,999	\$109,098	\$ 95,555	\$ 86,185	\$ 79,217
99,565	90,727	69,064(d)	--	--	--
61,485	57,723	62,832	40,873(d)	18,503	5,557(d)
-----	-----	-----	-----	-----	-----
\$301,213	\$270,449	\$240,994	\$136,428	\$104,688	\$ 84,774
=====	=====	=====	=====	=====	=====
\$ 16,387	\$ 13,786(e)	\$ 12,698	\$ 10,463	\$ 9,220	\$ 7,918
5,632	4,989	2,790(d)	--	--	--
2,728	2,122	3,269	3,908(d)	2,033	581(d)
-----	-----	-----	-----	-----	-----
\$ 24,747	\$ 20,897	\$ 18,757	\$ 14,371	\$ 11,253	\$ 8,499
=====	=====	=====	=====	=====	=====

(d) The following significant business combinations, all in the United States, have been accounted for as purchase transactions:

Name	Business Segment	Effective Date of Acquisition	Amounts Reported in Year Acquired	
			Sales and Service Revenues	Operating Profit
Priority Care Inc.	Patient Care	April 1997	\$16,262,000	\$1,269,000
Patient Care Inc.	Patient Care	January 1994	69,064,000	2,790,000
Service America Network Inc.	Service America	July 1993	18,576,000	784,000
Service America Systems Inc.	Service America	August 1991	5,557,000	581,000

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

Chemed Corporation and Subsidiary Companies

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

	1997	1996
<b>Summary of Operations</b>		
Continuing operations		
Total sales and service revenues .....	\$341,729	\$301,213
Gross profit .....	129,082	118,440
Depreciation .....	8,622	7,353
Income from operations .....	19,482	17,481
Income from continuing operations .....	17,077	25,117
Discontinued operations(a) .....	13,160	7,211
Cumulative effect of a change in accounting principle .....	--	--
Net income .....	30,237	32,328
Earnings per common share:		
Income from continuing operations .....	\$ 1.72	\$ 2.56
Net income .....	3.04	3.30
Average number of shares outstanding .....	9,940	9,801
Diluted earnings per common share:		
Income from continuing operations .....	\$ 1.71	\$ 2.54
Net income .....	3.02	3.26
Average number of shares outstanding .....	10,014	9,879
Cash dividends per share .....	\$ 2.09	\$ 2.08
<b>Financial Position--Year-End</b>		
Cash, cash equivalents and marketable securities .....	\$ 70,958	\$ 14,028
Working capital .....	83,103	8,996
Properties and equipment, at cost less accumulated depreciation .....	53,089	40,661
Total assets .....	448,838	509,361
Long-term debt .....	83,720	158,140
Stockholders' equity .....	228,120	217,891
Book value per share .....	\$ 22.64	\$ 21.89
Book value per share assuming dilution .....	22.54	21.76
<b>Other Statistics--Continuing Operations</b>		
Net cash provided by continuing operations .....	\$ 23,747	\$ 13,519
Capital expenditures .....	20,117	10,988
Number of employees(b) .....	6,849	5,884
Number of sales and service representatives .....	5,101	4,315
Dividend payout ratio(c) .....	68.8%	63.0%
Debt to total capital ratio .....	28.1	44.6
Return on average equity(c) .....	13.8	15.3
Return on average total capital employed(c) .....	9.8	10.9
Current ratio .....	1.88	1.10

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

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

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

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

## ADDITIONAL SEGMENT DATA(A)

## Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,

	1997	1996	1995
<b>Identifiable Assets</b>			
Roto-Rooter .....	\$ 148,352	\$ 135,437	\$ 61,920
Patient Care .....	63,154	47,494	46,211
Service America .....	70,266	72,908	72,971
	-----	-----	-----
Total identifiable assets .....	281,772	255,839	181,102
Corporate assets(b) .....	167,066	113,384	146,858
Discontinued operations .....	--	140,138	148,772
	-----	-----	-----
Total assets .....	\$ 448,838	\$ 509,361	\$ 476,732
	=====	=====	=====
<b>Capital Expenditures</b>			
Roto-Rooter .....	\$ 9,257	\$ 4,764	\$ 4,785
Patient Care .....	2,566	2,484	2,608
Service America .....	6,032	2,156	759
	-----	-----	-----
Subtotal .....	17,855	9,404	8,152
Corporate assets .....	2,262	1,584	1,067
	-----	-----	-----
Total capital expenditures .....	\$ 20,117	\$ 10,988	\$ 9,219
	=====	=====	=====
<b>Depreciation and Amortization(c)</b>			
Roto-Rooter .....	\$ 7,387	\$ 5,299	\$ 4,168
Patient Care .....	1,951	1,609	1,463
Service America .....	3,775	3,533	3,478
	-----	-----	-----
Subtotal .....	13,113	10,441	9,109
Corporate assets .....	2,050	1,337	1,521
	-----	-----	-----
Total depreciation and amortization .....	\$ 15,163	\$ 11,778	\$ 10,630
	=====	=====	=====
<b>Reconciliation of Operating Profit to Income</b>			
Before Income Taxes and Minority Interest			
Total operating profit .....	\$ 27,212	\$ 24,747	\$ 20,897
Interest expense .....	(10,552)	(8,267)	(7,895)
Investment income, net of corporate expenses(d) .....	11,221	28,803	11,826
	-----	-----	-----
Income before income taxes and minority interest	\$ 27,881	\$ 45,283	\$ 24,828
	=====	=====	=====

(a) The Additional Segment Data are covered by the report of independent accountants.

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

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

(d) Amounts are not allocable to segments and are included in various categories in the Consolidated Statement of Income.

## UNAUDITED SUMMARY OF QUARTERLY RESULTS

## Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<b>Continuing Operations</b>					
Total sales and service revenues .....	\$ 77,657	\$ 86,019	\$ 87,434	\$ 90,619	\$ 341,729
Gross profit .....	\$ 29,634	\$ 31,735	\$ 33,131	\$ 34,582	\$ 129,082
Income from operations .....	\$ 4,217	\$ 4,617	\$ 5,226	\$ 5,422	\$ 19,482
Interest expense .....	(2,637)	(2,915)	(2,924)	(2,076)	(10,552)
Other income-net .....	10,392	4,482	1,298	2,779	18,951
Income before income taxes .....	11,972	6,184	3,600	6,125	27,881
Income taxes .....	(4,595)	(2,240)	(1,494)	(2,475)	(10,804)
Income from continuing operations .....	7,377	3,944	2,106	3,650	17,077
Discontinued Operations .....	1,110	2,348	9,702	--	13,160
Net Income .....	\$ 8,487	\$ 6,292	\$ 11,808	\$ 3,650	\$ 30,237
<b>Earnings Per Common Share</b>					
Income from continuing operations .....	\$ .74	\$ .40	\$ .21	\$ .37	\$ 1.72
Net income .....	\$ .85	\$ .63	\$ 1.19	\$ .37	\$ 3.04
Average number of shares outstanding .....	9,928	9,930	9,937	9,965	9,940
<b>Diluted Earnings Per Common Share</b>					
Income from continuing operations .....	\$ .74	\$ .39	\$ .21	\$ .36	\$ 1.71
Net income .....	\$ .85	\$ .63	\$ 1.18	\$ .36	\$ 3.02
Average number of shares outstanding .....	9,990	9,988	10,023	10,081	10,014
<b>1996</b>					
<b>Continuing Operations</b>					
Total sales and service revenues .....	\$ 71,673	\$ 74,991	\$ 75,170	\$ 79,379	\$ 301,213
Gross profit .....	\$ 27,551	\$ 29,629	\$ 29,083	\$ 32,177	\$ 118,440
Income from operations .....	\$ 3,458	\$ 4,388	\$ 4,645	\$ 4,990	\$ 17,481
Interest expense .....	(1,734)	(1,729)	(2,069)	(2,735)	(8,267)
Other income-net .....	16,618	5,480	1,914	12,057	36,069
Income before income taxes and minority interest ..	18,342	8,139	4,490	14,312	45,283
Income taxes .....	(6,811)	(3,035)	(1,801)	(5,555)	(17,202)
Minority interest in earnings of subsidiary .....	(1,072)	(1,171)	(721)	--	(2,964)
Income from continuing operations .....	10,459	3,933	1,968	8,757	25,117
Discontinued Operations .....	1,738	1,755	2,496	1,222	7,211
Net Income .....	\$ 12,197	\$ 5,688	\$ 4,464	\$ 9,979	\$ 32,328
<b>Earnings Per Common Share</b>					
Income from continuing operations .....	\$ 1.06	\$ .40	\$ .20	\$ .89	\$ 2.56
Net income .....	\$ 1.24	\$ .58	\$ .46	\$ 1.02	\$ 3.30
Average number of shares outstanding .....	9,834	9,802	9,755	9,815	9,801
<b>Diluted Earnings Per Common Share</b>					
Income from continuing operations .....	\$ 1.05	\$ .40	\$ .20	\$ .89	\$ 2.54
Net income .....	\$ 1.23	\$ .57	\$ .45	\$ 1.01	\$ 3.26
Average number of shares outstanding .....	9,920	9,877	9,833	9,840	9,879

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

Chemed Corporation and Subsidiary Companies

-----  
Financial Condition

Liquidity and Capital Resources

Significant factors affecting the Company's consolidated cash flows during 1997 and financial position at December 31, 1997, include the following:

- The Company generated nearly \$155 million in cash from the sales of The Omnia Group ("Omnia") and National Sanitary Supply Company ("National Sanitary");
- The Company reduced its debt by \$66.5 million (excluding debt of the ESOPs);
- Operations generated cash of \$33.4 million;
- The Company used \$16.2 million of cash to restructure its ESOPs and reduce outside ESOP debt;
- Sales of investments generated cash proceeds of \$14.1 million; and
- The Company's continuing operations used \$14.7 million of cash to finance business combinations.

As a result of the foregoing, the ratio of total debt to total capital declined from 45% at December 31, 1996, to 28% at the end of 1997. Excluding the debt guarantees of the Employee Stock Ownership Plans ("ESOPs"), the total debt to total capital ratios were 26% and 38%, respectively, at December 31, 1997 and 1996. The Company's current ratio at December 31, 1997, was 1.9 as compared with 1.1 at December 31, 1996.

The Company had \$119.2 million of unused lines of credit with various banks at December 31, 1997.

Cash Flow

The Company's cash flows for 1997 and 1996 are summarized as follows (in millions):

	For the Years Ended December 31,	
	----- 1997	1996 -----
Cash from operations	\$ 33.4	\$ 36.6
Proceeds from sales of investments	14.1	42.5
Cash dividends	(21.0)	(20.4)
Capital expenditures	(20.1)	(11.0)
	-----	-----
Cash excess after capital requirements and dividends	6.4	47.7
Net proceeds from sales of discontinued operations	154.7	(2.1)
Increase/(decrease) in short- and long-term debt (excluding ESOP debt obligations)	(66.5)	63.8
Retirement of ESOP debt	(16.2)	--
Business combinations	(14.7)	(9.7)
Net investing and financing activities of discontinued operations	(6.2)	(8.0)
Purchase of Roto-Rooter minority interest	(2.7)	(96.2)
Other--net	2.1	(1.9)
	-----	-----
Increase/(decrease) in cash and cash equivalents	\$ 56.9	\$ (6.4)
	=====	=====

For 1997, cash generated by operations, combined with the proceeds from the sales of investments, aggregated \$47.5 million as compared with aggregate outlays of \$41.1 million for cash dividends and capital expenditures. The sales of Omnia and National Sanitary in 1997 permitted the Company to significantly reduce its debt, restructure its ESOPs and increase its cash by nearly \$57 million during the year.

Although total cash generated by operations in 1997 declined from 1996 levels, the Company's continuing operations generated cash of \$23.7 million in 1997 as compared with \$13.5 million in 1996. This increase was due largely to the increased profitability of the Company's remaining operations. Based on recent cash flow and earnings projections, it is expected that cash flow from operations will continue to be supplemented by sales of investments in 1998 (and to a lesser extent in later years) to fund the dividend and ordinary capital expenditure requirements of the Company's operations. Management views the Company's investment portfolio as a potential source of cash during the interim period in which the

## Chemed Corporation and Subsidiary Companies

Company's dividend exceeds its core earnings from continuing operations (i.e., excluding gains on sales of investments). Unrealized aftertax gains on the Company's available-for-sale investments amounted to \$20.0 million at December 31, 1997 (\$26.1 million at December 31, 1996). In February 1998, the Board of Directors declared a quarterly dividend of \$.53 per share of capital stock, payable in March 1998 (an increase of \$.01 per share versus the dividend paid in the first quarter of 1997). The dividend rate is set each quarter with a long-term perspective, taking into consideration the Company's financial position, earnings and cash flow, as well as interest rates, market conditions and other economic factors.

## Commitments and Contingencies

The Company's lease for corporate and general office facilities covers the period from April 1991 to April 2006. As a part of the 1991 sale of the Company's former DuBois Chemicals Inc. subsidiary ("DuBois") to Diversey Corporation ("Diversey"), a portion of this space was subleased to DuBois for varying terms expiring in the years 1998 through 2004. At December 31, 1997, the Company had net lease commitments aggregating \$40.4 million.

In connection with the sale of DuBois, the Company provided allowances and accruals relating to several long-term costs associated with DuBois, including income tax matters, lease commitments and environmental costs. In the aggregate, the Company believes these allowances and accruals are adequate as of December 31, 1997.

Based on an updated assessment of Chemed's environmental-related liability under the DuBois sale agreement, Chemed's adviser has estimated Chemed's liability to be \$10.8 million. Through December 31, 1997, the Company has reimbursed Diversey \$3.6 million for environmental and related costs of DuBois. As a result, at December 31, 1997, the accrued liability for these environmental-related costs is \$7.2 million and the Company is contingently liable for additional cleanup and related costs up to a maximum of \$14.7 million, for which no provision has been recorded.

The Company's various loan agreements and guarantees of indebtedness contain certain restrictive covenants; however, management believes that such covenants will not adversely affect the operations of the Company. Under the most restrictive of these covenants (i.e., the interest coverage ratio test for the latest four quarters) and based on current interest rates, the Company estimates that its debt leeway (i.e., amount of additional debt that can be incurred) could be as low as \$3.5 million during the first two quarters of 1998. Under the same conditions, however, the leeway is projected to range between \$19 million and \$50 million during the last half of 1998. The low leeway during the first half of 1998 is due to the relatively high levels of debt carried during the first few quarters of 1997. Since the Company has \$71 million of cash and cash equivalents at December 31, 1997, management does not believe that the low debt leeway projected for the first half of 1998 will unduly limit the Company's ability to make acquisitions or fund operations and capital projects.

Under other debt covenants, the Company cannot permit its net worth to fall below \$146.2 million (versus a balance of \$228.1 million at December 31, 1997). Also, the Company must maintain an interest coverage ratio of 3.0, and the Company is limited to incurring net rentals under operating leases with terms of three years or more aggregating \$17.1 million. At December 31, 1997, the Company's interest coverage ratio was 3.0 for the most recent four quarters, and rentals under operating leases with terms of three or more years totaled \$8.0 million for 1997. On a pro forma basis, assuming the current rate of interest expense and earnings from continuing operations, the interest coverage ratio would be 3.5.

Since 1991, the Company has carried an investment in the mandatorily redeemable preferred stock (\$27 million par value) of Vitas Healthcare Corporation ("Vitas"), a privately held provider of hospice services to the terminally ill. Vitas' current debt covenants did not permit it to pay the preferred dividends that were due to Chemed on July 15, 1997, and January 15, 1998, totaling \$2.4 million. Also in 1997, Vitas and the Company agreed to reschedule to June 1998 the mandatory redemption of preferred stock previously scheduled for June 30, 1997 (\$12.3 million), December 31, 1997 (\$4.1 million), and June 30, 1998 (\$5.4 million). These principal payments are now due October 1, 1998 (total of \$21.8 million).

Vitas has recently recorded increased operating profits and net income and is currently pursuing various long-term financing alternatives. On the basis of information currently available, management believes its investment in Vitas is fully recoverable and that no impairment exists.

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

## Chemed Corporation and Subsidiary Companies

## Results of Operations

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

	Percent Increase in Sales and Service Revenues	
	1997 vs. 1996	1996 vs. 1995
Roto-Rooter	10%	15%
Patient Care	22	10
Service America	8	7
Total	13	11

	Operating Profit as a Percent of Sales and Service Revenues (Operating Margin)		
	1997	1996	1995
Roto-Rooter	11.7%	11.7%	11.3%
Patient Care	4.6	5.7	5.5
Service America	5.5	4.4	3.7
Total	8.0	8.2	7.7

## 1997 versus 1996

The Roto-Rooter segment recorded sales and service revenues of \$153,883,000 during 1997, an increase of 10% versus revenues of \$140,163,000 in 1996. This growth was attributable primarily to revenue increases of 15% and 3%, respectively, in Roto-Rooter's plumbing and sewer and drain cleaning businesses for the 1997 period. Plumbing and sewer and drain cleaning revenues account for 39% and 43%, respectively, of this segment's total revenues. Roto-Rooter's operating margin was 11.7% in 1997 and 1996.

Revenues of the Patient Care segment increased 22% from \$99,565,000 in 1996 to \$121,143,000 in 1997. Excluding the sales of Priority Care, acquired effective April 1, 1997, sales for 1997 increased 5% versus sales for 1996. In addition, the operating margin of this segment declined from 5.7% during 1996 to 4.6% during 1997 due to a reduction in gross margins as a result of market pricing pressures.

The Service America segment recorded sales of \$66,703,000 during 1997, an increase of 8% versus sales of \$61,485,000 recorded in 1996. The operating margin of this segment increased from 4.4% during 1996 to 5.5% during 1997, largely as the result of improved pricing on service contracts.

Income from operations increased from \$17,481,000 in 1996 to \$19,482,000 in 1997, primarily as a result of operating profit increases in the Roto-Rooter and Service America segments.

Interest expense for 1997 totaled \$10,552,000, an increase of \$2,285,000 versus expense of \$8,267,000 recorded in 1996. This increase was attributable to additional debt incurred to finance the purchase of the Roto-Rooter minority interest in September 1996. Most of this debt was retired in September 1997 with the proceeds from the sales of Omnia and National Sanitary.

Other income declined from \$36,069,000 in 1996 to \$18,951,000 in 1997, primarily as a result of lower gains on the sales of investments recorded in 1997.

The Company's effective income tax rate was 38.8% in 1997 as compared with 38.0% in 1996. The increase is primarily attributable to an increase in nondeductible goodwill amortization and state and local income taxes.

Minority interest in earnings of the subsidiary declined from \$2,964,000 in 1996 to nil in 1997, as the result of the purchase of the Roto-Rooter minority interest in 1996 and the subsequent sale of National Sanitary in 1997 (previously an 81%-owned subsidiary).

Income from continuing operations declined from \$25,117,000 (\$2.56 per share) in 1996 to \$17,077,000 (\$1.72 per share) in 1997. Excluding realized investment gains (\$7,652,000 in 1997 and \$17,731,000 in 1996), income from continuing operations increased 28% from \$7,386,000 in 1996 (\$.75 per share) to \$9,425,000 (\$.95 per share) in 1997.

Net income for 1997 was \$30,237,000 (\$3.04 per share) and included discontinued operations of \$13,160,000 (primarily the operating results and the net gain on the sales of Omnia and National Sanitary). Net income for 1996 was \$32,238,000 (\$3.30 per share) and included \$7,211,000 from discontinued operations (primarily the operating results of Omnia and National Sanitary).

## Chemed Corporation and Subsidiary Companies

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1996 versus 1995

Sales and service revenues of the Roto-Rooter segment for 1996 totaled \$140,163,000, an increase of 15% over the \$121,999,000 of revenues recorded for 1995. Plumbing revenues and drain cleaning revenues increased 20% and 12%, respectively, versus revenues recorded in 1995. The operating margin of the Roto-Rooter segment increased from 11.3% in 1995 to 11.7% in 1996, partially as a result of \$538,000 of nonrecurring costs incurred by Roto-Rooter in 1995 to evaluate Chemed's proposal to acquire the 42% minority interest in Roto-Rooter (the proposal was withdrawn in August 1995).

Revenues of the Patient Care segment increased 10% from \$90,727,000 in 1995 to \$99,565,000 in 1996, largely as a result of continued geographic expansion. In addition, the operating margin of this segment increased from 5.5% during 1995 to 5.7% in 1996.

Revenues of the Service America segment increased 7% from \$57,723,000 in 1995 to \$61,485,000 in 1996. This segment's operating margin increased from 3.7% in 1995 to 4.4% in 1996, primarily as a result of lower materials usage in 1996 and the sale of an unprofitable division in March 1995.

Income from operations increased from \$14,102,000 in 1995 to \$17,481,000 in 1996, primarily as a result of increases in operating profit by all segments.

Other income increased from \$18,621,000 in 1995 to \$36,069,000 in 1996, primarily as a result of larger gains on the sales of investments during 1996 as compared with gains recorded in 1995.

The effective tax rate for 1996 was 38.0% as compared with 36.7% for 1995. The increase was attributable to lower dividend exclusions and ESOP dividend tax credits (as a percentage of pretax income) in 1996.

Chemed's income from continuing operations increased 114% from \$11,715,000 (\$1.19 per share) to \$25,117,000 (\$2.56 per share) in 1996 as a result of 24% growth in income from operations, coupled with larger gains from the sales of investments in 1996. Excluding realized investment gains (\$17,731,000 in 1996 and \$5,882,000 in 1995), income from continuing operations increased 27% from \$5,833,000 (\$.59 per share) in 1995 to \$7,386,000 (\$.75 per share) in 1996.

Net income for 1996 included discontinued operations of \$7,211,000, primarily from the operations of Omnia and National Sanitary, which were discontinued in 1997. In addition to the operating results of Omnia and National Sanitary, discontinued operations in 1995 included \$2,743,000 from favorable adjustments to the tax accruals related to the sale of DuBois in 1991.

## Year 2000

The Company is evaluating the potential impact of the "Year 2000" computer issue. The Company's review of its computer systems has indicated that most of its key operational and financial systems are Year 2000 compliant. Preliminary plans have been made to update the remaining key systems during the current year to make them Year 2000 compliant. The estimated additional costs to be incurred by the Company to update its computer systems for the Year 2000 issue are not material to the Company's financial position or results of operations.

The Company's Patient Care segment is directly or indirectly dependent upon the electronic processing of Medicare and Medicaid claims (approximately \$70 million annual revenues) through fiscal intermediaries of the Health Care Financing Administration. The intermediaries' computer systems are not currently Year 2000 compliant. The intermediaries have orally represented that they are modifying their systems to be Year 2000 compliant in sufficient time to avoid disruption to processing. Should the intermediaries fail to correct this problem in a timely manner, the processing and payment of a significant portion of Patient Care's revenues could be slowed.

## Regulatory Environment

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

## CORPORATE OFFICERS AND DIRECTORS

## CORPORATE OFFICERS

Edward L. Hutton  
Chairman & Chief Executive Officer

Kevin J. McNamara  
President

Timothy S. O'Toole  
Executive Vice President & Treasurer

Paul C. Voet  
Executive Vice President

Sandra E. Laney  
Senior Vice President & Chief Administrative Officer

Arthur V. Tucker, Jr.  
Vice President & Controller

Naomi C. Dallob  
Vice President & Secretary

James H. Devlin  
Vice President

Lawrence J. Gillis  
Vice President

Thomas C. Hutton  
Vice President

David J. Lohbeck  
Vice President

John M. Mount  
Vice President

David G. Sparks  
Vice President

Janelle M. Jessie  
Assistant Vice President

Anthony D. Vamvas III  
Assistant Vice President

Paula W. Kittner  
Assistant Treasurer

Mark W. Stephens  
Assistant Treasurer

Marianne Lamey  
Assistant Controller

Laura A. Volker  
Assistant Controller

Joyce A. Lawrence  
Assistant Secretary

## DIRECTORS

Edward L. Hutton  
Chairman & Chief Executive Officer  
of Chemed Corporation

Kevin J. McNamara  
President of Chemed Corporation

James H. Devlin  
Vice President of Chemed Corporation

Charles H. Erhart, Jr.  
Former President of W.R. Grace & Co. (retired)

Joel F. Gemunder  
President of Omnicare Inc.

Lawrence J. Gillis  
Vice President of Chemed Corporation;  
President & Chief Executive Officer of Roto-Rooter Services Company

Patrick P. Grace  
Chief Financial Officer of Compucook Inc.

Thomas C. Hutton  
Vice President of Chemed Corporation

Walter L. Krebs

Vice President, Finance, Chief Financial Officer & Treasurer  
of Service America Systems Inc.

Sandra E. Laney  
Senior Vice President & Chief Administrative Officer  
of Chemed Corporation

John M. Mount  
Vice President of Chemed Corporation; President & Chief Executive Officer of  
Service America Systems Inc.

Timothy S. O'Toole  
Executive Vice President & Treasurer of Chemed Corporation;  
Chairman & Chief Executive Officer of Patient Care Inc.

D. Walter Robbins, Jr.  
Consultant and former Vice Chairman  
of W.R. Grace & Co. (retired)

Paul C. Voet  
Executive Vice President of Chemed Corporation

George J. Walsh III  
Corporate & Real Estate Partner, Gould & Wilkie  
(Law Firm, New York, N.Y.)

DIRECTORS EMERITI

Neal Gilliatt  
Herman B Wells

EXHIBIT 21  
SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 1997. Other subsidiaries which have been omitted from the list would not, when considered in the aggregate, constitute a significant subsidiary. Each of the companies is incorporated under the laws of the state following its name. The percentage given for each company represents the percentage of voting securities of such company owned by the Company or, where indicated, subsidiaries of the Company as at December 31, 1997.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 1997.

Cadre Computer Resources, Inc. (Delaware 100%)  
Complete Plumbing Services, Inc. (New York, 49% by Roto-Rooter Services Company; included within the consolidated financial statements as a consolidated subsidiary)  
Elder Care Solutions, Inc. (Kentucky, 100% by Patient Care, Inc.)  
Jet Resource, Inc. (Delaware, 100% by Chemed Corporation)  
National Home Care, Inc. (New York, 100% by Patient Care, Inc.)  
Nurotoco of Massachusetts, Inc. (Massachusetts, 100% by Roto-Rooter Services Company)  
Nurotoco of New Jersey, Inc. (Delaware, 80% by Roto-Rooter Services Company)  
OCR Holding Company (Nevada, 100%)  
OCR Michigan, Inc. (Delaware, 100% by OCR Holding Company)  
OnCall Craftsmen, Inc. (Ohio, 100% by Roto-Rooter Services Company)  
Patient Care, Inc. (Delaware, 100%)  
Patient Care Medical Services, Inc. (New Jersey, 100% by Patient Care, Inc.)  
Priority Care, Inc. (Connecticut, 100% by Patient Care, Inc.)  
Roto-Rooter Canada, Ltd. (British Columbia, 100% by Roto-Rooter Services Company)  
Roto-Rooter Corporation (Iowa, 100% by Roto-Rooter Inc.)  
Roto-Rooter Development Company (Delaware, 100% by Roto-Rooter Corporation)  
Roto-Rooter, Inc. (Delaware, 100%)  
Roto-Rooter Management Company (Delaware, 100% by Roto-Rooter, Inc.)  
Roto-Rooter Services Company (Iowa, 100% by Roto-Rooter, Inc.)  
RR Plumbing Services Corporation (New York, 49% by Roto-Rooter Services Company; included within the consolidated financial statements as a consolidated subsidiary)  
R.R. UK, Inc. (Delaware, 100% by Roto-Rooter, Inc.)  
Service America Network, Inc. (Florida, 100% by Service America Systems, Inc.)  
Service America Systems, Inc. (Florida, 100%)

CONSENT OF INDEPENDENT ACCOUNTANTS  
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We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-28594, 33-9549, 2-87202, 2-80712, 33-65244, 33-61063 and 334525) of Chemed Corporation of our report dated February 2, 1998 appearing on page 15 of the 1997 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-2 of this Form 10-K.

/s/ Price Waterhouse LLP  
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PRICE WATERHOUSE LLP

Cincinnati, Ohio  
March 27, 1998

## POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 16, 1998

/s/ James H. Devlin

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James H. Devlin

## POWER OF ATTORNEY

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Dated: March 12, 1998

/s/ Charles H. Erhart, Jr.

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Charles H. Erhart, Jr.

## POWER OF ATTORNEY

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Dated: March 11, 1998

/s/ Joel F. Gemunder

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Joel F. Gemunder

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Dated: March 18, 1998

/s/ Lawrence J. Gillis

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Lawrence J. Gillis

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Dated: March 17, 1998

/s/ Patrick P. Grace

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Patrick P. Grace

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Dated: March 16, 1998

/s/ Thomas C. Hutton

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Thomas C. Hutton

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Dated: March 16, 1998

/s/ Walter L. Krebs

-----  
Walter L. Krebs

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Dated: March 13, 1998

/s/ Sandra E. Laney

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Sandra E. Laney

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Dated: March 11, 1998

/s/ Kevin J. McNamara  
-----  
Kevin J. McNamara

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Dated: March 16, 1998

/s/ John M. Mount

-----  
John M. Mount

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Dated: March 12, 1998

/s/ D. Walter Robbins, Jr.

-----  
D. Walter Robbins, Jr.

## POWER OF ATTORNEY

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Dated: March 12, 1998

/s/ Paul C. Voet

-----  
Paul C. Voet

## POWER OF ATTORNEY

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Dated: March 12, 1998

/s/ George J. Walsh III

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George J. Walsh III

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997 FOR CHEMED CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584

CHEMED CORPORATION

1,000

US DOLLARS

YEAR		
	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	
	1	70,958
		0
	44,768	
	(2,626)	
	8,743	
	177,468	89,268
	(36,179)	
	448,838	
	94,365	83,720
	0	0
		13,020
		215,100
448,838		0
	341,729	0
		0
	212,647	
	0	
	702	
	10,552	
	27,881	
	10,804	
	17,077	
	13,160	
	0	0
		0
	30,237	
	3.04	
	3.02	

THIS SCHEDULE CONTAINS RESTATED FINANCIAL INFORMATION EXTRACTED FROM THE APPLICABLE 1996 AND 1995 INTERIM AND ANNUAL FINANCIAL STATEMENTS OF CHEMED CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584  
CHEMED CORPORATION  
1,000  
US DOLLARS

	3-MOS			6-MOS			9-MOS			YEAR		
	DEC-31-1996	DEC-31-1996		DEC-31-1996	DEC-31-1996		DEC-31-1996	DEC-31-1996		DEC-31-1996	DEC-31-1995	
	JAN-01-1996	JAN-01-1995	JAN-01-1995									
	MAR-31-1996	JUN-30-1996	JUN-30-1996	SEP-30-1996	SEP-30-1996	SEP-30-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1995	DEC-31-1995
	1	45,376	34,118	1	14,867	14,028	1	20,403	1	20,403		
	0	0	0	0	0	0	0	0	0	0	0	0
	34,560	40,200	33,074	33,074	33,138	34,229	33,138	34,229	(1,583)	(1,496)	34,229	(1,496)
	(1,621)	(1,594)	(1,567)	(1,567)	(1,583)	(1,496)	(1,583)	(1,496)	8,350	7,823	(1,496)	7,823
	8,136	8,497	8,260	8,260	8,350	7,823	8,350	7,823	99,375	110,507	99,375	110,507
	126,220	115,495	88,052	88,052	99,375	110,507	99,375	110,507	67,735	69,849	67,735	69,849
	(24,715)	62,941	65,173	(27,761)	67,735	69,849	(29,188)	69,849	509,361	476,732	(29,188)	476,732
	482,807	469,725	517,108	517,108	509,361	476,732	509,361	476,732	90,379	103,348	90,379	103,348
	112,158	104,027	178,544	178,544	90,379	103,348	90,379	103,348	80,534	158,140	80,534	158,140
	0	83,616	81,935	0	80,534	158,140	0	158,140	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	12,671	12,681	12,700	12,700	12,768	12,598	12,768	12,598	12,768	12,598	12,768	12,598
	200,312	198,572	201,782	201,782	205,123	196,059	205,123	196,059	476,732	476,732	476,732	476,732
482,807	469,725	517,108	509,361	509,361	476,732	476,732	476,732	476,732	0	0	0	0
	71,673	146,664	221,834	221,834	301,213	270,449	301,213	270,449	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	44,122	89,484	135,571	135,571	182,773	167,037	182,773	167,037	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	278	297	491	491	869	899	869	899	8,267	7,895	8,267	7,895
	1,734	3,463	5,532	5,532	8,267	7,895	8,267	7,895	45,283	24,828	45,283	24,828
	18,342	26,481	30,971	30,971	45,283	24,828	45,283	24,828	17,202	9,105	17,202	9,105
	6,811	9,846	11,647	11,647	17,202	9,105	17,202	9,105	25,117	11,715	25,117	11,715
	10,459	14,392	16,360	16,360	25,117	11,715	25,117	11,715	7,211	11,467	7,211	11,467
	1,738	3,493	5,989	5,989	7,211	11,467	7,211	11,467	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	12,197	17,885	22,349	22,349	32,328	23,182	32,328	23,182	0	0	0	0
	1.24	1.82	2.28	2.28	3.30	2.36	3.30	2.36	0	0	0	0
	1.23	1.80	2.25	2.25	3.26	2.33	3.26	2.33	0	0	0	0

THIS SCHEDULE CONTAINS RESTATED FINANCIAL INFORMATION EXTRACTED FROM THE APPLICABLE 1997 INTERIM FINANCIAL STATEMENTS OF CHEMED CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584  
CHEMED CORPORATION  
1,000  
U.S. DOLLARS

3-MOS	6-MOS	9-MOS
DEC-31-1997	DEC-31-1997	DEC-31-1997
JAN-01-1997	JAN-01-1997	JAN-01-1997
MAR-31-1997	JUN-30-1997	SEP-30-1997
1	1	1
20,268	14,328	131,495
0	0	0
35,367	40,437	39,708
(1,679)	(2,551)	(2,617)
8,769	8,590	8,706
107,608	110,414	206,619
72,056	78,968	84,463
(30,846)	(32,357)	(34,308)
498,530	512,264	495,479
89,989	91,034	135,072
0	0	0
158,065	164,002	90,339
0	0	0
12,858	12,868	12,923
200,078	205,072	214,314
498,530	495,479	0
0	0	0
77,657	163,676	251,110
48,023	102,307	156,610
0	0	0
13	237	330
2,637	5,552	8,476
11,972	18,156	21,756
4,595	6,835	8,329
7,377	11,321	13,427
1,110	3,458	13,160
0	0	0
0	0	0
8,487	14,779	26,587
.85	1.49	2.68
.85	1.48	2.66