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, 2004

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 incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes[ ] No [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the average bid and asked price of said stock on the New York Stock Exchange - Composite Transaction Listing on June 30, 2004 ($48.48 per share), was $581,870,609.

At March 8, 2005, 12,640,349 shares of Chemed Capital Stock (par value $1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	WHERE INCORPORATED
2004 Annual Report to Stockholders (specified portions)	Parts I, II and IV
Proxy Statement for Annual Meeting to be held May 16, 2005	Part III

CHEMED CORPORATION

2004 FORM 10-K ANNUAL REPORT

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ITEM 1. BUSINESS

GENERAL

The Company 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, and its subsidiaries and "Grace" refers to W. R. Grace & Co. and its subsidiaries.

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

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

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

On December 21, 1992, the Company acquired The Veratex Corporation and related businesses ("Veratex Group") from Omnicare, Inc. 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, 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.

Effective October 11, 2002, the Company sold its Patient Care subsidiary ("Patient Care") to an investor group that included Schroder Ventures Life Sciences Group, Oak Investment Partners, Prospect Partners and Salix Ventures. Patient Care provides home-healthcare services primarily in the New York-New Jersey-Connecticut area. The cash proceeds to the Company totaled $57,500,000, of which $5,000,000 was placed in escrow pending settlement of Patient Care's receivables with third-party payers. Of this amount, $2,500,000 was distributed as of October 2003 and the remainder, except for $769,042 was distributed as of October 2004. The Company may also be entitled to additional funds based on the final value of the estimated balance sheet valuation. This claim is currently in litigation. In addition, the Company received a senior subordinated note receivable ("Note") for $12,500,000 and a common stock purchase warrant ("Warrant") for 2% of the outstanding stock of the purchasing company. The Note is due October 11, 2007, and bears interest at the annual rate of 7.5% through September 30, 2004, 8.5% from October 1, 2004, through September 30, 2005, and 9.5% thereafter. The Warrant has an estimated fair value of $1,445,000.

Effective February 24, 2004, The Company completed a merger of its wholly owned indirect subsidiary, Marlin Merger Corp., and Vitas Healthcare Corporation. Under the terms of the merger agreement, Vitas stockholders received cash of $30.00 per share. The transaction, including the refinancing of existing Vitas debt and other payments made in connection with the merger, totaled approximately $415 million in cash. In order to complete the merger the Company sold two million shares of its Capital Stock in a private placement at a price of $50.00 per share, issued $110 million principal amount of floating rate senior secured notes due 2010 ("Floating Rate Notes"), issued $150 million principal amount of 8.75% Senior Notes due 2011 ("Fixed Rate Notes"), and entered into new $135 million senior secured credit facilities. More information with respect to the Company's merger with Vitas is included within Note 7 of the Notes to Consolidated Financial Statements appearing on pages 24-25 of the Annual Report to Stockholders and incorporated herein by reference.

During 2004 the Company conducted its business operations in three segments: Vitas Group ("Vitas"), Roto-Rooter Group ("Roto-Rooter") and Service America Network, Inc. ("Service America").

On December 22, 2004, the Board of Directors authorized the discontinuance of the operations of the Company's Service America segment, through an asset sale to employees of Service America. The acquiring corporation will purchase a substantial majority of Service America's assets in exchange for assuming substantially all of Service America's liabilities. Included in the assets to be acquired is a receivable from the Company for approximately $4.7 million. The Company will pay $1 million of the receivable upon closing and the remainder over the following year in 11 equal monthly installments. The amount of this receivable is subject to adjustment for changes in Service America's balance sheet through the date of closing. The disposal is subject to certain regulatory and other approvals and is expected to be completed during the first half of 2005.

FORWARD LOOKING STATEMENTS

This Annual Report contains or incorporates by reference certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company intends such statements to be subject to the safe harbors created by that legislation. Such statements involve risks and uncertainties that could cause actual results of operations to differ materially from these forward looking statements.

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, 2002, 2003 and 2004 are shown in Note 2 of the Notes to Consolidated Financial Statements on pages 15-18 of the 2004 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 2 of the Notes to Consolidated Financial Statements appearing on pages 15-18 of the 2004 Annual Report to Stockholders and is incorporated herein by reference.

PRODUCT AND MARKET DEVELOPMENT

Each segment of the Company'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 the Company's business, the Company 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 the Company's assets.

RAW MATERIALS

The principal raw materials needed for the Company's manufacturing operations are purchased from United States sources. No segment of the Company experienced any material raw material shortages during 2004, although such shortages may occur in the future. Products manufactured and sold by the Company'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) trademarks and service marks have been used and advertised since 1935 by Roto-Rooter Corporation, a wholly owned indirect subsidiary of the Company. The Roto-Rooter(R) marks are among the most highly recognized trademarks and service marks in the United States. The Company 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. "Vitas" and "Innovative Hospice Care" are trademarks and servicemarks of Vitas Healthcare Corporation. The Company and

its subsidiaries also own certain trade secrets including training manuals, pricing information, customer information and software source codes.

COMPETITION

ROTO-ROOTER

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

VITAS

Hospice care in the United States is competitive. Because payments for hospice services are generally fixed, Vitas competes primarily on the basis of its ability to deliver quality, responsive services. Vitas is the nation's largest provider of hospice services in a market dominated by small, non-profit, community-based hospices. Approximately 70% of all hospices are not-for-profit. Because the hospice care market is highly fragmented, Vitas competes with a large number of organizations.

Vitas also competes with a number of national and regional hospice providers, including Odyssey Healthcare, Inc. and VistaCare, Inc., hospitals, nursing homes, home health agencies and other health care providers. Many providers offer home care to patients who are terminally ill, and some actively market palliative care and hospice-like programs. In addition, various health care companies have diversified into the hospice market. Some of these health care companies may have greater financial resources than Vitas.

Relatively few barriers to entry exist in the markets served by Vitas. Accordingly, other companies that are not currently providing hospice care may enter these markets and expand the variety of services offered.

RESEARCH AND DEVELOPMENT

The Company engages in a continuous program directed toward the development of new services, products and processes, the improvement of existing services, 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

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.

VITAS

General. The health care industry and Vitas' hospice programs are subject to extensive federal and state regulation. Vitas' hospices are licensed as required under state law as either hospices or home health agencies, or both, depending on the regulatory requirements of each particular state. In addition, Vitas' hospices are required to meet certain conditions of participation to be eligible to receive payments as hospices under the Medicare and Medicaid programs. All of Vitas' hospices, other than those currently in development, are certified for participation as hospices in the Medicare program, and are also eligible to receive payments as hospices from the Medicaid program in each of the states in which Vitas operates. Vitas' hospices are subject to periodic survey by governmental authorities or private accrediting entities to assure compliance with state licensing, certification and accreditation requirements, as the case may be.

Medicare Conditions of Participation. Federal regulations require that a hospice program satisfy certain conditions of participation to be certified and receive Medicare payment for the services it provides. Failure to comply with the conditions of participation may result in sanctions, up to and including decertification from the Medicare program. See "Surveys and Audits" below.

The Medicare conditions of participation for hospice programs include the following:

Governing Body. Each hospice must have a governing body that assumes full responsibility for the policies and the overall operation of the hospice and for ensuring that all services are provided in a manner consistent with accepted standards of practice. The governing body must designate one individual who is responsible for the day-to-day management of the hospice.

Medical Director. Each hospice must have a medical director who is a physician and who assumes responsibility for overseeing the medical component of the hospice's patient care program.

Direct Provision of Core Services. Medicare limits those services for which the hospice may use individual independent contractors or contract agencies to provide care to patients. Specifically, substantially all nursing, social work, and counseling services must be provided directly by hospice employees meeting specific educational and professional standards. During periods of peak patient loads or under extraordinary circumstances, the hospice may be permitted to use

contract workers, but the hospice must agree in writing to maintain professional, financial and administrative responsibility for the services provided by those individuals or entities.

Professional Management of Non-Core Services. A hospice may arrange to have non-core services such as therapy services, home health aide services, medical supplies or drugs provided by a non-employee or outside entity. If the hospice elects to use an independent contractor to provide non-core services, however, the hospice must retain professional management responsibility for the arranged services and ensure that the services are furnished in a safe and effective manner by qualified personnel, and in accordance with the patient's plan of care.

Plan of Care. The patient's attending physician, the medical director or designated hospice physician, and the interdisciplinary team must establish an individualized written plan of care prior to providing care to any hospice patient. The plan must assess the patient's needs and identify services to be provided to meet those needs and must be reviewed and updated at specified intervals.

Continuation of Care. A hospice may not discontinue or reduce care provided to a Medicare beneficiary if the individual becomes unable to pay for that care.

Informed Consent. The hospice must obtain the informed consent of the hospice patient, or the patient's legal representative, that specifies the type of care services that may be provided as hospice care.

Training. A hospice must provide ongoing training for its employees.

Quality Assurance. A hospice must conduct ongoing and comprehensive self-assessments of the quality and appropriateness of care it provides and that its contractors provide under arrangements to hospice patients.

Interdisciplinary Team. A hospice must designate an interdisciplinary team to provide or supervise hospice care services. The interdisciplinary team develops and updates plans of care, and establishes policies governing the day-to-day provision of hospice services. The team must include at least a physician, registered nurse, social worker and spiritual or other counselor. A registered nurse must be designated to coordinate the plan of care.

Volunteers. Hospice programs are required to recruit and train volunteers to provide patient care services or administrative services. Volunteer services must be provided in an amount equal to at least five percent of the total patient care hours provided by all paid hospice employees and contract staff.

Licensure. Each hospice and all hospice personnel must be licensed, certified or registered in accordance with applicable federal, state and local laws and regulations.

Central Clinical Records. Hospice programs must maintain clinical records for each hospice patient that are organized in such a way that they may be easily retrieved. The clinical records must be complete and accurate and protected against loss, destruction, and unauthorized use.

Surveys and Audits. Hospice programs are subject to periodic survey by federal and state regulatory authorities and private accrediting entities to ensure compliance with applicable licensing and certification requirements and accreditation standards. Regulators conduct periodic surveys of hospice programs and provide reports containing statements of deficiencies for alleged failure to comply with various regulatory requirements. Survey reports and statements of deficiencies are common in the healthcare industry. In most cases, the hospice program and regulatory authorities will agree upon any steps to be taken to bring the hospice into compliance with applicable regulatory requirements. In some cases, however, a state or federal regulatory authority may take a number of adverse actions against a hospice program, including the imposition of fines, temporary suspension of admission of new patients to the hospice's service or, in extreme circumstances, de-certification from participation in the Medicare or Medicaid programs or revocation of the hospice's license.

From time to time Vitas receives survey reports containing statements of deficiencies. Vitas reviews such reports and takes appropriate corrective action. Vitas believes that its hospices are in material compliance with applicable licensure and certification requirements. If a Vitas hospice were found to be out of compliance and actions were taken against a Vitas hospice, they could materially adversely affect the hospice's ability to continue to operate, to provide certain services and to participate in the Medicare and Medicaid programs, which could materially adversely affect Vitas.

Billing Audits/ Claims Reviews. The Medicare program and its fiscal intermediaries and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. In order to conduct these reviews, the payor requests documentation from Vitas and then reviews that documentation to determine compliance with applicable rules and regulations, including the eligibility of patients to receive hospice benefits, the appropriateness of the care provided to those patients and the documentation of that care. During the past several years, Vitas' claims have been subject to review and audit.

Certificate of Need Laws and Other Restrictions. Some states, including Florida, have certificate of need or similar health planning laws that apply to hospice care providers. These states may require some form of state agency review or approval prior to opening a new hospice program, to adding or expanding hospice services, to undertaking significant capital expenditures or under other specified circumstances. Approval under these certificate of need laws is generally conditioned on the showing of a demonstrable need for services in the community. Vitas may seek to develop, acquire or expand hospice programs in states having certificate of need laws. To the extent that state agencies require Vitas to obtain a certificate of need or other similar approvals to expand services at existing hospice programs or to make acquisitions or develop hospice programs in new or existing geographic markets, Vitas' plans could be adversely affected by a failure to obtain such certificate or approval. In addition, competitors may seek administratively or judicially to challenge such an approval or proposed approval by the state agency, and Vitas has been defending against such a challenge in connection with the development of its Palm Beach County, Florida hospice program. Such a challenge, whether or not ultimately successful, could adversely affect Vitas.

Limitations on For-Profit Ownership. A few states have laws that restrict the development and expansion of for-profit hospice programs. For example, Florida law does

not permit the operation of a hospice by a for-profit corporation unless it was operated in that capacity on or before July 1, 1978, although under certain circumstances a for-profit corporation may be permitted to purchase a grandfathered hospice program and continue to operate it. In New York, a hospice generally cannot be owned by a corporation that has another corporation as a stockholder. These types of restrictions could affect Vitas' ability to expand in Florida or into New York, or in other jurisdictions with similar restrictions.

Limits on the Acquisition or Conversion of Non-Profit Health Care Organizations. An increasing number of states have enacted laws that restrict the ability of for-profit entities to acquire or otherwise assume the operations of a non-profit health care provider. Some states may require government review, public hearings, and/or government approval of transactions in which a for-profit entity proposes to purchase certain non-profit healthcare organizations. Heightened scrutiny of these transactions may significantly increase the costs associated with future acquisitions of non-profit hospice programs in some states, otherwise increase the difficulty in completing those acquisitions or prevent them entirely. Vitas cannot assure that it will not encounter regulatory or governmental obstacles in connection with any proposed acquisition of non-profit hospice programs in the future.

Professional Licensure and Participation Agreements. Many hospice employees are subject to federal and state laws and regulations governing the ethics and practice of their profession, including physicians, physical, speech and occupational therapists, social workers, home health aides, pharmacists and nurses. In addition, those professionals who are eligible to participate in the Medicare, Medicaid or other federal health care programs as individuals must not have been excluded from participation in those programs at any time.

State Licensure of Hospice. Each of Vitas' hospices must be licensed in the state in which it operates. State licensure rules and regulations require that Vitas' hospices maintain certain standards and meet certain requirements, which may vary from state to state. Vitas believes that its hospices are in material compliance with applicable licensure requirements. If a Vitas hospice were found to be out of compliance and actions were taken against a Vitas hospice, they could materially adversely affect the hospice's ability to continue to operate, to provide certain services and to participate in the Medicare and Medicaid programs, which could materially adversely affect Vitas.

Overview of Government Payments -- General. A substantial portion of Vitas' revenues are derived from payments received from the Medicare and Medicaid programs. 95.4% of Vitas' net patient service revenue for the years ended September 30, 2002 and 2003, respectively, and 96% of Vitas' net patient service revenue for the ten months ended December 31, 2004, consisted of payments from the Medicare and Medicaid programs. Such payments are made primarily on a "per diem" basis. Under the per diem reimbursement methodology, Vitas is essentially at risk for the cost of eligible services provided to hospice patients. Profitability is therefore largely dependent upon Vitas' ability to manage the costs of providing hospice services to patients. Increases in operating costs, such as labor and supply costs that are subject to inflation and other increases, without a compensating increase in Medicare and Medicaid rates, could have a material adverse effect on Vitas' business in the future. The Medicare and Medicaid programs are increasing pressure to control health care costs and to decrease or limit increases in reimbursement rates for health care services. As with most government programs, the Medicare and Medicaid programs are subject to statutory

and regulatory changes, possible retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and could have a material adverse effect on Vitas' business. Vitas' levels of revenues and profitability will be subject to the effect of legislative and regulatory changes, including possible reductions in coverage or payment rates, or changes in methods of payment, by the Medicare and Medicaid programs.

Overview of Government Payments -- Medicare

Medicare Eligibility Criteria. To receive Medicare payment for hospice services, the hospice medical director and, if the patient has one, the patient's attending physician, must certify that the patient has a life expectancy of six months or less if the illness runs its normal course. This determination is made based on the physician's clinical judgment. Due to the uncertainty of such prognoses, however, it is likely and expected that some percentage of hospice patients will not die within six months of entering a hospice program. The Medicare program (among other third-party payors) recognizes that terminal illnesses often do not follow an entirely predictable course, and therefore the hospice benefit remains available to beneficiaries so long as the hospice physician or the patient's attending physician continues to certify that the patient's life expectancy remains six months or less. Specifically, the Medicare hospice benefit provides for two initial 90-day benefit periods followed by an unlimited number of 60-day periods. In order to qualify for hospice care, a Medicare beneficiary also must elect hospice care and waive any right to other Medicare benefits related to his or her terminal illness. A Medicare beneficiary may revoke his or her election of the Medicare hospice benefit at any time and resume receiving regular Medicare benefits. The patient may elect the hospice benefit again at a later date so long as he or she remains eligible. Increased regulatory scrutiny of compliance with the Medicare six-month eligibility rule has impacted the hospice industry. The Medicare program, however, has recently reaffirmed that Medicare hospice beneficiaries are not limited to six months of coverage and that there is no limit on how long a Medicare beneficiary can continue to receive hospice benefits and services, provided that the beneficiary continues to meet the eligibility criteria under the Medicare hospice program. In addition, the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 requires HHS to conduct a study to examine the appropriateness of the current physician certification requirement required before a Medicare beneficiary is eligible to receive the Medicare hospice benefit.

Levels of Care. Medicare pays for hospice services on a prospective payment system basis under which Vitas receives an established payment rate for each day that it provides hospice services to a Medicare beneficiary. These rates are subject to annual adjustments for inflation and may also be adjusted based upon the geographic location where the services are provided. The rate Vitas receives will vary depending on which of the following four levels of care is being provided to the beneficiary:

Routine Home Care. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. The routine home care rate does not vary based upon the volume or intensity of services provided by the hospice program.

General Inpatient Care. The general inpatient care rate is paid when a patient requires inpatient services for a short period for pain control or symptom management which cannot be managed in other settings. General inpatient care

services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care. Continuous home care is provided to patients while at home, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins and ends at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed practical nurse. While the published Medicare continuous home care rates are daily rates, Medicare actually pays for continuous home care services on an hourly basis. This hourly rate is calculated by dividing the daily rate by 24.

Respite Care. Respite care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Medicare Payment for Physician Services. Payment for direct patient care physician services delivered by hospice physicians is billed separately by the hospice to the Medicare intermediary and paid at the lesser of the actual charge or the Medicare allowable charge for these services. This payment is in addition to the daily rates Vitas receives for hospice care. Payment for hospice physicians' administrative and general supervisory activities is included in the daily rates discussed above. Payments for attending physician professional services (other than services furnished by hospice physicians) are not paid to the hospice, but rather are paid directly to the attending physician by the Medicare carrier. For fiscal 2004, 1.6% of Vitas' net revenue was attributable to physician services.

Medicare Limits on Hospice Care Payments. Medicare payments for hospice services are subject to two additional limits or "caps." Each of Vitas' hospice programs is separately subject to both of these "caps." Both of these "caps" are determined on an annual basis for the period running from November 1 through October 31 of each year.

First, under a Medicare rule known as the "80-20" rule applicable to Medicare inpatient services, if the number of inpatient care days furnished by a hospice to Medicare beneficiaries exceeds 20% of the total days of hospice care furnished by such hospice to Medicare beneficiaries, Medicare payments to the hospice for inpatient care days exceeding the inpatient cap are reduced to the routine home care rate. During its history, Vitas has never exceeded the inpatient cap.

Second, overall Medicare payments to a hospice are also subject to a separate cap based on overall average payments per admission. Any payments exceeding this overall hospice cap must be refunded by the hospice. This cap was set at $19,635.67 per admission through the twelve-month period ended on October 31, 2004, and is adjusted annually to account for inflation. While historically Vitas' revenues per admission generally have not exceeded the applicable cap, there can be no assurance that Vitas' hospices will not be subject to future payment reductions or recoupments as the result of this cap.

Medicare Managed Care Programs. The Medicare program has entered into contracts with managed care companies to provide a managed care benefit to Medicare beneficiaries who elect to participate in managed care programs. These managed care programs are commonly referred to as Medicare HMOs, Medicare + Choice or Medicare risk products. Vitas provides hospice care to Medicare beneficiaries who participate in these managed care programs, and Vitas is paid for services provided to these beneficiaries in the same way and at the same rates as those of other Medicare beneficiaries who are not in a Medicare managed care program. Under current Medicare policy, Medicare pays the hospice directly for services provided to these managed care program participants and then reduces the standard per-member, per-month payment that the managed care program otherwise receives.

Overview of Government Payments -- Medicaid

Medicaid Coverage and Reimbursement. State Medicaid programs are another source of Vitas' net patient revenue. Medicaid is a state-administered program financed by state funds and matching federal funds to provide medical assistance to the indigent and certain other eligible persons. In 1986, hospice services became an optional state Medicaid benefit. For those states that elect to provide a hospice benefit, the Medicaid program is required to pay the hospice at rates at least equal to the rates provided under Medicare and calculated using the same methodology. States maintain flexibility to establish their own hospice election procedures and to limit the number and duration of benefit periods for which they will pay for hospice services.

Nursing Home Residents. For Vitas' patients who receive nursing home care under a state Medicaid program and who elect hospice care under Medicare or Medicaid, Vitas generally contracts with nursing homes for the nursing homes' provision to patients of room and board services. In addition to the applicable Medicare or Medicaid hospice daily or hourly rate, the state generally must pay Vitas an amount equal to at least 95% of the Medicaid daily nursing home rate for room and board services furnished to the patient by the nursing home. Under Vitas' standard nursing home contracts, Vitas pays the nursing home for these room and board services at the Medicaid daily nursing home rate.

Adjustments to Medicare and Medicaid Payment Rates. Payment rates under the Medicare and Medicaid programs are adjusted annually based upon the Hospital Market Basket Index; however, the adjustments have historically been less than actual inflation. On October 1, 2001, the base Medicare payment rates for hospice care increased by approximately 3.2% over the base rates previously in effect. On October 1, 2002 and on October 1, 2003, the base Medicare payment rates for hospice care increased by approximately 3.4% each year over the base rates in effect in the prior year. On October 1, 2004 the rates increased by 3.3%. These base rates are further modified by the Hospice Wage Index to reflect local differences in wages according to the revised wage index. It is possible that there will be further modifications to the rate structure under which the Medicare or Medicaid programs pay for hospice care services. Any future reductions in the rate of increase in Medicare and Medicaid payments may have an adverse impact on Vitas' net patient service revenue and profitability.

OTHER HEALTHCARE REGULATIONS

Federal and State Anti-Kickback Laws and Safe Harbor Provisions. The federal Anti-Kickback Law makes it a felony to knowingly and willfully offer, pay, solicit or receive any form of remuneration in exchange for referring, recommending, arranging, purchasing, leasing or ordering items or services covered by a federal health care program including

Medicare or Medicaid. The Anti-Kickback Law applies regardless of whether the remuneration is provided directly or indirectly, in cash or in kind. Although the anti-kickback statute does not prohibit all financial transactions or relationships that providers of healthcare items or services may have with each other, interpretations of the law have been very broad. Under current law, courts and federal regulatory authorities have stated that this law is violated if even one purpose (as opposed to the sole or primary purpose) of the arrangement is to induce referrals.

Violations of the Anti-Kickback Law carry potentially severe penalties including imprisonment of up to five years, criminal fines of up to $25,000 per act, civil money penalties of up to $50,000 per act, and additional damages of up to three times the amounts claimed or remuneration offered or paid. Federal law also authorizes exclusion from the Medicare and Medicaid programs for violations of the Anti-Kickback Law.

The Anti-Kickback Law contains several statutory exceptions to the broad prohibition. In addition, Congress authorized the Office of Inspector General ("OIG") to publish numerous "safe harbors" that exempt some practices from enforcement action under the Anti-Kickback Law and related laws. These statutory exceptions and regulatory safe harbors protect various bona fide employment relationships, contracts for the rental of space or equipment, personal service arrangements, and management contracts, among other things, provided that certain conditions set forth in the statute or regulations are satisfied. The safe harbor regulations, however, do not comprehensively describe all lawful relationships between healthcare providers and referral sources, and the failure of an arrangement to satisfy all of the requirements of a particular safe harbor does not mean that the arrangement is unlawful. Failure to comply with the safe harbor provisions, however, may mean that the arrangement will be subject to scrutiny. It is possible for healthcare providers to request an advisory opinion from the OIG regarding an existing or proposed business arrangement and the possible anti-kickback concerns raised by that arrangement.

Many states, including states where Vitas does business, have adopted similar prohibitions against payments that are intended to induce referrals of patients, regardless of the source of payment. Some of these state laws lack explicit "safe harbors" that may be available under federal law. Sanctions under these state anti-kickback laws may include civil money penalties, license suspension or revocation, exclusion from Medicare or Medicaid, and criminal fines or imprisonment. Little precedent exists regarding the interpretation or enforcement of these statutes.

Vitas is required under the Medicare conditions of participation and some state licensing laws to contract with numerous healthcare providers and practitioners, including physicians, hospitals and nursing homes, and to arrange for these individuals or entities to provide services to Vitas' patients. In addition, Vitas has contracts with other suppliers, including pharmacies, ambulance services and medical equipment companies. Some of these individuals or entities may refer, or be in a position to refer, patients to Vitas, and Vitas may refer, or be in a position to refer, patients to these individuals or entities. These arrangements may not qualify for a safe harbor. Vitas from time to time seeks guidance from regulatory counsel as to the changing and evolving interpretations and the potential applicability of these anti-kickback laws to its programs, and in response thereto, takes such actions as it deems appropriate. The Company generally believes that Vitas' contracts and arrangements with providers, practitioners and suppliers do not violate applicable anti-kickback laws. However, the Company cannot assure that such laws will ultimately be interpreted in a manner consistent with Vitas' practices.

HIPAA Anti-Fraud Provisions. HIPAA includes several revisions to existing health care fraud laws by permitting the imposition of civil monetary penalties in cases involving violations of the anti-kickback statute or contracting with excluded providers. In addition, HIPAA created new statutes making it a federal felony to engage in fraud, theft, embezzlement, or the making of false statements with respect to healthcare benefit programs, which include private, as well as government programs. In addition, for the first time, federal enforcement officials have the ability to exclude from the Medicare and Medicaid programs any investors, officers and managing employees associated with business entities that have committed healthcare fraud, even if the investor, officer or employee had no actual knowledge of the fraud.

OIG Fraud Alerts, Advisory Opinions and Other Program Guidance. In 1976, Congress established the OIG to, among other things, identify and eliminate fraud, abuse and waste in HHS programs. To identify and resolve such problems, the OIG conducts audits, investigations and inspections across the country and issues public pronouncements identifying practices that may be subject to heightened scrutiny. In the last several years, there have been a number of hospice related audits and reviews conducted. These reviews and recommendations have included:

- better ensuring that Medicare hospice eligibility determinations are made in accordance with the Medicare regulations; and

- revising the annual cap on hospice benefits to better reflect the cost of care provided.

From time to time, various federal and state agencies, such as HHS and the OIG, issue a variety of pronouncements, including fraud alerts, the OIG's Annual Work Plan and other reports, identifying practices that may be subject to heightened governmental scrutiny. For example, the OIG in 2002 specifically called for a review of hospice plans of care to examine the variance among hospice plans of care and the extent to which services are provided in accordance with plans of care, and to determine whether there should be uniform standards or minimum requirements for their completion. In addition, the OIG called for a review of payments for the care of hospice patients residing in nursing homes and the level of services they receive. The Company cannot predict what, if any changes may be implemented in coverage, reimbursement, or enforcement policies as a result of these OIG reviews and recommendations.

Additionally, in March 1998, the OIG issued a special fraud alert titled "Fraud and Abuse in Nursing Home Arrangements with Hospices." This special fraud alert focused on payments received by nursing homes from hospices.

Federal False Claims Acts. The federal law includes several criminal and civil false claims provisions, which provide that knowingly submitting claims for items or services that were not provided as represented may result in the imposition of multiple damages, administrative civil money penalties, criminal fines, imprisonment, and/or exclusion from participation in federally funded healthcare programs, including Medicare and Medicaid. In addition, the OIG may impose extensive and costly corporate integrity requirements upon a healthcare provider that is the subject of a false claims judgment or settlement. These requirements may include the creation of a formal compliance program, the appointment of a government monitor, and the imposition of annual reporting requirements and audits conducted by an independent review organization to monitor compliance with the terms of the agreement and relevant laws and regulations.

The Civil False Claims Act prohibits the known filing of a false claim or the known use of false statements to obtain payments. Penalties for violations include fines ranging from $5,500 to $11,000, plus treble damages, for each claim filed. Provisions in the Civil False Claims Act also permit individuals to bring actions against individuals or businesses in the name of the government as so called "qui tam" relators. If a qui tam relator's claim is successful, he or she is entitled to share in the government's recovery.

Both direct enforcement activity by the government and qui tam actions have increased significantly in recent years and have increased the risk that a healthcare company may have to defend a false claims action, pay fines or be excluded from the Medicare and/or Medicaid programs as a result of an investigation arising out of this type of an action. Because of the complexity of the government regulations applicable to the healthcare industry, the Company cannot assure that Vitas will not be the subject of an action under the False Claims Act.

State False Claims Laws. At least 10 states and the District of Columbia, including states in which Vitas currently operates, have adopted state false claims laws that mirror to some degree the federal false claims laws. While these statutes vary in scope and effect, the penalties for violating these false claims laws include administrative, civil and/or criminal fines and penalties, imprisonment, and the imposition of multiple damages.

The Stark Law and State Physician Self-Referral Laws. Section 1877 of the Social Security Act, commonly known as the "Stark Law," prohibits physicians from referring Medicare or Medicaid patients for "designated health services" to entities in which they hold an ownership or investment interest or with whom they have a compensation arrangement, subject to a number of statutory and regulatory exceptions. Penalties for violating the Stark Law are severe and include:

- denial of payment;

- civil monetary penalties of $15,000 per referral or $1,000,000 for "circumvention schemes;"

- assessments equal to 200% of the dollar value of each such service provided; and

- exclusion from the Medicare and Medicaid programs.

Hospice care itself is not specifically listed as a designated health service; however, certain services that Vitas provides, or in the future may provide, are among the services identified as designated health services for purposes of the self-referral laws. The Company cannot assure that future regulatory changes will not result in hospice services becoming subject to the Stark Law's ownership, investment or compensation prohibitions in the future.

Many states where Vitas operates have laws similar to the Stark Law, but with broader effect because they apply regardless of the source of payment for care. Penalties similar to those listed above as well as the loss of state licensure may be imposed in the event of a violation of these state self-referral laws. Little precedent exists regarding the interpretation or enforcement of these statutes.

Civil Monetary Penalties. The Civil Monetary Penalties Statute provides that civil penalties ranging between $10,000 and $50,000 per claim or act may be imposed on any person or entity that knowingly submits improperly filed claims for federal health benefits or that offers or makes payments to induce a beneficiary or provider to reduce or limit the use of health care services or to use a particular provider or supplier. Civil monetary penalties may be imposed for violations of the anti-kickback statute and for the failure to return known overpayments, among other things.

Prohibition on Employing or Contracting with Excluded Providers. The Social Security Act and federal regulations state that individuals or entities that have been convicted of a criminal offense related to the delivery of an item or service under the Medicare or Medicaid programs or that have been convicted, under state or federal law, of a criminal offense relating to neglect or abuse of residents in connection with the delivery of a healthcare item or service cannot participate in any federal health care programs, including Medicare and Medicaid. Additionally, individuals and entities convicted of fraud, that have had their licenses revoked or suspended, or that have failed to provide services of adequate quality also may be excluded from the Medicare and Medicaid programs. Federal regulations prohibit Medicare providers, including hospice programs, from submitting claims for items or services or their related costs if an excluded provider furnished those items or services. The OIG maintains a list of excluded persons and entities. Nonetheless, it is possible that Vitas might unknowingly bill for services provided by an excluded person or entity with whom it contracts. The penalty for contracting with an excluded provider may range from civil monetary penalties of $50,000 and damages of up to three times the amount of payment that was inappropriately received.

Corporate Practice of Medicine and Fee Splitting. Most states have laws that restrict or prohibit anyone other than a licensed physician, including business entities such as corporations, from employing physicians and/or prohibit payments or fee-splitting arrangements between physicians and corporations or unlicensed individuals. Penalties for violations of corporate practice of medicine and fee-splitting laws vary from state to state, but may include civil or criminal penalties, the restructuring or termination of the business arrangements between the physician and unlicensed individual or business entity, or even the loss of the physician's license to practice medicine. These laws vary widely from state to state both in scope and origin (e.g. statute, regulation, Attorney General opinion, court ruling, agency policy) and in most instances have been subject to only limited interpretation by the courts or regulatory bodies.

Vitas employs or contracts with physicians to provide medical direction and patient care services to its patients. Vitas has made efforts in those states where certain contracting or fee arrangements are restricted or prohibited to structure those arrangements in compliance with the applicable laws and regulations. Despite these efforts, however, the Company cannot assure that agency officials charged with enforcing these laws will not interpret Vitas' contracts with employed or independent contractor physicians as violating the relevant laws or regulations. Future determinations or interpretations by individual states with corporate practice of medicine or fee splitting restrictions may force Vitas to restructure its arrangements with physicians in those locations.

Health Information Practices. There currently are numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. In particular, federal regulations issued under the HIPAA Act of 1996 ("HIPAA") require Vitas to protect the privacy and security of patients' individual

health information. HHS published final regulations addressing patient privacy on December 28, 2000, which were modified on August 14, 2002 (the "Privacy Rule"). Vitas was required to comply with the Privacy Rule by April 14, 2003, and Vitas believes that it is in material compliance. Additionally, HIPAA does not automatically preempt applicable state laws and regulations concerning Vitas' use, disclosure and maintenance of patient health information, which means that Vitas is subject to a complex regulatory scheme that, in many instances, requires Vitas to comply with both federal and state laws and regulations.

In August 2000, HHS published final regulations establishing health care transaction standards and code sets for the electronic transmission of health care information in connection with certain transactions, such as billing or health plan eligibility (the "Transactions Standard"). The official deadline for compliance with the Transactions Standard for covered entities such as Vitas was October 16, 2003. The Centers for Medicare and Medicaid Services ("CMS") is the division of HHS that is responsible for interpreting and enforcing the Transactions Standard. Failure to comply with the Transactions Standard may subject covered entities, including Vitas, to civil monetary penalties and possibly to criminal penalties. Vitas believes that it has made significant and appropriate good faith efforts to comply with the Transactions Standard and to develop an appropriate contingency plan as encouraged by CMS. It is unclear, however, how CMS will regulate providers in general or Vitas in particular with respect to compliance with the Transactions Standard. Consequently, it also is unclear whether Vitas would be found to be in material compliance with the Transactions Standard if CMS were to review Vitas' electronic claims submissions and assess Vitas' electronic transactions, or whether Vitas would be required to expend substantial sums on acquiring and implementing new information systems, or would otherwise be affected in a manner that would negatively impact its profitability.

On May 31, 2002, HHS published its final rule regarding the HIPAA Unique Employer Identifier Standard, which establishes a standard for identifying employers in healthcare transactions where information about the employer is transmitted electronically, as well as requirements concerning its use by HIPAA covered entities. The deadline for compliance with the Unique Employer Identifier Standard rule was July 30, 2004. Additionally, HHS published final regulations addressing the security of such health information on February 20, 2003 (the "Security Rule"), and Vitas will be required to comply with the Security Rule by April 21, 2005. Also, HHS published its final rule adopting the HIPAA Standard Unique Health Identifier for health care providers on January 23, 2004, and Vitas' compliance deadline for that rule is May 23, 2007. Because compliance with the final rules regarding the HIPAA Unique Employer Identifier Standard and the Standard Unique Health Identifier, and the Security Rule is not yet required, the Company cannot predict the total financial or other impact of any of these final regulations on Vitas' operations, including any need for Vitas to expend financial resources on acquiring and implementing new information systems or any other negative impact on Vitas' profitability.

Additional Federal and State Regulation. Federal and state governments also regulate various aspects of the hospice industry. In particular, Vitas' operations are subject to federal and state health regulatory laws covering professional services, the dispensing of drugs and certain types of hospice activities. Some of Vitas' employees are subject to state laws and regulations governing the ethics and professional practice of medicine, respiratory therapy, pharmacy and nursing.

Compliance with Health Regulatory Laws. Vitas maintains an internal regulatory compliance review program and from time to time retains regulatory counsel for guidance on compliance matters. The Company cannot assure, however, that Vitas' practices, if reviewed, would be found to be in compliance with applicable health regulatory laws, as such laws ultimately may be interpreted, or that any non-compliance with such laws would not have a material adverse effect on Vitas.

ENVIRONMENTAL MATTERS

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

At December 31, 2004, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois Chemicals Inc. ("DuBois") amounted to $2,951,000. Of this balance, $1,900,000 is included in other liabilities and $1,051,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $15,999,000. On the basis of a continuing evaluation of the Company's potential liability, and in consultation with the Company's environmental attorney, 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.

The Company, 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 the Company 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 2005 and 2006 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.

SEASONALITY

Advertising costs for Roto-Rooter inordinately impact the Company's fourth-quarter results. Roto-Rooter recognizes telephone directory costs immediately upon distribution of a directory by its publisher into the community. Since a large number of directories are distributed in the fourth quarter, this direct expense accounting policy results in fourth-quarter earnings including a disproportionately large share of Roto-Rooter's full-year telephone directory advertising expense. In the fourth quarter 2004, Roto-Rooter expensed $6.4 million of total advertising costs that represented 35% of the aggregate advertising costs for the full-year 2004.

EMPLOYEES

On December 31, 2004, Chemed Corporation had a total of 9,822 employees.

AVAILABLE INFORMATION

The Company's Internet address is www.chemed.com. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are electronically available through the SEC (http://www.sec.gov) or the Company's website as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC.

Annual reports, press releases, and other printed materials may also be obtained from Chemed Investor Relations without charge by writing or by calling 800-2CHEMED or 513-762-6429.

ITEM 2. PROPERTIES

The Company's corporate offices and the headquarters for the Roto-Rooter Group are located in Cincinnati, Ohio. Roto-Rooter has manufacturing and distribution center facilities in West Des Moines, Iowa and has 72 office and service facilities in 26 states. Vitas, headquartered in Miami, operates 35 programs from 61 leased facilities in 12 states, including Florida, California, Texas and Illinois.

All "owned" property is held in fee and is subject to the security interests of the holders of the Notes issued in connection with the Company's merger with Vitas. The leased properties have lease terms ranging from one year to sixteen years. Management does not foresee any difficulty in renewing or replacing the remainder of its current leases. The Company considers all of its major operating properties to be maintained in good operating condition and to be generally adequate for present and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is party to a class action lawsuit filed in the Third Judicial Circuit Court of Madison County, Illinois in June of 2000 by Robert Harris, alleging certain Roto-Rooter plumbing was performed by unlicensed employees. The Company contests these allegations and believes them without merit. Plaintiff moved for certification of a class of customers in 32 states who allegedly paid for plumbing work performed by unlicensed employees. Plaintiff also moved for partial summary judgment on grounds the licensed apprentice plumber who installed his faucet did not work under the direct personal supervision of a licensed master plumber. On June 19, 2002, the trial judge certified an Illinois-only plaintiffs class and granted summary judgment for the named party Plaintiff on the issue of liability, finding violation of the Illinois Plumbing License Act and the Illinois Consumer Fraud Act, through Roto-Rooter's representation of the licensed apprentice as a plumber. The court has not yet ruled on certification of a class in the remaining 31 states. In December 2004, the Company reached a tentative resolution of this matter with the plaintiff. This proposed settlement has not yet been finalized by the parties nor approved by the court. Nonetheless, the Company, in anticipation of such approval, accrued $3.1 million as the anticipated cost of settling this litigation.

Vitas Healthcare Corporation is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson alleging failure to pay overtime wages and to provide meal and break periods to California nurses, home health aides and licensed clinical social workers. The Company contests these allegations and believes them without merit. Due to the complex legal and other issues involved, it is not presently possible to estimate the amount of liability, if any, related to this case. Management cannot provide assurance the Company will ultimately prevail in it. Regardless of outcome, such litigation can adversely affect the Company through defense costs, diversion of management's time, and related publicity.

On April 5, 2002 Michael Linn, an attorney, filed a class action complaint against the Company in the Court of Common Pleas, Cuyahoga County, Ohio. He alleged Roto-Rooter Services Company's miscellaneous parts charge, ranging from $4.95 to $12.95 per job, violated the Ohio Consumer Sales Practices Act. The Company contended that the charge, which is included within the estimate approved by its customers, is a fully disclosed component of its pricing. Plaintiff dismissed the case without payment and with prejudice following the Ohio Supreme Court's denial of review of the Eighth District Court of Appeals decertification of this class action.

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

None.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Office	First Elected
Kevin J. McNamara	51	President and Chief Executive Officer	August 2, 1994 (1)
Timothy S. O'Toole	49	Executive Vice President	May 18, 1992 (2)
Spencer S. Lee	49	Executive Vice President	May 15, 2000 (3)
David P. Williams	44	Vice President and Chief Financial Officer	March 5, 2004 (4)
Arthur V. Tucker, Jr.	55	Vice President and Controller	May 20, 1991 (5)

(1) Mr. K. J. McNamara is President and Chief Executive Officer of the Company and has held these positions since August 1994 and May 2001, respectively. 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.

(2) Mr. T. S. O'Toole is an Executive Vice President of the Company and has held this position since May 1992. He is also Chief Executive Officer of Vitas, a wholly owned subsidiary of the Company, and has held this position since February 24, 2004. Previously, from May 1992 to February 24, 2004, he also served the Company as Treasurer.

(3) Mr. S. S. Lee is an Executive Vice President of the Company and has held this position since May 15, 2000. Mr. Lee is also Chairman and Chief Executive Officer of Roto-Rooter Services Company, a wholly owned subsidiary of the Company, and has held this position since January 1999. Previously, he served as a Senior Vice President of Roto-Rooter Services Company from May 1997 to January 1999.

(4) Mr. D. P. Williams is Vice President and Chief Financial Officer of the Company and has held these positions since March 5, 2004. Mr. Williams is also Senior Vice President and Chief Financial Officer of Roto-Rooter Group, Inc. and has held these positions since January 1999.

(5) 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 16, 2005.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 2003 and 2004 are set forth below.

	Closing		
	High	Low	Dividends Paid Per Share
2004			
First Quarter	$66.95	$48.95	$.12
Second Quarter	55.30	43.10	.12
Third Quarter	56.25	42.71	.12
Fourth Quarter	67.44	55.11	.12
2003			
First Quarter	$36.51	$31.55	$.12
Second Quarter	40.20	32.98	.12
Third Quarter	40.35	34.42	.12
Fourth Quarter	51.78	33.69	.12

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 1, 2005, there were approximately 3,321 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 in nominee name or within clearinghouse positions of brokers, banks or other institutions.

As of December 31, 2004, the number of stock options outstanding under the Company's equity compensation plans, the weighted average exercise price of outstanding options, and the number of securities remaining available for issuance were as follows:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be issued upon exercise of outstanding warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans [excluding securities reflected in column (a)]
	(a)	(b)	(c)
Equity Compensation plans approved by stockholders	1,221,590	$38.95	302,877
Equity Compensation plans not approved by stockholders (1)	109,812	35.52	1,044
TOTAL	1,331,402	38.67	303,921

(1) In May 1999 the Board of Directors adopted the 1999 Long-Term Employee Incentive Plan without stockholder approval. This plan permits the Company to grant up to 250,000 shares of non-qualified options and stock awards to a broad base of salaried and hourly employees (excluding officers and directors) of the Company. Except for the exclusion of officers and directors, this plan has the same general terms and provisions as the 2004 Stock Incentive Plan. In addition, pursuant to this plan no individual may be granted more than 25,000 stock options in a calendar year, the aggregate number of the shares of Capital Stock which may be issued pursuant to stock incentives in the form of Stock Awards shall not be more than 135,000, and no stock incentives shall be granted under the plan after May 17, 2009.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this Item for the five years ended December 31, 2004 is set forth on page 41 of the 2004 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 44 through 57 of the 2004 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest rate borrowings. At December 31, 2004 the Company had a total of $140.5 million of variable rate debt outstanding. In February 2005, the Company called its Floating Rate Notes, restructured its revolving credit/ term loan agreement with JPMorgan Chase and reduced its variable rate debt to $88.5 million at February 28, 2005. Should the interest rate on this debt increase or decrease 100 basis points (1% point), the Company's annual interest expense would increase or decrease $885,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques. Currently, the Company has an interest rate cap with BNP Paribas covering $43.4 million of notional principal at December 31, 2004, decreasing to $35.5 million at September 29, 2006. The cap expires September 29, 2006 and reimburses the Company for interest on the notional principal to the extent that LIBOR exceeds 6.00%. At December 31, 2004, both the market value and carrying value of the cap were approximately $6,000 and the 30-day LIBOR rate was 2.40%.

The market value of the Company's long-term debt at December 31, 2004 is approximately $306.2 million versus a carrying value of $291.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 22, 2005, appearing on pages 5 through 40 of the 2004 Annual Report to Stockholders, along with the Supplementary Data (Unaudited Summary of Quarterly Results) appearing on pages 42-43, are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Based on an evaluation, as of the end of the period covered by this Annual Report on Form 10-K, our President and Chief Executive Officer, Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures (as defined in the Exchange Act Rule 13a-15(e)) are effective to ensure that information required to be disclosed in the reports that the company files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and are also effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its President and Chief Executive Officer, Vice President and Chief Financial Officer and Vice President and Controller, to allow timely decisions regarding required disclosure.

STATUS OF MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Pursuant to Securities and Exchange Commission Release No. 34-50754, which, subject to certain conditions, provides up to 45 additional days beyond the original due date of this Form 10-K for the filing of management's annual report on internal control over financial reporting required by Item 308(a) of Regulation S-K, and the related attestation report of the independent registered public accounting firm, as required by Item 308(b) of Regulation S-K, management's report on internal control over financial reporting and the associated report on the audit of management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, are not filed herein and are expected to be filed no later than April 30, 2005.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company is in the process of conducting an evaluation of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's evaluation of its internal control over financial reporting has not yet been completed. In connection with this ongoing process, the Company has identified certain significant deficiencies and other control deficiencies. As a result of the ongoing evaluation of internal control over financial reporting, additional control deficiencies may be identified. Additionally, once we have completed our evaluation of all deficiencies (those identified to date and those which may be identified as we complete our evaluation) we may determine that the deficiencies, either alone or in combination with others, constitute one or more material weaknesses. The existence of one or more material weaknesses as of December 31, 2004 would preclude a conclusion that the Company's internal control over financial reporting was effective as of that date.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors of the Company are:

Edward L. Hutton	Thomas C. Hutton
Kevin J. McNamara	Sandra E. Laney
Donald Breen, Jr.	Timothy S. O'Toole
Charles H. Erhart, Jr.	Donald E. Saunders
Joel F. Gemunder	George J. Walsh III
Patrick P. Grace	Frank E. Wood

The additional information required under this Item with respect to the directors and executive officers is set forth in the Company's 2005 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer, directors and employees. A copy of this Code of Ethics is incorporated with this Report as Exhibit 14 and it is also posted on the Company's Web site, www.chemed.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is set forth in the Company's 2005 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 2005 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 2005 Proxy Statement, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

PricewaterhouseCoopers LLP billed the company $614,000 and $1,189,000 in 2003 and 2004, respectively. These fees were for professional services rendered for the integrated audit of the Company's annual financial statements and of its internal control over financial reporting, review of the financial statements included in the Company's Forms 10-Q and review of documents filed with the SEC.

AUDIT-RELATED FEES

PricewaterhouseCoopers LLP billed the company $122,400 and $1,446,000 in 2003 and 2004, respectively for audit-related services. In 2003, these fees related primarily to the audit of the Company's employee benefit plans. In 2004, $1,115,000 of these fees related to audits of significant subsidiaries of the Company for years 2001, 2002, and 2003 financial statements for the purpose of registering the Company's floating rate notes, $205,000 for review of the Private Placement Memorandum related to the acquisition of VITAS, $59,000 for consultation concerning financial accounting and reporting standards and the remaining $67,000 was related primarily to the audit of the Company's employee benefit plans.

TAX FEES

No such services were rendered in 2003 or 2004.

ALL OTHER FEES

PricewaterhouseCoopers LLP billed the Company $2,200 and $2,300, respectively, in aggregate fees for services rendered by PricewaterhouseCoopers LLP, other than the services described above, for the years 2003 and 2004.

The Audit Committee has adopted a policy which requires the Committee's pre-approval of audit and non-audit services performed by the independent auditor to assure that the provision of such services does not impair the auditor's independence. The Audit Committee pre-approved all of the audit and non-audit services rendered by PricewaterhouseCoopers LLP as listed above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBITS

3.1	Certificate of Incorporation of Chemed Corporation.*
3.2	Certificate of Amendment to Certificate of Incorporation.*
3.3	By-Laws of Chemed Corporation.*
4.1	Offer to Exchange Chemed Capital Trust Convertible Preferred Securities for Shares of Capital Stock, dated as of December 23, 1999.*
4.2	Chemed Capital Trust, dated as of December 23, 1999.*
4.3	Amended and Restated Declaration of Trust of Chemed Capital Trust, dated February 7, 2000.*
4.4	Indenture, dated as of February 24, 2004, between Roto-Rooter, Inc. and LaSalle Bank National Association.*
4.5	Indenture, dated as of February 24, 2004, among Roto-Rooter, Inc., the subsidiary guarantors listed on Schedule I thereto and Wells Fargo Bank, N.A.*
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	Stock Purchase Agreement dated as of May 8, 2002 by and between PCI Holding Corp. and Chemed Corporation. *
10.5	Amendment No. 1 to Stock Purchase Agreement dated as of October 11, 2002 by and among PCI Holding Corp., PCI-A Holding Corp. and Chemed Corporation. *
10.6	Senior Subordinated Promissory Note dated as of October 11, 2002 by and among PCI Holding Corp. and Chemed Corporation. *
10.7	Common Stock Purchase Warrant dated as of October 11, 2002 by and between PCI Holding Corp. and Chemed Corporation. *
10.8	1986 Stock Incentive Plan, as amended through May 20, 1991.*,**
10.9	1988 Stock Incentive Plan, as amended through May 20, 1991.*,**

10.10 1993 Stock Incentive Plan.*,**

10.11 1995 Stock Incentive Plan.*,**

10.12 1997 Stock Incentive Plan.*,**

10.13 1999 Stock Incentive Plan.*,**

10.14 1999 Long-Term Employee Incentive Plan as amended through May 20, 2002.*,**

10.15 2002 Stock Incentive Plan.*,**

10.16 2002 Executive Long-Term Incentive Plan, as amended May 18, 2004.*,**

10.17 2004 Stock Incentive Plan.*,**

10.18 Employment Contracts with Executives.*,**

10.19 Amendment to Employment Agreements with Kevin J. McNamara, Thomas C. Hutton and Sandra E. Laney dated August 7, 2002.*,**

10.20 Amendment to Employment Agreements with Timothy S. O'Toole and Arthur V. Tucker dated August 7, 2002.*,**

10.21 Amendment to Employment Agreement with Spencer S. Lee dated May 19, 2003.*,**

10.22 Amendment to Employment Agreements with Executives dated January 1, 2002.*,**

10.23 Consulting Agreement between Timothy S. O'Toole and PCI Holding Corp. effective October 11, 2002.*,**

10.24 Amendment No. 16 to Employment Agreement with Sandra E. Laney dated March 1, 2003.*,**

10.25 Amendment No. 16 to Employment Agreement with Kevin J. McNamara dated May 18, 2004.**

10.26 Employment Agreement with David P. Williams dated May 16, 1994; Amendment dated May 21, 2001, and Amendment dated May 19, 2003.**

10.27 Excess Benefits Plan, as restated and amended, effective June 1, 2001.*,**

10.28 Amendment No. 1 to Excess Benefits Plan, effective July 1, 2002.*,**

10.29 Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003.*,**

10.30 Non-Employee Directors' Deferred Compensation Plan.*,**

10.31 Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999.*,**

10.32 First Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective September 6, 2000.*,**

10.33 Second Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 2001.*,**

10.34 Third Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective December 12, 2001.*,**

10.35 Stock Purchase Agreement by and Among Banta Corporation, Chemed Corporation and OCR Holding Company as of September 24, 1997.*

10.36 Directors Emeriti Plan.*,**

10.37 Second Amendment to Split Dollar Agreement with Executives.*,**

10.38 Split Dollar Agreement with Executives.*,**

10.39 Split Dollar Agreement with Edward L. Hutton.*,**

10.40 Promissory Note under the Executive Stock Purchase Plan with Kevin J. McNamara.*,**

10.41 Schedule to Promissory Note under the Executive Stock Purchase Plan with Kevin J. McNamara.**

10.42 Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1,1998.*,**

10.43 Roto-Rooter Deferred Compensation Plan No. 2.*,**

10.44 Agreement and Plan of Merger, dated as of December 18, 2003, Among Roto-Rooter, Inc., Marlin Merger Corp. and Vitas Healthcare Corporation.*

10.45 Credit Agreement, dated as of February 24, 2004, among Roto-Rooter, Inc., the lenders from time to time parties thereto and Bank One, NA, as Administrative Agent.*

10.46 Amended and Restated Credit Agreement, dated as of February 24, 2005, among Chemed Corporation, the lenders from time to time parties thereto and JP Morgan Chase Bank, NA, as Administrative Agent.

10.47 Pledge and Security Agreement, dated as of February 24, 2004, among Roto-Rooter, Inc., the subsidiaries of Roto-Rooter, Inc. listed on the signature pages thereto and Bank One, NA, as Collateral Agent.*

10.48 Guaranty Agreement, dated as of February 24, 2004, among the subsidiaries of Roto-Rooter, Inc. listed on the signature pages thereto and Bank One, NA, as Administrative Agent.*

10.49 Collateral Sharing Agreement, dated as of February 24, 2004, among Bank One, NA, as Collateral Agent and Administrative Agent, Wells Fargo Bank, NA, as Trustee, and Roto-Rooter, Inc.*

10.50 Form of Restricted Stock Award.**

10.51 Form of Stock Option Grant.**

12 Computation of Ratio of Earnings to Fixed Charges.

13 2004 Annual Report to Stockholders.

14 Policies on Business Ethics of Chemed Corporation.*

21 Subsidiaries of Chemed Corporation.

23 Consent of Independent Registered Public Accounting Firm.

24 Powers of Attorney.

31.1 Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.

31.2 Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.

31.3 Certification by Arthur V. Tucker, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.

32.1 Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* 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.

FINANCIAL STATEMENT SCHEDULE

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

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 23, 2005 By /s/ Kevin J. McNamara

Kevin J. McNamara
President 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/ Kevin J. McNamara Kevin J. McNamara	President and Chief Executive Officer and a Director (Principal Executive Officer)	
/s/ David P. Williams David P. Williams	Vice President and Chief Financial Officer (Principal Financial Officer)	
/s/ Arthur V. Tucker, Jr. Arthur V. Tucker, Jr.	Vice President and Controller (Principal Accounting Officer)	March 23, 2005
Edward L. Hutton* Donald Breen, Jr.* Charles H. Erhart, Jr.* Joel F. Gemunder* Patrick P. Grace* Thomas C. Hutton*	Sandra E. Laney* Timothy S. O'Toole* Donald E. Saunders* George J. Walsh III* Frank E. Wood*	--Directors

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* 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 23, 2005 /s/ Naomi C. Dallob

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

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

2002, 2003 AND 2004

* Indicates page numbers in Chemed Corporation 2004 Annual Report to Stockholders.

The consolidated financial statements of Chemed Corporation listed above, appearing in the 2004 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 REGISTERED PUBLIC ACCOUNTING
FIRM 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 MARCH 22, 2005 APPEARING ON PAGE 5 OF THE 2004 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 THE INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE ON PAGE S-1. IN OUR OPINION, THE FINANCIAL STATEMENT SCHEDULE PRESENTS FAIRLY, IN ALL MATERIAL RESPECTS, THE INFORMATION SET FORTH THEREIN WHEN READ IN CONJUNCTION WITH THE RELATED CONSOLIDATED FINANCIAL STATEMENTS.

/s/ PRICEWATERHOUSECOOPERS LLP
- ------------------------------
PRICEWATERHOUSECOOPERS LLP
CINCINNATI, OHIO
MARCH 22, 2005

SCHEDULE II

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)
DR/(CR)
ADDITIONS

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	(CHARGED) CREDITED TO COSTS AND EXPENSES	(CHARGED) CREDITED TO OTHER ACCOUNTS	APPLICABLE TO COMPANIES ACQUIRED IN PERIOD	DEDUCTIONS (b)	BALANCE AT END OF PERIOD
ALLOWANCES FOR DOUBTFUL ACCOUNTS (c)						
FOR THE YEAR 2004.....	$ (2,646)	$(5,983)	$ -	$ (4,946)	$ 6,031	$ (7,544)
FOR THE YEAR 2003 (a).....	$ (3,337)	$(1,497)	$ -	$ -	$ 2,188	$ (2,646)
FOR THE YEAR 2002 (a).....	$ (3,950)	$(1,866)	$ -	$ -	$ 2,479	$ (3,337)
ALLOWANCES FOR DOUBTFUL ACCOUNTS - NOTES RECEIVABLE (d)						
FOR THE YEAR 2004.....	$ (323)	$ 323	$ -	$ -	$ -	$ -
FOR THE YEAR 2003.....	$ (422)	$ 99	$ -	$ -	$ -	$ (323)
FOR THE YEAR 2002.....	$ (900)	$ 478	$ -	$ -	$ -	$ (422)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	(CHARGED) CREDITED TO COSTS AND EXPENSES	(CHARGED) CREDITED TO OTHER ACCOUNTS	APPLICABLE TO COMPANIES ACQUIRED IN PERIOD	DEDUCTIONS (b)	BALANCE AT END OF PERIOD
VALUATION ALLOWANCE FOR AVAILABLE-FOR-SALE SECURITIES (e)						
FOR THE YEAR 2004.....	$ -	$ -	$ -	$ -	$ -	$ -
FOR THE YEAR 2003.....	$ 5,668	$ -	$ (278)	$ -	$(5,390)	$ -
FOR THE YEAR 2002.....	$ 6,483	$ -	$ 326	$ -	$(1,141)	$ 5,668

- ---

(a) AMOUNTS WERE RECLASSIFIED FOR OPERATIONS DISCONTINUED IN 2004.

(b) 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.

(c) CLASSIFIED IN CONSOLIDATED BALANCE SHEET AS A REDUCTION OF ACCOUNTS RECEIVABLE.

(d) CLASSIFIED IN CONSOLIDATED BALANCE SHEET AS A REDUCTION OF OTHER ASSETS.

(e) WITH RESPECT TO THE VALUATION ALLOWANCE FOR AVAILABLE - FOR - SALE SECURITIES, AMOUNTS CHARGED OR CREDITED TO OTHER ACCOUNTS COMPRISE NET UNREALIZED HOLDING LOSSES OR GAINS ARISING DURING THE PERIOD.

INDEX TO EXHIBITS

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
3.1	Certificate of Incorporation of Chemed Corporation	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	Certificate of Amendment to Certificate of Incorporation	Form S-4 Reg. No. 333-115668 5/20/04	3.3
3.3	By-Laws of Chemed Corporation as amended November 5, 2004	Form 8-K 11/5/04	1
4.1	Offer to Exchange Chemed Capital Trust Convertible Trust Preferred Securities for Shares of Capital Stock, dated as of 12/23/99	Form T-3 12/23/99	T3E.1
4.2	Chemed Capital Trust, dated as of 12/23/99	Schedule 13E-4 12/23/99	(b)(1)
4.3	Amended and Restated Declaration of Trust of Chemed Capital Trust, dated February 7, 2000	Schedule 13E-4A 2/7/00, Amendment No. 2	(b)(2)
4.4	Indenture, dated as of February 24, 2004 between Roto-Rooter, Inc. and LaSalle Bank National Association	Form 10-K 3/12/04	4.4
4.5	Indenture, dated as of February 24, 2004 among Roto-Rooter, Inc., the subsidiary guarantors listed on Schedule I thereto and Wells Fargo Bank, N.A.	Form 10-K 3/12/04	4.5
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

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
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	Stock Purchase Agreement dated as of May 8, 2002 by and between PCI Holding Corp. and Chemed Corporation	Form 8-K 10/11/02	2.1
10.5	Amendment No. 1 to Stock Purchase Agreement dated as of October 11, 2002 by and among PCI Holding Corp., PCI-A Holding Corp. and Chemed Corporation	Form 8-K 10/11/02	2.2
10.6	Senior Subordinated Promissory Note dated as of October 11, 2002 by and among PCI Holding Corp. and Chemed Corporation	Form 8-K 10/11/02	2.3
10.7	Common Stock Purchase Warrant dated as of October 11, 2002 by and between PCI Holding Corp. and Chemed Corporation	Form 8-K 10/11/02	2.4
10.8	1986 Stock Incentive Plan, as amended through May 20, 1991	Form 10- K 3/27/92, **	9
10.9	1988 Stock Incentive Plan, as amended through May 20, 1991	Form 10-K 3/27/92, **	10
10.10	1993 Stock Incentive Plan	Form 10-K 3/29/94, **	10.8
10.11	1995 Stock Incentive Plan	Form 10-K 3/28/96, **	10.14
10.12	1997 Stock Incentive Plan	Form 10-K 3/27/98, **	10.10

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
10.13	1999 Stock Incentive Plan	Form 10-K 3/29/00, **	10.11
10.14	1999 Long Term Employee Incentive Plan as amended through May 20, 2002	Form 10-K 3/28/03, **	10.16
10.15	2002 Stock Incentive Plan	Form 10-K 3/28/03, **	10.17
10.16	2002 Executive Long-Term Incentive Plan, as amended May 18, 2004	Form 10-Q 8/19/04, **	10.16
10.17	2004 Stock Incentive Plan	Proxy Statement 3/25/04	A
10.18	Employment Contracts with Executives	Form 10-K 3/28/89, **	10.12
10.19	Amendment to Employment Agreements with Kevin J. McNamara, Thomas C. Hutton and Sandra E. Laney dated August 7, 2002	Form 10-K 3/28/03, **	10.20
10.20	Amendment to Employment Agreements with Timothy S. O'Toole and Arthur V. Tucker dated August 7, 2002	Form 10-K 3/28/03, **	10.21
10.21	Amendment to Employment Agreement with Spencer S. Lee dated May 19, 2003	Form 10-K 3/12/04, **	10.20
10.22	Amendment to Employment Agreement with Executives dated January 1, 2002	Form 10-K 3/28/02, **	10.16
10.23	Consulting Agreement between Timothy S. O'Toole and PCI Holding Corp effective October 11, 2002.	Form 10-K 3/28/03, **	10.26

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
10.24	Amendment No. 16 to Employment Agreement with Sandra E. Laney dated March 1, 2003	Form 10-K 3/28/03, **	10.27
10.25	Amendment No. 16 to Employment Agreement with Kevin J. McNamara dated May 18, 2004.	*, **	
10.26	Employment Agreement with David P. Williams dated May 16, 1994; Amendment dated May 21, 2001, and Amendment dated May 19, 2003.	*, **	
10.27	Excess Benefits Plan, as restated and amended, effective June 1, 2001	Form 10-K 3/12/04, **	10.24
10.28	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2002	Form 10-K 3/12/04, **	10.25
10.29	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003	Form 10-K 3/12/04, **	10.26
10.30	Non-Employee Directors' Deferred Compensation Plan	Form 10-K 3/24/88, **	10.10
10.31	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999	Form 10-K 3/25/99, **	10.25
10.32	First Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective September 6, 2000	Form 10-K 3/28/02, **	10.22
10.33	Second Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective January 1, 2001	Form 10-K 3/28/02, **	10.23
10.34	Third Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective December 12, 2001	Form 10-K 3/28/02, **	10.24

Exhibit Number		Page Number or Incorporation by Reference	
		File No. and Filing Date	Previous Exhibit No.
10.35	Stock Purchase Agreement by and among Banta Corporation, Chemed Corporation and OCR Holding Company	Form 8-K 10/13/97	10.21
10.36	Directors Emeriti Plan	Form 10-Q 5/12/88, **	10.11
10.37	Second Amendment to Split Dollar Agreement with Executives	Form 10-K 3/29/00, **	10.26
10.38	Split Dollar Agreements with Executives	Form 10-K 3/28/96, **	10.15
10.39	Split Dollar Agreement with Edward L. Hutton	Form 10-K 3/28/96, **	10.16
10.40	Promissory Note under the Executive Stock Purchase Plan with Kevin J. McNamara	Form 10-K 3/28/01, **	10.41
10.41	Schedule to Promissory Note under the Executive Stock Purchase Plan with Kevin J. McNamara	*, **	
10.42	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998	Form 10-K 3/28/01, **	10.37
10.43	Roto-Rooter Deferred Compensation Plan No. 2	Form 10-K 3/28/01, **	10.38
10.44	Agreement and Plan of Merger, dated as of December 18, 2003, among Roto-Rooter, Inc., Marlin Merger Corp. and Vitas Healthcare Corporation	Form 8-K 12/19/03	99.2

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
10.45	Credit Agreement, dated as of February 24, 2004, among Roto-Rooter, Inc., the lenders from time to time parties thereto and Bank One, NA, as Administrative Agent.	Form 10-K 3/12/04	10.46
10.46	Amended and Restated Credit Agreement dated as of February 24, 2005 among Chemed Corporation, the lenders from time to time, parties thereto and JP Morgan Chase Bank NA, as Administrative Agent.	*	
10.47	Pledge and Security Agreement, dated as of February 24, 2004, among Roto-Rooter, Inc., the subsidiaries of Roto-Rooter, Inc. listed on the signature pages thereto and Bank One, NA, as Collateral Agent.	Form 10-K 3/12/04	10.47
10.48	Guaranty Agreement, dated as of February 24, 2004, among the subsidiaries of Roto-Rooter, Inc. listed on the signature pages thereto and Bank One, NA, as Administrative Agent.	Form 10-K 3/12/04	10.48
10.49	Collateral Sharing Agreement, dated as of February 24, 2004 among Bank One, NA, as Collateral Agent and Administrative Agent, Wells Fargo Bank, NA as Trustee, and Roto-Rooter, Inc.	Form S-2 Reg. No. 333-115668 5/20/04	10.49
10.50	Form of Restricted Stock Award	*, **	
10.51	Form of Stock Option Grant.	*, **	
12	Computation of Ratio of Earnings to Fixed Charges	*	
13	2004 Annual Report to Stockholders	*	
14	Policies on Business Ethics of Chemed Corporation	Form 10-K 3/12/04	14
21	Subsidiaries of Chemed Corporation	*	

Exhibit Number		Page Number or Incorporation by Reference: File No. and Filing Date	Previous Exhibit No.
23	Consent of Independent Registered Public Accounting Firm	*	
24	Powers of Attorney	*	
31.1	Certification by Kevin J. McNamara Pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.	*	
31.2	Certification by David P. Williams Pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.	*	
31.3	Certification by Arthur V. Tucker, Jr. Pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.	*	
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*	
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*	
32.3	Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*	

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* Filed herewith.

**Management contract or compensatory plan or arrangement.

Exhibit 10.25

AMENDMENT NO. 16
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 18, 2004 between Kevin J. McNamara ("Employee") and Chemed Corporation (the "Company").

WHEREAS, Employee and the Company have entered into an Employment Agreement dated as of May 2, 1988 and amended May 15, 1989, May 21, 1990, May 20, 1991, May 18, 1992, May 17, 1993, May 16, 1994, May 15, 1995, May 20, 1996, May 19, 1997, May 18, 1998, May 17, 1999, May 15, 2000, May 21, 2001, January 1, 2002 and August 7, 2002 ("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 18, 2004, as follows:

A. The date, amended as of August 7, 2002, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of May 3, 2008 is hereby substituted therefore.

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 $417,600 per annum is hereby substituted.

C. The amount of unrestricted stock award recognized in lieu of incentive compensation in 2003 is $296,170.

Except as specifically amended in this Amendment No. 16 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/ Kevin J. McNamara

Kevin J. McNamara

CHEMED CORPORATION

/s/ Edward L. Hutton

Edward L. Hutton
Chairman of the Board

EXHIBIT 10.26

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 16th day of May, 1994 by and between David P. Williams, 1000 Ann Street, Birmingham, Michigan 48009.

("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 16, 1994 and shall continue until May 16, 1997.

2. COMPENSATION

Section 2.1 Base Salary. While employed hereunder the Company shall pay Employee a base salary of $86,400.00 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:

Chemed Employees Savings & Investment Plan

Chemed Employee Stock Ownership Plan I & II

Chemed Flexible Spending Account Plan

Chemed Long Term Disability Income Plan

Chemed Business Travel Accident Insurance Plan

Chemed Group Life, Medical and Disability Plans

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 Chemed's 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 of Employee's employment due to Employee's disability pursuant to Section 3.2; or

(c) The termination by the Company of Employee's employment for Cause pursuant to Section 3.3.

The termination by the Company of Employee's employment hereunder for any reason other than those specified in paragraphs (a), (b) and (c) above shall hereinafter be referred to as a termination "Without Cause".

Section 3.2 Disability. If, by reason of physical or mental disability, Employee is unable to carry out the duties he has assumed pursuant to this Agreement for four (4) consecutive months, his services hereunder may be terminated by the Company upon two (2) months' written notice to be given to Employee at any time after the period of four (4) continuous months of disability and while such disability continues. If, prior to the expiration of the two (2) months after the giving of such notice, Employee shall recover from such disability and return to the active discharge of his duties, then such notice shall be of no further force and effect and Employee's employment shall continue as if such disability had not occurred. If Employee shall not so recover from his disability and return to his duties, then his services shall terminate at the expiration date of such two (2) months' notice. During the period of Employee's disability and until the expiration date of such two (2) months' notice, Employee shall continue to receive all compensation and other benefits provided herein as if he had not been disabled, at the time, in the amounts and in the manner provided herein. In the event a dispute arises between Employee and the Company concerning Employee's physical or mental ability to continue or return to the performance of his duties as aforesaid, Employee shall submit to examination by a competent physician mutually agreeable to both parties, and such physician's opinion as to Employee's ability to so perform will be final and binding.

Section 3.3 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 3.4 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 he performance of his duties hereunder) in any manner to any 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) 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 be 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:

1000 Ann Street
Birmingham, MI 48009

(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

EMPLOYEE

/s/ David P. Williams

David P. Williams

AMENDMENT NO. 7
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 21, 2001 between David P. Williams ("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, May 20, 1996, May 19, 1997, May 18, 1998, May 17, 1999 and May 15, 2000 ("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 21, 2001, as follows:

A. The date, amended as of May 15, 2000, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of May 21, 2004 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 $157,500 per annum is hereby substituted.

C. The amount of unrestricted stock award recognized in lieu of incentive compensation in 2000 is $37,895.

Except as specifically amended in this Amendment No. 7 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/ David P. Williams

David P. Williams

CHEMED CORPORATION

/s/ Kevin J. McNamara

Kevin J. McNamara
President

AMENDMENT NO. 10
TO EMPLOYMENT AGREEMENT

AGREEMENT dated as of May 19, 2003 between David P. Williams ("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, May 20, 1996, May 19, 1997, May 18, 1998, May 17, 1999, May 15, 2000, May 21, 2001, January 2, 2002 and August 7, 2002 ("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, 2003, as follows:

A. The date, amended as of August 7, 2002, set forth in Section 1.2 of the Employment Agreement, is hereby deleted and the date of May 21, 2006 is hereby substituted therefore.

B. The amount of unrestricted stock award recognized in lieu of incentive compensation in 2002 is $37,181.

Except as specifically amended in this Amendment No. 10 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/ David P. Williams

David P. Williams

CHEMED CORPORATION

/s/ Kevin J. McNamara

Kevin J. McNamara
President & Chief Executive Officer

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Exhibit 10.41

Schedule to Exhibit 10.40

Employee	Title	Amount
Kevin J. McNamara	President and Chief Executive Officer	$489,408.00

EXHIBIT 10.46

EXECUTION COPY

AMENDED AND RESTATED

CREDIT AGREEMENT

DATED AS OF FEBRUARY 24, 2005

AMONG

CHEMED CORPORATION

THE LENDERS FROM TIME TO TIME PARTIES HERETO

AND

JPMORGAN CHASE BANK, N.A.
AS ADMINISTRATIVE AGENT

J.P. MORGAN SECURITIES INC.,
AS SOLE LEAD ARRANGER AND SOLE BOOK RUNNER

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AMENDED AND RESTATED

CREDIT AGREEMENT

This Amended and Restated Credit Agreement, dated as of February 24, 2005, is entered into by and among Chemed Corporation (formerly known as Roto-Rooter, Inc.), a Delaware corporation, the Lenders, the LC Issuer, and JPMorgan Chase Bank, N.A., a national banking association, as Administrative Agent. The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1. Certain Defined Terms. As used in this Agreement:

"Accounting Changes" is defined in Section 9.8 hereof.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding ownership interests of a partnership or limited liability company of any Person.

"Administrative Agent" means JPMorgan Chase in its capacity as contractual representative of the Lenders pursuant to Article X, and not in its individual capacity as a Lender, as Administrative Agent, and any successor Administrative Agent appointed pursuant to Article X.

"Advance" means a borrowing hereunder consisting of the aggregate amount of several Revolving Loans or Term Loans, as the case may be (i) made by some or all of the Lenders on the same Borrowing Date, or (ii) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period. The term "Advance" shall include Swing Line Loans unless otherwise expressly provided.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Outstanding Revolving Credit Exposure" means, at any time, the aggregate of the Outstanding Revolving Credit Exposure of all the Lenders.

"Aggregate Revolving Loan Commitment" means the aggregate of the Revolving Loan Commitments of all the Lenders, as may be increased or reduced from time to time pursuant to

the terms hereof. The initial Aggregate Revolving Loan Commitment is One Hundred Seventy-Five Million and 00/100 Dollars ($175,000,000).

"Aggregate Term Loan Commitment" means the aggregate of the Term Loan Commitments of all the Lenders, as may be reduced from time to time pursuant hereto. The initial Aggregate Term Loan Commitment is Eighty-Five Million and 00/100 Dollars ($85,000,000).

"Agreement" means this Amended and Restated Credit Agreement, as it may be amended, restated, supplemented or otherwise modified and as in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect in the United States from time to time, applied in a manner consistent with that used in preparing the financial statements of the Borrower referred to in Section 5.4; provided, however, that except as provided in Section 9.8, with respect to the calculation of the financial covenants set forth in Sections 6.20 through 6.24 (and the defined terms used in such Sections), "Agreement Accounting Principles" means generally accepted accounting principles as in effect in the United States as of the Closing Date, applied in a manner consistent with that used in preparing the financial statements of the Borrower referred to in Section 5.4.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus 1/2 of 1% per annum.

"Applicable Fee Rate" means, with respect to the Commitment Fee at any time, the percentage rate per annum which is applicable at such time with respect to such fee as set forth in the Pricing Schedule.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Applicable Pledge Percentage" means 100%, but (x) 65% in the case of a pledge of capital stock of a Foreign Subsidiary or (y) 0% in the case of a pledge of capital stock of a Foreign Subsidiary to the extent a pledge would cause a Financial Assistance Problem.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means J.P. Morgan Securities Inc., a Delaware corporation, and its successors, in its capacity as Sole Lead Arranger and Sole Book Runner.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Asset Sale" means, with respect to the Borrower or any Subsidiary, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of

a sale-leaseback transaction, and including the sale or other transfer of any of the capital stock or other equity interests of such Person or any Subsidiary of such Person but excluding cash and cash equivalents other than Cash Equivalent Investments) to any Person other than the Borrower or any of its Wholly-Owned Subsidiaries other than (i) the sale or other disposition of inventory in the ordinary course of business, (ii) the sale or other disposition of any obsolete, excess, damaged, surplus or worn-out Equipment or overdue Receivables disposed of in the ordinary course of business, (iii) leases or licenses of assets in the ordinary course of business consistent with past practice, (iv) transfers consisting of Restricted Payments permitted under Section 6.10, dispositions permitted by Section 6.12.11, Investments permitted under Section 6.13 and Liens permitted under Section 6.15, and (v) sales or liquidiations of Cash Equivalent Investments.

"Assignment Agreement" is defined in Section 12.3.1.

"Authorized Officer" means any of the Chief Executive Officer, President, Chief Financial Officer, Treasurer or Controller of the Borrower, or such other officer of the Borrower as may be designated by the Borrower in writing to the Administrative Agent from time to time, acting singly.

"Borrower" means Chemed Corporation (formerly known as Roto-Rooter, Inc.), a Delaware corporation, and its permitted successors and assigns (including, without limitation, a debtor in possession on its behalf).

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.8.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Expenditures" means, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be classified as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investments" means (i) direct obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by S&P or P-1 or better by Moody's, (iii) demand deposit accounts maintained in the ordinary course of business, (iv) certificates of deposit, bankers' acceptances, money market deposit accounts, and time deposits issued by or maintained with, as applicable, commercial banks (whether domestic or foreign) having capital and surplus in excess of $100,000,000, (v) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (i) above and entered into with a financial institution satisfying the criteria described in clause (iv) above, and (vi) in the case of any Foreign Subsidiary, (A) marketable direct obligations issued by, or unconditionally guaranteed by, the sovereign nation in which such Foreign Subsidiary is organized and is conducting business or issued by any agency of such sovereign nation and backed by the full faith and credit of such sovereign nation, in each case maturing within one year from the date of acquisition, so long as the Indebtedness of such sovereign nation is rated at least A-1 or better by S&P or P-1 or better by Moody's or carries an equivalent rating from a comparable foreign rating agency or (B) Investments of the type and maturity described in clauses (ii) through (v) above of foreign obligors, which Investments or obligors have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies..

"Cash Flow Period" means each fiscal year of the Borrower, beginning with the fiscal year ending 2005.

"CHAMPVA" means, collectively, the Civilian Health and Medical Program of the Department of Veteran Affairs, a program of medical benefits covering retirees and dependents of former members of the armed services administered by the United States Department of Veteran Affairs, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program including (a) all federal statutes (whether set forth in 38 U.S.C. Section 1713 or elsewhere) affecting such program or, to the extent applicable to CHAMPVA; and (b) all rules, regulations (including 38 C.F.R. Section 17.54), manuals, orders and administrative, reimbursement and other guidelines of all governmental authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

"CHAMPVA Receivable" means a Receivable payable pursuant to the CHAMPVA program.

"Change of Control" means (i) the acquisition by any Person, or any group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 50% or more of the outstanding shares of common stock of the Borrower; or (ii) the occurrence of a "Change of Control" as defined in the Senior Secured Indenture Documents.

"Chemed Capital Trust" means Chemed Capital Trust, a Delaware statutory business trust and a Wholly-Owned Subsidiary of the Borrower, together with its permitted successors and assigns.

"Chemed Trust Securities" means the 575,503 convertible trust preferred securities of Chemed Capital Trust issued in exchange for shares of the Borrower's capital stock pursuant to an exchange offer completed on February 1, 2000.

"Chemed Stock Issuance" means any issuance of equity interests in the Borrower to non-Affiliates.

"Closing Date" means February 24, 2005.

"Closing Date Stock Award Plan" means the Borrower's employee stock award plan in existence on the Closing Date.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, and any rule or regulation issued thereunder.

"Collateral" means all Property and interests in Property now owned or hereafter acquired by the Borrower or any of its Domestic Subsidiaries in or upon which a security interest, lien or mortgage is granted to the Collateral Agent, for the benefit of the Holders of Secured Obligations and the other creditors of the Borrower subject to the Intercreditor Agreement, whether under the Pledge and Security Agreement, under any of the other Collateral Documents or under any of the other Loan Documents.

"Collateral Agent" means JPMorgan Chase Bank, N.A. (successor by merger to Bank One, NA (Illinois)), together with its permitted successors and assigns.

"Collateral Documents" means all agreements, instruments and documents executed in connection with this Agreement or the Intercreditor Agreement that are intended to create or evidence Liens to secure the Secured Obligations, including, without limitation, the Pledge and Security Agreement, the Intellectual Property Security Agreements, and all other security agreements, mortgages, deeds of trust, loan agreements, notes, guarantees, subordination agreements, pledges, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements and all other written matter whether heretofore, now, or hereafter executed by the Borrower or any of its Subsidiaries and delivered to the Collateral Agent.

"Collateral Shortfall Amount" is defined in Section 8.1.

"Commitment Fee" is defined in Section 2.5.1.

"Commitment Schedule" means the Schedule identifying each Lender's Revolving Loan Commitment and Term Loan Commitment as of the Closing Date attached hereto and identified as such.

"Consolidated Capital Expenditures" means, with reference to any period, the Capital Expenditures of the Borrower and its consolidated Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Current Maturities" means, with reference to any period, all payments of principal due within twelve (12) calendar months on and after the last day of such period with respect to all Consolidated Indebtedness of the Borrower.

"Consolidated EBITDA" means Consolidated Net Income from continuing operations plus, to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense, (ii) expense for taxes paid or accrued, (iii) depreciation, (iv) amortization expense of the Borrower and its consolidated Subsidiaries (including amortization recorded in connection with the application of Financial Accounting Standard No. 142 (Goodwill and Other Intangibles)), (v) payments made in connection with the Westbrook Agreement in the amount of $25,000,000 and transaction fees and expenses paid in connection with the Transactions, (vi) any severance payments related to the VITAS Healthcare Acquisition not to exceed $14,500,000 plus any employment taxes and employee benefit charges payable in connection therewith, (vii) dividends, distributions and payments not in excess of $2,800,000 under the Closing Date Stock Award Plan plus any employment taxes and employee benefit charges payable in connection therewith, (viii) all other non-cash charges of the Borrower and its consolidated Subsidiaries (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period) less interest income and all non-cash items of income of the Borrower and its consolidated Subsidiaries in each case for such period, (ix) the aggregate amount of the awards remitted by the Borrower to its senior management under the current Multi-Year Management Incentive Plans; provided, however, that no more than $5,000,000 of cash compensation, payments or awards remitted to senior management shall be included in this calculation, (x) non-cash charges arising from compensation expense as a result of the adoption of the proposed amendment to Financial Accounting Standards Board Statement 123, "Share Based Payments", which would require certain stock based compensation to be recorded as expense within the Borrower's consolidated statement of operation, less the amount of any subsequent cash payments in respect of any such non-cash charges, (xi) up to $5,000,000 of the amount of the settlement payment made in respect of the Robert Harris class-action litigation, (xii) any loss incurred by the Borrower as a result of the prepayment of the Senior Secured Notes, and (xiii) Yellow Pages Advertising Expense. For purposes of calculating Consolidated EBITDA for the Borrower and its consolidated Subsidiaries for those periods that require financial information for the fiscal quarter ending March 31, 2004, the Borrower shall include VITAS Healthcare on a pro forma basis as though the VITAS Healthcare Acquisition had occurred on January 1, 2004.

"Consolidated Funded Indebtedness" means, at any time, with respect to any Person, without duplication, (i) the aggregate Dollar amount of Consolidated Indebtedness which would be classified on the balance sheet of such Person, as of the applicable determination date, as long-term Indebtedness, plus (ii) the aggregate stated or face amount of all Letters of Credit at such time for which such Person is the account party or is otherwise liable.

"Consolidated Indebtedness" means, at any time, with respect to any Person, the Indebtedness of such Person and its consolidated Subsidiaries calculated on a consolidated basis as of such time.

"Consolidated Interest Expense" means, with reference to any period, the interest expense of the Borrower and its consolidated Subsidiaries calculated on a consolidated basis for

such period, in accordance with Agreement Accounting Principles. Notwithstanding anything to the contrary herein, any premium paid in connection with the repayment of Indebtedness of the Borrower in connection with the Transactions and interest on the Trust Securities paid on or prior to January 1, 2005 shall not be included in Consolidated Interest Expense.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its consolidated Subsidiaries calculated on a consolidated basis for such period in accordance with Agreement Accounting Principles.

"Consolidated Net Worth" means at any time, with respect to any Person, the consolidated stockholders' equity of such Person and its consolidated Subsidiaries, plus minority interests in Subsidiaries, calculated on a consolidated basis in accordance with Agreement Accounting Principles.

"Consolidated Senior Funded Debt" means Indebtedness outstanding under the Loan Documents.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership (except to the extent expressly without recourse to such Person).

"Continuing Director" means, with respect to any Person as of any date of determination, any member of the board of directors of such Person who (i) was a member of such board of directors on the Closing Date, or (ii) was nominated for election or elected to such board of directors with the approval of the required majority of the Continuing Directors who were members of such board at the time of such nomination or election.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.9.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Credit Extension Date" means the Borrowing Date for an Advance or the issuance date for a Facility LC.

"Credit Party" means, at any time, any of the Borrower and any Person which is a Guarantor at such time; provided, however, that VNF shall not be deemed a Credit Party.

"Deemed Dividend Problem" means, with respect to any Foreign Subsidiary, such Foreign Subsidiary's accumulated and undistributed earnings and profits being deemed to be repatriated to the Borrower or the applicable parent Domestic Subsidiary for U.S. federal income tax purposes and the effect of such repatriation causing adverse tax consequences to the Borrower or such parent Domestic Subsidiary, in each case as determined by the Borrower in its commercially reasonable judgment acting in good faith and, if applicable, in consultation with its legal and tax advisors.

"Disqualified Stock" means any capital stock or other equity interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the later of the (i) the Revolving Loan Termination Date and (ii) the Term Loan Maturity Date.

"Dollar", "dollar" and "$" means the lawful currency of the United States of America.

"Domestic Subsidiary" means any Subsidiary of any Person organized under the laws of a jurisdiction located in the United States of America.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, injunctions, permits, and legally enforceable governmental concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to (i) the protection of the environment, (ii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

"Equipment" means all of the Borrower's and each Subsidiary's present and future (i) equipment, including, without limitation, machinery, manufacturing, distribution, data processing and office equipment, assembly systems, tools, molds, dies, fixtures, appliances, furniture, furnishings, vehicles, vessels, aircraft, aircraft engines, and trade fixtures, (ii) other tangible personal property (other than inventory), and (iii) any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rules or regulations promulgated thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to any Eurodollar Advance for any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately

11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "Eurodollar Base Rate" with respect to such Eurodollar Advance for such Interest Period shall be the rate at which dollar deposits in a comparable amount and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin then in effect, changing as and when the Applicable Margin changes.

"Event of Default" means an event described in Article VII.

"Event of Loss" means, with respect to any Property, any of the following: (i) any loss, destruction or damage of such Property or (ii) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or the requisition of the use of such Property by any Governmental Authority.

"Excess Cash Flow" means, for any Cash Flow Period, an amount, determined without duplication for any items or components thereof, equal to the Borrower's Consolidated EBITDA plus the sum of (i) the amount, if any, by which Net Working Capital decreased during such Cash Flow Period plus (ii) the net amount, if any, by which the consolidated deferred revenues of the Borrower and its consolidated Subsidiaries increased during such Cash Flow Period minus income taxes paid in cash during such period minus Capital Expenditures permitted under this Agreement that are paid in cash during such period minus Interest Expense for such period minus repaid and prepaid principal payments in respect of Indebtedness (including Indebtedness in respect of Revolving Loans to the extent accompanied by a permanent reduction in Revolving Loan Commitments) owing by the Borrower and its Subsidiaries during such period other than pursuant to Section 2.7 minus the cash portion of the Purchase Price paid in connection with any Permitted Acquisition during such Cash Flow Period minus cash dividends paid by the Borrower on its capital stock during such Cash Flow Period to the extent such cash dividends were permitted under this Agreement and minus the sum of (i) any non-cash gains included in determining such consolidated net income (or loss) for such Cash Flow Period plus (ii) the amount, if any by which Net Working Capital increased during such fiscal year plus (iii) the net amount, if any, by which the consolidated deferred revenues of the Borrower and its consolidated Subsidiaries decreased during such fiscal year.

"Excess Cash Flow Prepayment Percentage" means, with respect to any mandatory prepayment of the Loans made in accordance with Section 2.2(d), a percentage based on the then applicable Leverage Ratio as follows:

Leverage Ratio	Applicable Percentage
Greater than or equal to 3.0 to 1.0	50%
Greater than or equal to 2.5 to 1.0 but less than 3.0 to 1.0	25%
Less than 2.5 to 1.0	0%

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Administrative Agent, (i) taxes imposed on its overall net income, and franchise taxes imposed on it, by (a) the jurisdiction under the laws of which such Lender or the Administrative Agent is incorporated or organized or any political combination or subdivision or taxing authority thereof or (b) the jurisdiction in which the Administrative Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation or office making or booking a Loan or Facility LC is located, (ii) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (iii) in the case of a Non U.S. Lender (as defined in Section 3.5), any withholding tax that is imposed on amounts payable to such Non U.S. Lender at the time such Non U.S. Lender becomes a party to this Agreement (or designates a new lending office).

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Existing Letters of Credit" means those Letters of Credit identified in Schedule 2.20.

"Facility LC" is defined in Section 2.20.1.

"Facility LC Application" is defined in Section 2.20.3.

"Facility LC Collateral Account" is defined in Section 2.20.11.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any date that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Contract" of a Person means (i) any exchange-traded or over-the-counter future, forward, swap or option contract or other financial instrument with similar characteristics or (ii) any Rate Management Transaction.

"Financial Assistance Problem" means, with respect to any Foreign Subsidiary, the inability of such Foreign Subsidiary to become a Subsidiary Guarantor or to permit its assets from being pledged pursuant to a pledge or security agreement on account of legal or financial limitations imposed by the jurisdiction of organization of such Foreign Subsidiary or other relevant jurisdictions having authority over such Foreign Subsidiary, in each case as determined by the Borrower in its commercially reasonable judgment acting in good faith and in consultation with its legal and tax advisors.

"Financing" means, with respect to any Person, (i) the issuance or sale by such Person of any equity interests in such Person, or (ii) the issuance or sale by such Person of any Indebtedness other than Indebtedness permitted under Section 6.14; provided, however, that the foregoing clause (ii) shall not permit the incurrence by the Borrower or any Subsidiary of any Indebtedness if such incurrence is not otherwise permitted by Section 6.14.

"FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, modified or supplemented from time to time.

"First Tier Foreign Subsidiary" means each Foreign Subsidiary with respect to which any one or more of the Borrower and its Domestic Subsidiaries directly owns more than 50% of such Foreign Subsidiary's issued and outstanding ordinary equity interests.

"Floating Rate" means, for any day, a rate per annum equal to the sum of (i) the Alternate Base Rate for such day, changing when and as the Alternate Base Rate changes plus (ii) the Applicable Margin then in effect, changing as and when the Applicable Margin changes.

"Floating Rate Advance" means an Advance which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which, except as otherwise provided in Section 2.11, bears interest at the Floating Rate.

"Foreign Subsidiary" means any Subsidiary of any Person which is not a Domestic Subsidiary of such Person.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Governmental Authority" means any nation or government, any foreign, federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Governmental Receivables" means, collectively, any and all Receivables which are (a) Medicare Receivables, (b) Medicaid Receivables, (c) CHAMPVA Receivables, (d) TRICARE Receivables, or (e) any other Receivables payable by a Governmental Authority approved by the Administrative Agent.

"Guarantor" means each Subsidiary (other than VNF) of the Borrower which is a party to the Guaranty Agreement, including each Subsidiary of the Borrower which becomes a party to the Guaranty Agreement pursuant to a joinder or other supplement thereto.

"Guaranty Agreement" means the Guaranty Agreement, dated as of the Closing Date, made by the Guarantors in favor of the Administrative Agent for the benefit of the Holders of Secured Obligations, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Holders of Secured Obligations" means the holders of the Secured Obligations from time to time and shall refer to (i) each Lender in respect of its Loans, (ii) the LC Issuer in respect of Reimbursement Obligations, (iii) the Administrative Agent, the Lenders and the LC Issuer in respect of all other present and future obligations and liabilities of the Borrower or any of its Domestic Subsidiaries of every type and description arising under or in connection with this Agreement or any other Loan Document, (iv) each Lender (or affiliate thereof), in respect of all Rate Management Obligations of the Borrower to such Lender (or such affiliate) as exchange party or counterparty under any Rate Management Transaction, unless the Borrower and such Lender mutually agree that such Rate Management Obligations do not constitute Secured Obligations, (v) each Person benefiting from indemnities made by the Borrower or any Subsidiary hereunder or in any Loan Document in respect of the obligations and liabilities of the Borrower or such Subsidiary to such Person, and (vi) their respective permitted successors, transferees and assigns.

"Indebtedness" of a Person means, at any time, without duplication, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than current accounts payable arising in the ordinary course of such Person's business), (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, bonds, debentures, acceptances, or other similar instruments, (v) obligations to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (vi) Capitalized Lease Obligations, (vii) Contingent Obligations of such Person in respect of Indebtedness, (viii) reimbursement obligations under Letters of Credit, bankers' acceptances, surety bonds and similar instruments, including, without limitation, the Letters of Credit described in Section 6.14.19, (ix) for purposes of Section 6.14 only, Net Mark-to-Market Exposure under Rate Management Transactions and other Financial Contracts, and (x) any other obligation for borrowed money which in accordance with Agreement Accounting Principles would be classified as indebtedness on the consolidated balance sheet of such Person.

"Intellectual Property Security Agreements" means the intellectual property security agreements as any Credit Party may from time to time make in favor of the Collateral Agent for the benefit of the Holders of Secured Obligations and the other creditors of the Borrower subject to the Intercreditor Agreement, in each case as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Intercreditor Agreement" means the Collateral Sharing Agreement, dated as of February 24, 2004, by and among the Administrative Agent on behalf of the Lenders, Wells Fargo Bank,

National Association, as Trustee on behalf of certain noteholders, the Collateral Agent, and the Borrower, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months, or, to the extent available as determined by the Administrative Agent in its reasonable judgment, nine or twelve months, commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on but exclude the day which corresponds numerically to such date one, two, three, six, or, if applicable, nine or twelve months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third, sixth or, if applicable, ninth or twelfth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third, sixth or, if applicable, ninth or twelfth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Investment" of a Person means any loan, advance (other than commission, travel, relocation and other loans and advances to officers or employees made in the ordinary course of business), extension of credit (other than Receivables arising in the ordinary course of business) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; any deposit accounts and certificate of deposit owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

"JPMorgan Chase" means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.

"LC Fee" is defined in Section 2.20.4.

"LC Issuer" means JPMorgan Chase (or any subsidiary or affiliate of JPMorgan Chase designated by JPMorgan Chase) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" is defined in Section 2.20.5.

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective permitted successors and assigns. Unless otherwise specified, the term "Lenders" includes the Swing Line Lender and the LC Issuer.

"Lending Installation" means, with respect to a Lender or the Administrative Agent, the office, branch, subsidiary or affiliate of such Lender or the Administrative Agent listed on the signature pages hereof or on the administrative information sheets provided to the Administrative Agent in connection herewith or on a Schedule or otherwise selected by such Lender or the Administrative Agent pursuant to Section 2.17.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Leverage Ratio" has the meaning set forth in Section 6.20.1.

"Lien" means any lien (statutory or other), security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, or encumbrance of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement, and, in the case of stock agreements, any purchase option, call or similar right of a Person with respect to such stock).

"Loan" means, with respect to a Lender, such Lender's loan made pursuant to Article II (or any conversion or continuation thereof), whether constituting a Term Loan, Revolving Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, the Facility LC Applications, the Intercreditor Agreement, the Collateral Documents, the Guaranty Agreement and all other documents, instruments, notes (including any Notes issued pursuant to Section 2.13 (if requested)) and agreements executed in connection herewith or therewith or contemplated hereby or thereby, as the same may be amended, restated or otherwise modified and in effect from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business, condition (financial or otherwise), operations, performance or Property of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower or any Subsidiary to perform its material obligations under the Loan Documents, or (iii) the validity or enforceability of the Loan Documents or the rights or remedies of the Administrative Agent, the Collateral Agent, the LC Issuer or the Lenders thereunder or their rights with respect to the Collateral.

"Material Indebtedness" means any Indebtedness in an outstanding principal amount of $10,000,000 or more in the aggregate (or the equivalent thereof in any currency other than Dollars).

"Material Indebtedness Agreement" means any agreement under which any Material Indebtedness is outstanding or is governed.

"Medicaid" shall mean, collectively, the health care assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program including (a) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting such program; (b) all state statutes and plans for medical assistance enacted in connection with such program and federal rules and regulations promulgated in connection with such program; and (c) all applicable provisions of all rules, regulations, manuals, orders and administrative reimbursement guidelines and requirements of all government authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Medicaid Receivable" shall mean a Receivable payable pursuant to the Medicaid program.

"Medicare" shall mean, collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines pertaining to such program including (a) all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting such program; and (b) all applicable provisions of all rules, regulations, manuals, orders and administrative reimbursement guidelines and requirements of all governmental authorities promulgated in connection with such program (whether or not having the force of law), in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Medicare Receivable" shall mean a Receivable payable pursuant to the Medicare program.

"Modify" and "Modification" are defined in Section 2.20.1.

"Moody's" means Moody's Investors Services, Inc. and any successor thereto.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, which is covered by Title IV of ERISA and to which the Borrower or any member of the Controlled Group is obligated to make contributions.

"Multi-Year Management Incentive Plans" means the Borrower's incentive plans in effect on the Closing Date that run to the benefit of Borrower's senior management and that award cash and/or non-cash bonuses (such as equity interests or options to purchase equity interests in the Borrower) to senior management based upon increases in Consolidated EBITDA and/or the share price for equity interests of the Borrower or similar items that evidence increases in the Borrower's profitability.

"Net Cash Proceeds" means, (1) with respect to any Asset Sale or any Financing by any Person, (a) cash (freely convertible into Dollars) received by such Person from such Asset Sale (including cash received as consideration for the assumption or incurrence of liabilities incurred in connection with or in anticipation of such Asset Sale) or such Financing, after (i) provision for all income or other taxes measured by or resulting from such sale of Property (including reasonably estimated taxes), and the amount of any reserves established by such Person to fund contingent liabilities reasonably estimated to be payable that are directly attributable to such Asset Sale or Financing (as determined reasonably and in good faith by the chief financial officer of such Person), (ii) payment of all reasonable brokerage commissions or discounts and other fees and expenses related to such Asset Sale or Financing, (iii) all amounts used to repay, redeem or repurchase Indebtedness secured by a Lien on any asset disposed of, sold, leased, conveyed or otherwise transferred in such Asset Sale or which is or may be required (by the express terms of the instrument governing such Indebtedness) to be repaid, redeemed or repurchased in connection with such Asset Sale (including payments made to obtain or avoid the need for the consent of any holder of such Indebtedness) or Financing and (2) with respect to an Event of Loss of a Person, cash (freely convertible in Dollars) received by or for such Person's account,

net of (i) reasonable costs or expenses incurred in connection with such Event of Loss, including those costs and expenses incurred in investigating or recovering such cash and reasonable reserves associated therewith in accordance with Agreement Accounting Principles, (ii) amounts required to repay, redeem or repurchase any Indebtedness or statutory or other obligations secured by any Lien on the property (or portion thereof) so damaged or taken (other than the Secured Obligations) or which is required to be and is repaid, redeemed or repurchased in connection with such Event of Loss, and (iii) provision for all income or other taxes measured by or resulting from such Event of Loss (including reasonably estimated taxes), and the amount of any reserves established by such Person to fund contingent liabilities reasonably estimated to be payable that are directly attributable to such Event of Loss (as determined reasonably and in good faith by the chief financial officer of such Person).

"Net Mark-to-Market Exposure" of a Person means, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions, as determined by such Person in good faith. "Unrealized losses" means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination (assuming the Rate Management Transaction were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination (assuming such Rate Management Transaction were to be terminated as of that date).

"Net Working Capital" means, at any date, (a) the consolidated current assets of the Borrower and its consolidated Subsidiaries as of such date (excluding cash, Cash Equivalent Investments, and Unapplied PIP) minus (b) the consolidated current liabilities of the Borrower and its consolidated Subsidiaries as of such date (excluding current liabilities in respect of Indebtedness and PIP Settlements). Net Working Capital at any date may be a positive or negative number. Net Working Capital increases when it becomes more positive or less negative and decreases when it becomes less positive or more negative.

"Non-U.S. Lender" is defined in Section 3.5(iv).

"Note" is defined in Section 2.13.

"Obligations" means all Loans, all Reimbursement Obligations, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Administrative Agent, any Lender, the Swing Line Lender, the LC Issuer, the Arranger, or any indemnitee under the provisions of Section 9.6 or any other provisions of the Loan Documents, in each case of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, foreign exchange risk, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements (in each case whether or not allowed), and any other sum chargeable to the Borrower or any of its Subsidiaries under this Agreement or any other Loan Document.

"Operating Lease" of a Person means any lease of Property (other than a Capitalized Lease) by such Person as lessee which has an original term (including any required renewals and any renewals effective at the option of the lessor) of one year or more.

"Other Taxes" is defined in Section 3.5(ii).

"Outstanding Revolving Credit Exposure" means, as to any Lender at any time, the sum of (i) the aggregate principal amount of its Revolving Loans outstanding at such time, plus (ii) an amount equal to its ratable obligation to purchase participations in the aggregate principal amount of Swing Line Loans outstanding at such time, plus (iii) an amount equal to its ratable obligation to purchase participations in the LC Obligations at such time.

"Participants" is defined in Section 12.2.1.

"Payment Date" means the last day of each March, June, September and December, the Revolving Loan Termination Date and the Term Loan Maturity Date.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" is defined in Section 6.13.21.

"Person" means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"PIP" means periodic interim payments (or similar payments) made by any Governmental Authority to any Credit Party under the Medicare, Medicaid, TRICARE or CHAMPVA programs or any similar program of any Governmental Authority.

"PIP Settlements" has the meaning ascribed to such term in Section 6.9(ii) hereof.

"Plan" means an employee pension benefit plan, excluding any Multiemployer Plan, which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Pledge and Security Agreement" means that certain Pledge and Security Agreement, dated as of the Closing Date, by and between the Credit Parties and the Collateral Agent for the benefit of the Holders of Secured Obligations and the other creditors of the Borrower subject to the Intercreditor Agreement, as the same may be amended, restated, supplemented, or otherwise modified from time to time.

"Pledge Subsidiary" means each Domestic Subsidiary and, at the option of the Administrative Agent, each First Tier Foreign Subsidiary.

"Pricing Schedule" means the Schedule identifying the Applicable Margin and Applicable Fee Rate attached hereto and identified as such.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Prior Credit Agreement" means that Credit Agreement, dated as of February 24, 2004, by and among the Borrower, certain of the Lenders and the Administrative Agent, as amended prior to the Closing Date.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person.

"Pro Rata Share" means, with respect to any Lender, the percentage obtained by multiplying 100% by the quotient of (i) the sum of such Lender's Revolving Loan Commitment and Term Loans at such time divided by (ii) the sum of the Aggregate Revolving Loan Commitment and the aggregate amount of all of the Term Loans at such time; provided, however, if all of the Revolving Loan Commitments and Term Loan Commitments are terminated pursuant to the terms of this Agreement, then "Pro Rata Share" means the percentage obtained by multiplying 100% by the quotient of (a) the sum of such Lender's Outstanding Revolving Credit Exposure and outstanding Term Loans at such time divided by (b) the sum of the Aggregate Outstanding Revolving Credit Exposure and the aggregate outstanding amount of all Term Loans at such time.

"Purchase Price" means the total consideration and other amounts payable in connection with any Acquisition, including, without limitation, any portion of the consideration payable in cash, all Indebtedness, liabilities and contingent obligations incurred or assumed in connection with such Acquisition and all transaction costs and expenses incurred in connection with such Acquisition, but exclusive of the value of any capital stock or other equity interests of the Borrower or any Subsidiary issued as consideration for such Acquisition.

"Purchasers" is defined in Section 12.3.1.

"Rate Management Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered by the Borrower or a Subsidiary which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination

thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Receivable(s)" means and includes all of the Borrower's and each Subsidiary's presently existing and hereafter arising or acquired accounts, accounts receivable, and all present and future rights of the Borrower or such Subsidiary to payment for goods sold or leased or for services rendered (except those evidenced by instruments or chattel paper), whether or not they have been earned by performance, and all rights in any merchandise or goods which any of the same may represent, and all rights, title, security and guarantees with respect to each of the foregoing, including, without limitation, any right of stoppage in transit.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks, non-banks and non-broker lenders for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding under Section 2.20 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Reportable Event" means a reportable event, as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Reports" is defined in Section 9.6.

"Required Lenders" means Lenders in the aggregate having more than 50% of the sum of the Aggregate Revolving Loan Commitment and the Aggregate Term Loan Commitment (or, if all of the Revolving Loan Commitments and Term Loan Commitments are terminated pursuant to the terms of this Agreement, the Aggregate Outstanding Revolving Credit Exposure and aggregate outstanding principal amount of Term Loans at such time).

"Required Mandatory Prepayment Amount" means, with respect to any mandatory prepayment of the Loans made in accordance with Section 2.2(c)(ii), an amount, based on the then applicable Leverage Ratio, equal to the Net Cash Proceeds allocable to the Loans in respect of such prepayment times the then applicable percentage set forth below.

Leverage Ratio	Percentage of Net Cash Proceeds to be Applied in Reduction of Outstanding Loans
Greater than 3.50 to 1.00	75%
Less than or equal to 3.50 to 1.00	50%

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on "Eurocurrency liabilities" (as defined in Regulation D) for such Interest Period.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any equity interests of the Borrower or VITAS Healthcare now or hereafter outstanding, except a dividend payable solely in the Borrower's or VITAS Healthcare's capital stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such capital stock, or (ii) any redemption, retirement, purchase or other acquisition for value, direct or indirect, of any equity interests of the Borrower or any of its Subsidiaries now or hereafter outstanding, other than in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Borrower) of other equity interests of the Borrower (other than Disqualified Stock).

"Revolving Loan" means, with respect to a Lender, such Lender's loan made pursuant to its commitment to lend set forth in Section 2.1.1 (and any conversion or continuation thereof).

"Revolving Loan Commitment" means, for each Lender, including without limitation, each LC Issuer, such Lender's obligation to make Revolving Loans to, and participate in Facility LCs issued upon the application of, the Borrower in an aggregate amount not exceeding the amount set forth for such Lender on the Commitment Schedule or in any Assignment Agreement delivered pursuant to Section 12.3, as such amount may be modified from time to time pursuant to the terms hereof.

"Revolving Loan Pro Rata Share" means, with respect to any Lender, the percentage obtained by multiplying 100% by the quotient of (i) such Lender's Revolving Loan Commitment at such time divided by (ii) the Aggregate Revolving Loan Commitment at such time; provided, however, if all of the Revolving Loan Commitments are terminated pursuant to the terms of this Agreement, then "Revolving Loan Pro Rata Share" means the percentage obtained by multiplying 100% by the quotient of (a) such Lender's Outstanding Revolving Credit Exposure at such time divided by (b) the Aggregate Outstanding Revolving Credit Exposure at such time.

"Revolving Loan Termination Date" means the earlier of (a) February 24, 2010, and (b) the date of termination in whole of the Aggregate Revolving Loan Commitment pursuant to Section 2.2 hereof or the Revolving Loan Commitments pursuant to Section 8.1 hereof.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Sale and Leaseback Transaction" means any sale or other transfer of Property by any Person with the intent to lease such Property as lessee.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Secured Obligations" means, collectively, (i) the Obligations and (ii) all Rate Management Obligations owing in connection with Rate Management Transactions to any Lender or any affiliate of any Lender, unless the Borrower and any such Lender mutually agree that such Rate Management Obligations do not constitute Secured Obligations.

"Senior Secured Indenture" means the Indenture, dated as of February 24, 2004, by and between the Borrower and Wells Fargo Bank, National Association as Trustee for the purchasers of the Senior Secured Notes.

"Senior Secured Indenture Documents" means the Senior Secured Notes, the Senior Secured Indenture, the "Security Documents" as defined in the Senior Secured Indenture, the Intercreditor Agreement, the "Intellectual Property Security Agreements" as defined in the Senior Secured Indenture, and the agreements, documents, and instruments delivered in connection therewith.

"Senior Secured Notes" means those certain Floating Rate Senior Secured Notes due 2010, in an initial aggregate principal amount equal to $110,000,000, issued by the Borrower pursuant to the Senior Secured Indenture.

"Senior Unsecured Indenture" means the Indenture, dated as of February 24, 2004, by and between the Borrower and LaSalle Bank National Association, as Trustee for the purchasers of the Senior Unsecured Notes, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Senior Unsecured Indenture Documents" means the Senior Unsecured Notes, the Senior Unsecured Indenture, and the agreements, documents, and instruments delivered in connection therewith, as each of the foregoing may be amended, restated, supplemented or otherwise modified from time to time.

"Senior Unsecured Notes" means those certain unsecured 8-3/4% Senior Unsecured Notes due 2011 in an initial aggregate principal amount equal to $150,000,000, issued by the

Borrower pursuant to the Senior Unsecured Indenture, as such Notes may be amended, restated, supplemented, or otherwise modified from time to time.

"Service America Asset Sale" means the sale, transfer and assignment of approximately $9,000,000 of assets and approximately $13,000,000 of liabilities of Service America Network, Inc., a Subsidiary of the Borrower, to certain members of Service America Network, Inc.'s senior management.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subordinated Chemed Debentures" means the Convertible Junior Subordinated Debentures due 2030, issued by the Borrower pursuant to the Indenture, dated as of February 7, 2000, between the Borrower and Firstar Bank, National Association, as trustee, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Subsidiary" of a Person means (i) any corporation of which more than 50% of the outstanding securities having ordinary voting power shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization of which more than 50% of the ownership interests having ordinary voting power shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which represents more than 10% of the consolidated tangible assets of the Borrower and its Subsidiaries or Property which is responsible for more than 10% of the consolidated net revenues of the Borrower and its Subsidiaries, in each case, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the twelve-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for that month which begins the twelve-month period, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"Swing Line Borrowing Notice" is defined in Section 2.4.2.

"Swing Line Commitment" means the obligation of the Swing Line Lender to make Swing Line Loans up to a maximum principal amount of $10,000,000 at any one time outstanding.

"Swing Line Lender" means JPMorgan Chase.

"Swing Line Loan" means a Loan made available to the Borrower by the Swing Line Lender pursuant to Section 2.4.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Term Loan" and "Term Loans" are defined in Section 2.1.2.

"Term Loan Commitment" means, as to each Lender, its obligation to make Term Loans to the Borrower pursuant to Section 2.1.2 in an aggregate principal amount set forth for such Lender on the Commitment Schedule.

"Term Loan Maturity Date" means August 24, 2010.

"Term Loan Pro Rata Share" means, with respect to any Lender, the percentage obtained by multiplying 100% by the quotient of (a) such Lender's Term Loans at such time divided by (b) the aggregate amount of all of the Term Loans at such time.

"Third Party Payor" shall mean any Governmental Authority, insurance company, health maintenance organization, preferred provider organization or similar entity that is obligated to make payments with respect to a Receivable.

"Transactions" means, collectively, the following transactions: (i) the consummation of the VITAS Healthcare Acquisition, (ii) the repayment of approximately $74,400,000 of existing Indebtedness of VITAS Healthcare, plus accrued interest thereon, (iii) the repayment of approximately $30,400,000 of existing Indebtedness of the Borrower (including a $4,000,000 make whole premium), plus accrued interest thereon, (iv) the assignment of the Westbrook Agreement by the Borrower to VITAS Healthcare, the payment of $25,000,000 by VITAS Healthcare to Hugh Westbrook pursuant to the Westbrook Agreement and the performance of the other obligations under the Westbrook Agreement, (v) the consummation of the offering and sale of the Senior Secured Notes, the Senior Unsecured Notes and the capital stock of the Borrower and the execution and delivery of notes, indentures and other agreements in connection therewith, and the full repayment of the Senior Secured Notes or the Senior Unsecured Notes, as applicable (including all direct and indirect costs and expenses incurred as a result of such full repayment), (vi) the Borrower and certain of its Subsidiaries entering into the this Agreement and the other Loan Documents, (vii) the issuance or deemed issuance of Facility LCs under this Agreement to replace or backstop, or the cash collateralization of, Letters of Credit issued for the account of the Borrower or any of its Subsidiaries or VITAS Healthcare or any of its Subsidiaries, (viii) the cancellation of a warrant held by the Borrower for shares of the stock of VITAS Healthcare and (ix) the payment of fees and expenses in connection with the foregoing.

"Transferee" is defined in Section 12.4.

"TRICARE" means, collectively, a program of medical benefits covering former and active members of the uniformed services and certain of their dependents, financed and administered by the United States Departments of Defense, Health and Human Services and Transportation, which program was formerly known as the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), and all laws, rules, regulations, manuals, orders and administrative, reimbursement and other guidelines of all governmental authorities promulgated in connection with such program (whether or not having the force of law), in each case as the

same may be amended, supplemented or otherwise modified from time to time.

"TRICARE Receivable" means a Receivable payable pursuant to the TRICARE program.

"Trust Securities" means the Chemed Trust Securities, the Subordinated Chemed Debentures, and the guarantee by the Borrower to the holders of the Chemed Trust Securities of amounts payable thereunder.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a Eurodollar Advance and with respect to any Loan, its nature as a Floating Rate Loan or a Eurodollar Loan.

"Unapplied PIP" has the meaning ascribed to such term in Section 6.9(ii).

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under each Single Employer Plan exceeds the fair market value of all such Plan's assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan for which a valuation report is available, using actuarial assumptions for funding purposes as set forth in such report.

"Unmatured Event of Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"VITAS Healthcare" means VITAS Healthcare Corporation, a Delaware corporation.

"VITAS Healthcare Acquisition" means the Acquisition of VITAS Healthcare by the Borrower or a Subsidiary thereof pursuant to the Agreement and Plan of Merger, dated as of December 18, 2003, by and among the Borrower, VITAS Healthcare and Marlin Merger Corp. as the same may be amended, restated, supplemented or otherwise modified from time to time.

"VITAS Healthcare Severance Program" means the termination or reassignment of VITAS Healthcare's management team upon the effectiveness of the VITAS Healthcare Acquisition and the payments received by the members of such management team as a result of such termination or reassignment.

"VITAS Healthcare Stock Issuance" means any sale of VITAS Healthcare's equity interests to non-Affiliates in conjunction with a public offering of such equity interests.

"VNF" means VITAS of North Florida, Inc., a Florida not-for-profit corporation and a Wholly-Owned Subsidiary of VITAS Healthcare.

"Westbrook Agreement" means the Non-Compete and Consulting Agreement dated as of December 18, 2003 between the Borrower and Hugh Westbrook.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which (other than directors' qualifying shares or shares issued to third parties to the extent necessary to satisfy any licensing requirements under applicable law with respect to

the Borrower's or any of its Subsidiaries' businesses) shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which (other than directors' qualifying shares or shares issued to third parties to the extent necessary to satisfy any licensing requirements under applicable law with respect to the Borrower's or any of its Subsidiaries' businesses) shall at the time be so owned or controlled.

"Yellow Pages Advertising Expense" means, on any determination date, the excess of (x) costs accrued in accordance with GAAP during the twelve-month period ending on such date in connection with the Borrower's and its Affiliates' purchase of advertisements in the Yellow Pages telephone directory and other similar telephone directories, over (y) amounts deemed by the Borrower to have been paid in respect of such advertisements during such twelve-month period as set forth in the Borrower's internal management reports detailing its advertising expenses.

1.2. Plural Forms. The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE CREDITS

2.1. Revolving Loan Commitments and Term Loan Commitments.

2.1.1 Revolving Loans. From and including the Closing Date and prior to the Revolving Loan Termination Date, upon the satisfaction of the conditions precedent set forth in Section 4.1 and 4.2, as applicable, each Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to (i) make Revolving Loans to the Borrower from time to time and (ii) participate in Facility LCs issued upon the request of the Borrower, in each case in an amount not to exceed in the aggregate at any one time outstanding of its Revolving Loan Pro Rata Share of the excess of the Aggregate Revolving Loan Commitment over the Aggregate Outstanding Revolving Credit Exposure; provided that at no time shall the Aggregate Outstanding Revolving Credit Exposure hereunder exceed the Aggregate Revolving Loan Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Revolving Loans at any time prior to the Revolving Loan Termination Date. The commitment of each Lender to lend hereunder shall automatically expire on the Revolving Loan Termination Date. The LC Issuer will issue Facility LCs hereunder on the terms and conditions set forth in Section 2.20.

2.1.2 Term Loans. Each Lender severally and not jointly agrees to make a term loan, in Dollars, to the Borrower on the Closing Date in an amount equal to such Lender's Term Loan Commitment (each such loan being referred to herein individually as a "Term Loan" and collectively as the "Term Loans"). The unpaid principal balance of the Term Loans shall be repaid in twenty-one (21) consecutive quarterly principal

installments, payable on the last Business Day of each fiscal quarter of the Borrower, commencing on June 30, 2005, and continuing thereafter until the Term Loan Maturity Date, and the Term Loans shall be permanently reduced by the amount of each installment on the date payment thereof is made hereunder. Each such quarterly installment, other than the installment due on the Term Loan Maturity Date or such other date on which the Term Loans are to be fully repaid, shall be in an amount equal to 0.25% of the aggregate principal amount of the Term Loans outstanding on the Closing Date. The final installment for the Term Loans shall be in the amount of the then outstanding principal balance of the Term Loans. In addition, notwithstanding the immediately preceding sentence, the then outstanding principal balance of the Term Loans, if any, shall be due and payable on the Term Loan Maturity Date. No installment of any Term Loan shall be reborrowed once repaid. In addition to the scheduled payments on the Term Loans, the Borrower (a) may make the voluntary prepayments described in Section 2.7 for credit against the scheduled payments on the Term Loans pursuant to Section 2.7 and (b) shall make the mandatory prepayments prescribed in Section 2.2 for credit against the scheduled payments on the Term Loans pursuant to Section 2.2.

2.2. Required Payments; Termination. (a) Any outstanding Revolving Loans shall be paid in full by the Borrower on the Revolving Loan Termination Date, any outstanding Term Loans shall be paid in full by the Borrower on the Term Loan Maturity Date, and all other due and unpaid Secured Obligations shall be paid in full by the Borrower on the later of the date when due or the Revolving Loan Termination Date and the Term Loan Maturity Date, as applicable. In addition, if at any time the Aggregate Outstanding Revolving Credit Exposure hereunder exceeds the Aggregate Revolving Loan Commitment, the Borrower shall promptly repay outstanding Revolving Loans and Swing Line Loans (or, if no Revolving Loans or Swing Line Loans are outstanding, cash collateralize the outstanding LC Obligations by depositing funds in the Facility LC Collateral Account in accordance with Section 2.20.11) in an aggregate amount equal to the excess of the Aggregate Outstanding Revolving Credit Exposure over the Aggregate Revolving Loan Commitment. Notwithstanding the termination of the Revolving Loan Commitments under this Agreement on the Revolving Loan Termination Date, until all of the Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice and contingent indemnity obligations) shall have been fully paid and satisfied, all of the rights and remedies under this Agreement and the other Loan Documents shall survive to the extent provided herein.

(b) Asset Sales and Casualty Events. Upon (1) the consummation of any Asset Sale (including sales of equity interests in the Borrower's Subsidiaries (other than a VITAS Healthcare Stock Issuance), but excluding sales, dispositions or transfers permitted under Sections 6.12.1, 6.12.2, or 6.12.3), by the Borrower or any Subsidiary or (2) the Borrower or any Subsidiary suffering an Event of Loss, in each case within five (5) Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Cash Proceeds (or conversion to cash of non-cash proceeds (whether principal or interest and including securities and release of escrow arrangements)) received from any such Asset Sale or Event of Loss, the Borrower shall do one or more of the following, at its option: (x) redeem or make an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents and (y) make a mandatory prepayment of Loans outstanding hereunder (with prepayments of Loans hereunder being

applied to reduce outstanding Term Loans, to the extent such Term Loan prepayments are accepted under Section 2.2(e), and otherwise applied in accordance with Section 2.2(e)), in an amount equal to one hundred percent (100%) of such Net Cash Proceeds; provided, however, that the amount of such Net Cash Proceeds applied pursuant to clause (y) shall be at least equal to, but may be greater than, the lesser of (A) the aggregate outstanding Term Loans and (B) the ratable portion of such Net Cash Proceeds so applied pursuant to clauses (x) and (y) that is allocable to the Term Loans based upon Indebtedness outstanding under the Senior Unsecured Indenture Documents and the principal amount of the Term Loans outstanding on the date of such prepayment. To the extent that an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents is rejected, the Borrower shall not then be required to use such Net Cash Proceeds to prepay the Loans. Notwithstanding the foregoing, Net Cash Proceeds of Asset Sales or Events of Loss, with respect to which the Borrower shall have given the Administrative Agent written notice of its intention to repair or replace the Property subject to any such Asset Sale or Event of Loss or invest such Net Cash Proceeds in the purchase of assets (other than securities, unless those securities represent equity interests in an entity that becomes a Guarantor) to be used by one or more of the Borrower or the Guarantors in their businesses within one year following such Asset Sale or Event of Loss, shall not be subject to the provisions of the first sentence of this Section 2.2(b) unless and to the extent that such applicable period shall have expired without such repair, replacement or investment having been made.

(c) Financings.

(i) Indebtedness Financings. Upon the consummation of any Financing constituting an issuance of Indebtedness by the Borrower or any Subsidiary of the Borrower, within three (3) Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Cash Proceeds, the Borrower shall do one or more of the following at its option: (x) redeem or make an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents and (y) make a mandatory prepayment of Loans outstanding hereunder (with prepayments of Loans hereunder being applied to reduce outstanding Term Loans to the extent such Term Loan prepayments are accepted under Section 2.2(e), and otherwise applied in accordance with Section 2.2(e)), in an amount equal to one hundred percent (100%) of such Net Cash Proceeds; provided, however, that the amount of such Net Cash Proceeds applied pursuant to clause (y) shall be at least equal to, but may be greater than, the lesser of (A) the aggregate outstanding Term Loans and (B) the ratable portion of such Net Cash Proceeds so applied pursuant to clauses (x) and (y) that is allocable to the Term Loans based upon Indebtedness outstanding under the Senior Unsecured Indenture Documents, and the principal amount of the Term Loans outstanding on the date of such prepayment. To the extent that an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents is rejected, the Borrower shall not then be required to use such Net Cash Proceeds to prepay the Loans.

(ii) Financings constituting Chemed Stock Issuances or VITAS Healthcare Stock Issuances. Upon the consummation of a Chemed Stock Issuance or a VITAS Healthcare Stock Issuance, within three (3) Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Cash Proceeds, the Borrower shall do one or more of the following: (x) redeem or make an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents and (y) make a mandatory prepayment of Loans outstanding hereunder

(with prepayments of Loans hereunder being applied to reduce outstanding Term Loans, to the extent such Term Loan prepayments are accepted under Section 2.2(e), and otherwise applied in accordance with Section 2.2(e)), in an amount equal to the Required Mandatory Prepayment Amount; provided, however, that the Required Mandatory Prepayment Amount payable under clause (y) shall be at least equal to, but may be greater than, the lesser of, after giving effect to the percentage of total Net Cash Proceeds used to determine the Required Mandatory Prepayment Amount, (A) the aggregate outstanding Term Loans and (B) the ratable portion of such Net Cash Proceeds so applied pursuant to clauses (x) and (y) that is allocable to the Term Loans based upon Indebtedness outstanding under the Senior Unsecured Indenture Documents, and the principal amount of the Term Loans outstanding on the date of such prepayment. To the extent that an offer to repurchase Indebtedness outstanding under the Senior Unsecured Indenture Documents is rejected, the Borrower shall not then be required to use such Net Cash Proceeds to prepay the Loans.

(d) Excess Cash Flow. Within 90 days after the end of each Cash Flow Period that occurs while Term Loans are outstanding, the Borrower shall calculate Excess Cash Flow for such Cash Flow Period and shall make a mandatory prepayment of the Term Loans, to the extent such Term Loan prepayments are accepted under Section 2.2(e), payable not later than 90 days after the end of such Cash Flow Period, in an amount equal to the excess of (i) the Excess Cash Flow Prepayment Percentage of such Excess Cash Flow over (ii) prepayments of Term Loans pursuant to Section 2.7 that were made during such Cash Flow Period. Each such prepayment shall be subject to the provisions governing the application of payments set forth in Section 2.2(e)

(e) Application of Designated Prepayments. Each mandatory prepayment required by clauses (b) and (c) (in each case to the extent payable with respect to the Term Loans), and (d) of this Section 2.2 shall be referred to herein as a "Designated Prepayment." Subject to the following, Designated Prepayments shall be applied to reduce the subsequent scheduled repayments of Term Loans ratably. The Administrative Agent, upon receipt of any mandatory prepayment required under Section 2.2 (b), (c) or (d), shall notify the Lenders holding Term Loans of such prepayment. Within five Business Days of receipt of such notice, each such Lender shall indicate whether it wishes to receive its ratable portion of such prepayment. A Lender's failure to respond to the Administrative Agent within such five Business Day period shall be deemed to constitute such Lender's acceptance of such prepayment. At the end of such five Business Day period, the Administrative Agent shall remit to those Lenders that accepted the applicable prepayment their allocable share of such prepayment. Designated Prepayments of Term Loans shall first be applied to Floating Rate Loans and to any Eurodollar Rate Loans maturing on such date and then to subsequently maturing Eurodollar Rate Loans in order of maturity. Notwithstanding the foregoing, so long as no Event of Default has occurred and is then continuing and at the Borrower's option, the Administrative Agent shall hold all Designated Prepayments to be applied to Eurodollar Rate Loans in escrow for the benefit of the Lenders and shall release such amounts upon the expiration of the Interest Periods applicable to any such Eurodollar Rate Loans being prepaid (it being understood and agreed that interest shall continue to accrue on the Obligations until such time as such prepayments are released from escrow and applied to reduce the Obligations); provided, however, that upon the occurrence and continuance of an Event of Default, such escrowed amounts may be applied to Eurodollar Rate Loans without

regard to the expiration of any Interest Period and the Borrower shall make all payments under Section 3.4 resulting therefrom.

2.3. Ratable Loans; Types of Advances. (a) Each Advance hereunder (other than a Swing Line Loan) shall consist of Loans made from the several Lenders. Such Loans shall be made ratably in proportion to their respective Revolving Loan Pro Rata Shares or Term Loan Pro Rata Shares, as applicable.

(b) The Advances may be Floating Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.8 and 2.9, or Swing Line Loans selected by the Borrower in accordance with Section 2.4.

2.4. Swing Line Loans.

2.4.1 Amount of Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Section 4.2 and, if such Swing Line Loan is to be made on the date of the initial Credit Extension hereunder, the satisfaction of the conditions precedent set forth in Section 4.1 as well, from and including the date of this Agreement and prior to the Revolving Loan Termination Date, the Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make Swing Line Loans to the Borrower from time to time in an aggregate principal amount not to exceed the Swing Line Commitment, provided that the Aggregate Outstanding Revolving Credit Exposure shall not at any time exceed the Aggregate Revolving Loan Commitment, and provided further that at no time shall the sum of (i) the Swing Line Lender's Pro Rata Share of the Swing Line Loans then outstanding, plus (ii) the outstanding Revolving Loans made by the Swing Line Lender pursuant to Section 2.1 (including its participation in any Facility LCs), exceed the Swing Line Lender's Revolving Loan Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow Swing Line Loans at any time prior to the Revolving Loan Termination Date.

2.4.2 Borrowing Notice. The Borrower shall deliver to the Administrative Agent and the Swing Line Lender irrevocable notice (a "Swing Line Borrowing Notice") not later than 12:00 noon (Chicago, Illinois time) on the Borrowing Date of each Swing Line Loan, specifying (i) the applicable Borrowing Date (which date shall be a Business Day), and (ii) the aggregate amount of the requested Swing Line Loan which shall be an amount not less than $100,000. The Swing Line Loans shall bear interest at the Floating Rate or at such other rate as is agreed upon by the Borrower and the Swing Line Lender.

2.4.3 Making of Swing Line Loans. Promptly after receipt of a Swing Line Borrowing Notice, the Administrative Agent shall notify each Lender by fax or other similar form of transmission, of the requested Swing Line Loan. Not later than 2:00 p.m. (Chicago, Illinois time) on the applicable Borrowing Date, the Swing Line Lender shall make available the Swing Line Loan, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will promptly make the funds so received from the Swing Line Lender available to the Borrower on the Borrowing Date at the Administrative Agent's aforesaid address.

2.4.4 Repayment of Swing Line Loans. Each Swing Line Loan shall be paid in full by the Borrower on or before the fifth (5th) Business Day after the Borrowing Date for such Swing Line Loan. In addition, the Swing Line Lender (i) may at any time in its sole discretion with respect to any outstanding Swing Line Loan, or (ii) shall, on the fifth (5th) Business Day after the Borrowing Date of any Swing Line Loan, require each Lender (including the Swing Line Lender) to make a Revolving Loan in the amount of such Lender's Revolving Loan Pro Rata Share of such Swing Line Loan (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swing Line Loan. Not later than 1:00 p.m. (Chicago, Illinois time) on the date of any notice received pursuant to this Section 2.4.4, each Lender shall make available its required Revolving Loan, in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIII. Revolving Loans made pursuant to this Section 2.4.4 shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Loans in the manner provided in Section 2.9 and subject to the other conditions and limitations set forth in Article II. Unless a Lender shall have notified the Swing Line Lender, prior to its making any Swing Line Loan, that any applicable condition precedent set forth in Sections 4.1 or 4.2, as applicable, had not been satisfied, such Lender's obligation to make Revolving Loans pursuant to this Section 2.4.4 to repay Swing Line Loans shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender or any other Person, (b) the occurrence or continuance of an Event of Default or Unmatured Event of Default, (c) any adverse change in the condition (financial or otherwise) of the Borrower, or (d) any other circumstances, happening or event whatsoever. In the event that any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.4.4, the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Administrative Agent of any amount due under this Section 2.4.4, such Lender shall be deemed, at the option of the Administrative Agent, to have unconditionally and irrevocably purchased from the Swing Line Lender, without recourse or warranty, an undivided interest and participation in the applicable Swing Line Loan in the amount of such Revolving Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received. On the Revolving Loan Termination Date, the Borrower shall repay in full the outstanding principal balance of the Swing Line Loans.

2.5. Commitment Fee; Aggregate Revolving Loan Commitment.

2.5.1 Commitment Fee. The Borrower shall pay to the Administrative Agent, for the account of the Lenders with Revolving Loan Commitments in accordance with their Revolving Loan Pro Rata Shares, from and after the Closing Date until the date on which the Aggregate Revolving Loan Commitment shall be terminated in whole, a commitment

fee (the "Commitment Fee") accruing at the rate of the then Applicable Fee Rate on the average daily excess of the Aggregate Revolving Loan Commitment over the Aggregate Outstanding Revolving Credit Exposure. All such Commitment Fees payable hereunder shall be payable quarterly in arrears on each Payment Date.

2.5.2 Reductions in Aggregate Revolving Loan Commitment. The Borrower may permanently reduce the Aggregate Revolving Loan Commitment in whole, or in part, ratably among the Lenders in the minimum amount of $5,000,000 (and in multiples of $1,000,000 in excess thereof), upon at least three (3) Business Days' written notice to the Administrative Agent, which notice may be conditional and shall specify the amount of any such reduction, provided, however, that the amount of the Aggregate Revolving Loan Commitment may not be reduced below the Aggregate Outstanding Revolving Credit Exposure. All accrued Commitment Fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Credit Extensions hereunder and on the final date upon which all Loans are repaid.

2.6. Minimum Amount of Each Advance. Each Eurodollar Advance shall be in the minimum amount of $2,000,000 (and in multiples of $500,000 if in excess thereof), and each Floating Rate Advance (other than an Advance to repay Swing Line Loans) shall be in the minimum amount of $1,000,000 (and in multiples of $250,000 if in excess thereof), provided, however, that any Floating Rate Advance may be (i) in the amount of the excess of the Aggregate Revolving Loan Commitment over the Aggregate Outstanding Revolving Credit Exposure or (ii) in such amount as is required, in accordance with Section 2.20.6, to finance the reimbursement of a draw under a Facility LC.

2.7. Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Floating Rate Advances (other than Swing Line Loans), or any portion of the outstanding Floating Rate Advances (other than Swing Line Loans), in a minimum aggregate amount of $500,000 or any integral multiple of $100,000 in excess thereof, with notice to the Administrative Agent by 11:00 a.m. (Chicago, Illinois time) on the date of repayment, which notice may be conditional. The Borrower may at any time pay, without penalty or premium, all outstanding Swing Line Loans, or, in a minimum amount of $100,000 and increments of $50,000 in excess thereof, any portion of the outstanding Swing Line Loans, with notice to the Administrative Agent and the Swing Line Lender by 11:00 a.m. (Chicago, Illinois time) on the date of repayment, which notice may be conditional. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of $1,000,000 or any integral multiple of $500,000 in excess thereof, any portion of the outstanding Eurodollar Advances upon three (3) Business Days' prior notice to the Administrative Agent, which notice may be conditional.

2.8. Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time; provided that there shall be no more than 5 Interest Periods in effect with respect to all of the Loans at any time, unless such limit has been waived by the Administrative Agent in its sole discretion. The Borrower shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m.

(Chicago, Illinois time) at least one Business Day before the Borrowing Date of each Floating Rate Advance (other than a Swing Line Loan) and three (3) Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the aggregate amount of such Advance,

(iii) the Type of Advance selected, and

(iv) in the case of each Eurodollar Advance, the Interest Period applicable thereto.

Not later than 12:00 noon (Chicago, Illinois time) on each Borrowing Date, each Lender shall make available its Loan or Loans in Federal or other funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will promptly make the funds so received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

2.9. Conversion and Continuation of Outstanding Advances; No Conversion or Continuation of Eurodollar Advances After Event of Default. Floating Rate Advances (other than Swing Line Advances) shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.9 or are repaid in accordance with Section 2.7. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.7 or (y) the Borrower shall have given the Administrative Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.6, the Borrower may elect from time to time to convert all or any part of an Advance of any Type (other than a Swing Line Advance) into any other Type or Types of Advances; provided that any conversion of any Eurodollar Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. Notwithstanding anything to the contrary contained in this Section 2.9, during the continuance of an Event of Default or an Unmatured Event of Default, the Administrative Agent may (or shall at the direction of the Required Lenders), by notice to the Borrower, declare that no Advance may be made, converted or continued as a Eurodollar Advance. The Borrower shall give the Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of an Advance or continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago, Illinois time) at least one (1) Business Day, in the case of a conversion into a Floating Rate Advance, or three (3) Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Advance which is to be converted or continued, and

(iii) the amount of such Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

2.10. Changes in Interest Rate, etc. Each Floating Rate Advance (other than a Swing Line Advance) shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance pursuant to Section 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to Section 2.9 hereof, at a rate per annum equal to the Floating Rate for such day. Each Swing Line Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the day such Swing Line Loan is made to but excluding the date it is fully paid at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Administrative Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under Sections 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Interest Period in respect of any Revolving Loan may end after the Revolving Loan Termination Date. No Interest Period in respect of any Term Loan may end after the Term Loan Maturity Date.

2.11. Rates Applicable After Event of Default. During the continuance of an Event of Default (including the Borrower's failure to pay any Loan at maturity) the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (i) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate in effect from time to time plus 2% per annum, and (iii) the LC Fee shall be increased by 2% per annum; provided that, during the continuance of an Event of Default under Section 7.6 or 7.7, the interest rates set forth in clauses (i) and (ii) above and the increase in the LC Fee set forth in clause (iii) above shall be applicable to all Credit Extensions, Advances, fees and other Obligations hereunder without any election or action on the part of the Administrative Agent or any Lender.

2.12. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XIII, or at any other Lending Installation of the Administrative Agent specified in writing by the Administrative Agent to the Borrower, by 12:00 noon (Chicago, Illinois time) on the date when due and shall (except with respect to repayments of Swing Line Loans, and except in the case of Reimbursement Obligations for which the LC Issuer has not been fully indemnified by the Lenders, or as otherwise specifically required hereunder) be applied ratably by the Administrative Agent among the Lenders. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds that the Administrative Agent received at its address specified pursuant to Article XIII or at any Lending Installation specified in a notice received by the

Administrative Agent from such Lender. The Administrative Agent is hereby authorized to charge the account of the Borrower maintained with JPMorgan Chase for each payment of the Obligations as it becomes due hereunder. Each reference to the Administrative Agent in this Section 2.12 shall also be deemed to refer, and shall apply equally, to the LC Issuer in the case of payments required to be made by the Borrower to the LC Issuer pursuant to Section 2.20.6.

2.13. Noteless Agreement; Evidence of Indebtedness.

(i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall also maintain accounts in which it will record (a) the date and the amount of each Loan made hereunder, the Type thereof and the Interest Period (in the case of a Eurodollar Advance) with respect thereto, (b) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, (c) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, (d) the effective date and amount of each Assignment Agreement delivered to and accepted by it and the parties thereto pursuant to Section 12.3, (e) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof, and (f) all other appropriate debits and credits as provided in this Agreement, including, without limitation, all fees, charges, expenses and interest.

(iii) The entries maintained in the accounts maintained pursuant to paragraphs (i) and (ii) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Administrative Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(iv) Any Lender may request that its Term Loans, Revolving Loans or, in the case of the Swing Line Lender, the Swing Line Loans, be evidenced by promissory notes (the "Notes") in substantially the form of Exhibit E-1 or E-2, with appropriate changes for notes evidencing Swing Line Loans. In such event, the Borrower shall prepare, execute and deliver to such Lender such Note(s) payable to such Lender. Thereafter, the Loans evidenced by such Note(s) and interest thereon shall at all times (prior to any assignment pursuant to Section 12.3) be represented by one or more Notes payable to the payee named therein, except to the extent that any such Lender subsequently returns any such Note(s) for cancellation and requests that such Loans once again be evidenced as described in paragraphs (i) and (ii) above.

2.14. Telephonic Notices. The Borrower hereby authorizes the Lenders and the Administrative Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Administrative Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by the Administrative Agent or any Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

2.15. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable in arrears on each Payment Date, commencing with the first such date to occur after the Closing Date, on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Eurodollar Advances, LC Fees and all other fees hereunder shall be calculated for actual days elapsed on the basis of a 360-day year. Interest on Floating Rate Advances shall be calculated for actual days elapsed on the basis of a 365/366-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to 12:00 noon (Chicago, Illinois time) at the place of payment. If any payment of principal of or interest on an Advance, any fees or any other amounts payable to the Administrative Agent or any Lender hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest, fees and commissions in connection with such payment.

2.16. Notification of Advances, Interest Rates, Prepayments and Revolving Loan Commitment Reductions; Availability of Loans. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each Aggregate Revolving Loan Commitment reduction notice, Borrowing Notice, Swing Line Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. Promptly after notice from the LC Issuer, the Administrative Agent will notify each Lender of the contents of each request for issuance of a Facility LC hereunder. The Administrative Agent will notify the Borrower and each Lender of the interest rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give the Borrower and each Lender prompt notice of each change in the Alternate Base Rate. Not later than 12:00 noon (Chicago, Illinois time) on each Borrowing Date (except with respect to Revolving Loans made available pursuant to the terms of Section 2.4.4), each Lender shall make available its Revolving Loan or Revolving Loans in funds immediately available in Chicago to the Administrative Agent at its address specified pursuant to Article XIII. The Administrative Agent will promptly make the funds so

received from the Lenders available to the Borrower at the Administrative Agent's aforesaid address.

2.17. Lending Installations. Each Lender may book its Loans and its participation in any LC Obligations and the LC Issuer may book the Facility LCs at any Lending Installation selected by such Lender or the LC Issuer, as applicable, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans, Facility LCs, participations in LC Obligations and any Notes issued hereunder shall be deemed held by each Lender or the LC Issuer, as applicable, for the benefit of any such Lending Installation. Each Lender and the LC Issuer may, by written notice to the Administrative Agent and the Borrower in accordance with Article XIII, designate replacement or additional Lending Installations through which Loans will be made by it or Facility LCs will be issued by it and for whose account Loan payments or payments with respect to Facility LCs are to be made.

2.18. Non-Receipt of Funds by the Administrative Agent. Unless the Borrower or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Administrative Agent for the account of the Lenders, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three (3) days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19. Replacement of Lender. If the Borrower is required pursuant to Section 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Floating Rate Advances into, Eurodollar Advances shall be suspended pursuant to Section 3.3, or if any Lender defaults in its obligations to extend Loans or participate in Facility LCs hereunder (any Lender so affected an "Affected Lender"), the Borrower may elect to terminate or replace the Revolving Loan Commitment, Term Loan Commitment and Loans of such Affected Lender, provided that no Event of Default shall have occurred and be continuing at the time of such termination or replacement, and provided further that, concurrently with such termination or replacement, (i) if the Affected Lender is being replaced, another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall agree, as of such date, to purchase for cash the Outstanding Revolving Credit Exposure and Term Loans of the Affected Lender pursuant to an Assignment Agreement substantially in the form of Exhibit C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such

date and to comply with the requirements of Section 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in immediately available funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under Sections 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender, in each case to the extent not paid by the purchasing lender and (iii) if the Affected Lender is being terminated, the Borrower shall pay to such Affected Lender all Obligations due to such Affected Lender (including the amounts described in the immediately preceding clauses (i) and (ii) plus, to the extent not paid by the replacement Lender, the outstanding principal balance of such Affected Lender's Credit Extensions). The Administrative Agent shall record such payments made by the Borrower in accordance with Section 2.13.

2.20. Facility LCs.

2.20.1 Existing Letters of Credit; Issuance. The Borrower, the Lenders, the Administrative Agent and the LC Issuer agree and confirm that, as of the Closing Date, and subject to the satisfaction of the condition precedent set forth in Section 4.1, the Existing Letters of Credit shall (x) be deemed to have been issued pursuant to this Agreement, (y) constitute Facility LCs, and (z) be governed by this Section 2.20, together with the other terms and conditions of this Agreement. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby Letters of Credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action, a "Modification"), from time to time from and including the date of this Agreement and prior to the Revolving Loan Termination Date upon the request of the Borrower; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $40,000,000 and (ii) the Aggregate Outstanding Revolving Credit Exposure shall not exceed the Aggregate Revolving Loan Commitment. Subject to the remaining terms of this Section 2.20.1, no Facility LC shall have an expiry date later than the earlier of (x) the fifth Business Day prior to the Revolving Loan Termination Date and (y) one year after its issuance; provided that any Facility LC with a one-year term may provide for the renewal thereof for additional one-year periods (which in no event shall extend beyond the date referred to in the preceding clause (x)); provided, further, that so long as approved by the Administrative Agent and the LC Issuer (which approvals shall not be unreasonably withheld), Facility LCs with stated face amounts not in excess of $250,000 in the aggregate may have expiry dates that occur within three years of the dates of issuance thereof but in any event no later than the date referred to in the preceding clause (x)). Notwithstanding anything to the contrary set forth in this Agreement, a Facility LC may have an expiry date which occurs after the Revolving Loan Termination Date so long as the Administrative Agent receives from the Borrower, at least five (5) Business Days prior to the Revolving Loan Termination Date, an amount in immediately available funds equal to at least 105% of the LC Obligations owing under or in connection with such Facility LC. Such funds shall secure the repayment of such LC Obligations and any other then outstanding Secured Obligations, if

any, in respect of such Facility LC and shall be deposited in the Facility LC Collateral Account. The Borrower shall ensure that the Collateral Agent for the benefit of the LC Issuer and the Lenders at all times maintains a perfected first priority Lien upon and control over the Facility LC Collateral Account. Such funds and any interest accrued thereon (to the extent not applied to reimburse the LC Issuer for any draw under a Facility LC) shall be returned to the Borrower within three Business Days after the expiration of the Facility LC relating to the LC Obligations secured by such funds.

2.20.2 Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.20, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Revolving Loan Pro Rata Share.

2.20.3 Notice. Subject to Section 2.20.1, the Borrower shall give the LC Issuer notice prior to 10:00 a.m. (Chicago, Illinois time) at least five (5) Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Administrative Agent, and, upon issuance only, the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article IV (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

2.20.4 LC Fees. The Borrower shall pay to the Administrative Agent, for the account of the Lenders ratably in accordance with their respective Revolving Loan Pro Rata Shares, a letter of credit fee at a per annum rate equal to the Applicable Margin for Eurodollar Advances of Revolving Loans then in effect times the average daily undrawn stated amount under the Facility LCs, such fee to be payable in arrears on each Payment Date. The Borrower shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount equal to 0.125% times the face amount of such Facility LC, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time. Each fee described in this Section 2.20.4 shall constitute an "LC Fee".

2.20.5 Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the Borrower and each other Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Borrower and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Lender shall be unconditionally and irrevocably liable without regard to the occurrence of any Event of Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Lender's Revolving Loan Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.20.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 a.m. (Chicago, Illinois time) on such date, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three (3) days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

2.20.6 Reimbursement by Borrower. The Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer for any amounts to be paid by the LC Issuer. Upon any drawing under any Facility LC, a reimbursement in respect thereof shall be made by the Borrower on the date of the drawing if the Borrower shall have received written notice of such drawing prior to 10:00 a.m. Chicago time on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon Chicago time on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m. Chicago time on the day of receipt or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that neither the Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Whether or not an Event of Default or Unmatured Event of Default has occurred and is continuing, unless the Borrower elects to repay a Reimbursement Obligation, regardless of whether the conditions for making a Revolving Loan under Section 4.2 have been satisfied, such unpaid Reimbursement Obligation shall be automatically converted into a Revolving Loan as of the date of the payment by the LC Issuer giving rise to the Reimbursement Obligation. Such Revolving Loan shall be in an

amount equal to the amount of the unpaid Reimbursement Obligation. Such Revolving Loan shall initially constitute a Floating Rate Advance and the proceeds of such Advance shall be used to repay such Reimbursement Obligation. Such Floating Rate Advance may be converted into a Eurodollar Advance in accordance with the terms of Section 2.9. If the Borrower at any time fails to repay a Reimbursement Obligation pursuant to this Section 2.20, such unpaid Reimbursement Obligation shall at that time be automatically converted into an Obligation and the Borrower shall be deemed to have elected to borrow a Revolving Loan from the Lenders, as of the date of the payment by the LC Issuer giving rise to the Reimbursement Obligation, in an amount equal to the amount of the unpaid Reimbursement Obligation. Such Revolving Loan shall be made as of the date of the payment giving rise to such Reimbursement Obligation, automatically, without notice and without any requirement to satisfy the conditions precedent otherwise applicable to a Revolving Loan if the Borrower shall have failed to make such payment to the Administrative Agent for the account of the LC Issuer prior to such time. Such Revolving Loan shall constitute a Floating Rate Advance and the proceeds of such Advance shall be used to repay such Reimbursement Obligation. If, for any reason, the Borrower fails to repay a Reimbursement Obligation on the day such Reimbursement Obligation arises and, for any reason, the Lenders are unable to make or have no obligation to make a Revolving Loan, then such Reimbursement Obligation shall bear interest from and after such day, until paid in full, at the interest rate applicable to a Floating Rate Advance. The Borrower agrees to indemnify the LC Issuer against any loss or expense determined by the LC Issuer in good faith to have resulted from any conversion pursuant to this Section 2.20 by reason of the inability of the LC Issuer to convert the amount received from the Borrower or from the Lenders, as applicable, into an amount equal to the amount of such Reimbursement Obligation. The LC Issuer will pay to each Lender ratably in accordance with its Revolving Loan Pro Rata Share all amounts received by it from the Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.20.5.

2.20.7 Obligations Absolute. The Borrower's obligations under this Section 2.20 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the LC Issuer, any Lender or any beneficiary of a Facility LC. The Borrower further agrees with the LC Issuer and the Lenders that the LC Issuer and the Lenders shall not be responsible for, and the Borrower's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrower agrees that any action taken or omitted by the LC Issuer or any Lender under or in connection

with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrower and shall not put the LC Issuer or any Lender under any liability to the Borrower. Nothing in this Section 2.20.7 is intended to limit the right of the Borrower to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.20.6.

2.20.8 Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Required Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.20, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holders of a participation in any Facility LC.

2.20.9 Indemnification. The Borrower hereby agrees to indemnify and hold harmless each Lender, the LC Issuer and the Administrative Agent, and their respective directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities and related reasonable out-of-pocket costs or expenses which such Lender, the LC Issuer or the Administrative Agent may incur (or which may be claimed against such Lender, the LC Issuer or the Administrative Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any such claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights the Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Borrower shall not be required to indemnify any Lender, the LC Issuer or the Administrative Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in

this Section 2.20.9 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

2.20.10 Lenders' Indemnification. Each Lender shall, ratably in accordance with its Revolving Loan Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.20 or any action taken or omitted by such indemnitees hereunder.

2.20.11 Facility LC Collateral Account. The Borrower agrees that it will, upon the request of the Administrative Agent or the Required Lenders and until the final expiration date of any Facility LC and thereafter as long as any amount is payable to the LC Issuer or the Lenders in respect of any Facility LC, maintain a special collateral account pursuant to arrangements reasonably satisfactory to the Administrative Agent and the Borrower (the "Facility LC Collateral Account") at the Administrative Agent's office at the address specified pursuant to Article XIII, in the name of the Borrower but under the sole dominion and control of the Collateral Agent for the benefit of the LC Issuers and the Lenders and in which the Borrower shall have no interest other than as set forth in Section 8.1. The Borrower hereby pledges, assigns and grants to the Collateral Agent, on behalf of and for the ratable benefit of the Lenders and the LC Issuer, a security interest in all of the Borrower's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Secured Obligations in respect of Facility LCs. The Borrower shall deposit cash collateral pursuant to this paragraph as and to the extent required by Section 2.2 as collateral for the payment and performance of the LC Obligations and the other Secured Obligations in respect of Facility LCs. Each such deposit shall be held by the Collateral Agent as collateral for the payment and performance of the obligations of the Borrower for the portion of the LC Obligations relating to Facility LCs issued for the account of the Borrower under this Agreement. The Collateral Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of JPMorgan Chase having a maturity not exceeding thirty (30) days. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied to reimburse the LC Issuer for Reimbursement Obligations for which it has not been reimbursed and as collateral for the remaining LC Obligations. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 8.1, such amount (to the extent not applied) shall be returned to such Borrower within three Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide an amount of cash collateral hereunder pursuant to Section 2.2, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower as and to the extent that, after giving effect to such return, the Borrower would remain in compliance with Section 2.2. Nothing in this Section 2.20.11 shall either require the Borrower or any Guarantor to

deposit any funds in the Facility LC Collateral Account or limit the right of the Administrative Agent or the Collateral Agent to release any funds held in the Facility LC Collateral Account in each case other than as required by this Section, Section 2.2 or Section 8.1.

2.20.12 Rights as a Lender. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

2.21. Senior Unsecured Indenture Documents. The Borrower shall not be entitled to request a Credit Extension, and no Credit Extension shall be made available to the Borrower if, on the date such Credit Extension is to be made, such Credit Extension would result in a breach (without giving effect to any grace period or cure rights with respect to such breach) of the Senior Unsecured Indenture Documents.

ARTICLE III

YIELD PROTECTION; TAXES

3.1. Yield Protection. If, on or after the Closing Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in any such law, rule, regulation, policy, guideline or directive or in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation or the LC Issuer with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation or the LC Issuer (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(ii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining its Revolving Loan Commitment or Eurodollar Loans or of issuing or participating in Facility LCs, or reduces any amount receivable by any Lender or any applicable Lending Installation or the LC Issuer in connection with its Revolving Loan Commitment or Eurodollar Loans or Facility LCs (including participations therein), or requires any Lender or any applicable Lending Installation or the LC Issuer to make any payment calculated by reference to the amount of Revolving Loan Commitment or Eurodollar Loans or Facility LCs (including participations therein) held or interest or LC Fees received by it, by an amount deemed material by such Lender or the LC Issuer, as applicable.

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation or the LC Issuer of making or maintaining its Eurodollar Loans or Revolving Loan

Commitment or of issuing or participating in Facility LCs, as applicable, or to reduce the return received by such Lender or applicable Lending Installation or LC Issuer in connection with such Eurodollar Loans or Revolving Loan Commitment, or Facility LCs (including participations therein), then, within fifteen (15) days of demand, accompanied by the written statement required by Section 3.6, by such Lender or LC Issuer, the Borrower shall pay such Lender or LC Issuer such additional amount or amounts as will compensate such Lender or LC Issuer for such increased cost or reduction in amount received.

3.2. Changes in Capital Adequacy Regulations. If a Lender or LC Issuer determines the amount of capital required or expected to be maintained by such Lender or LC Issuer, any Lending Installation of such Lender or LC Issuer or any corporation controlling such Lender or LC Issuer is increased as a result of a Change (as defined below), then, within fifteen (15) days of demand, accompanied by the written statement required by Section 3.6, by such Lender or LC Issuer, the Borrower shall pay such Lender or LC Issuer the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender or LC Issuer determines is attributable to this Agreement, its Outstanding Revolving Credit Exposure, its Term Loans, its Term Loan Commitment to make Term Loans, its Revolving Loan Commitment to make Revolving Loans and issue or participate in Facility LCs, as applicable, hereunder (after taking into account such Lender's or LC Issuer's policies as to capital adequacy). "Change" means (i) any change after the Closing Date in the Risk-Based Capital Guidelines or (ii) any adoption of, or change in, or change in the interpretation or administration of any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the Closing Date which affects the amount of capital required or expected to be maintained by any Lender or LC Issuer or any Lending Installation or any corporation controlling any Lender or LC Issuer. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the Closing Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the Closing Date.

3.3. Availability of Types of Advances. If the Administrative Agent determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or no reasonable basis exists for determining the Eurodollar Base Rate, then the Administrative Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Floating Rate Advances on the respective last days of the then current Interest Periods with respect to such Revolving Loans or within such earlier period as required by law, subject to the payment of any funding indemnification amounts required by Section 3.4.

3.4. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made or continued, or a Floating Rate Advance is not converted into a Eurodollar Advance, on the date specified by the Borrower for any reason other than default by the Lenders, or a Eurodollar Advance is not prepaid on the date

specified by the Borrower for any reason, the Borrower will indemnify each Lender for any loss or cost (excluding lost profit) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. Taxes.

(i) All payments by the Borrower to or for the account of any Lender or the LC Issuer or the Administrative Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, LC Issuer or the Administrative Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender, LC Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Administrative Agent the original copy of a receipt evidencing payment thereof or, if a receipt cannot be obtained with reasonable efforts, such other evidence of payment as is reasonably acceptable to the Administrative Agent, in each case within thirty (30) days after such payment is made.

(ii) In addition, the Borrower shall pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note or Facility LC Application ("Other Taxes").

(iii) The Borrower shall indemnify the Administrative Agent, the LC Issuer and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Administrative Agent, the LC Issuer or such Lender as a result of its Revolving Loan Commitment, any Credit Extensions made by it hereunder, any Facility LC issued or participated in by it hereunder, or otherwise in connection with its participation in this Agreement and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that the Borrower shall not be obligated to reimburse the Administrative Agent, the LC Issuer or a Lender in respect of penalties, interest or similar liabilities attributable to such Taxes or Other Taxes if such penalties, interest or similar liabilities are attributable to a failure or delay by the Administrative Agent, the LC Issuer or a Lender to make a written request therefore pursuant to Section 3.6; provided, further, that no request delivered within the ninety (90) day period described in Section 3.6 shall constitute a delayed request. Payments due under this indemnification shall be made within thirty (30) days of the date the

Administrative Agent, the LC Issuer or such Lender makes demand therefor pursuant to Section 3.6.

(iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not more than ten (10) Business Days after the date on which it becomes a party to this Agreement or changes its lending office under this Agreement (but in any event before a payment is due to it hereunder), (i) deliver to each of the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes (including backup withholding taxes), or (ii) in the case of a Non-U.S. Lender that is fiscally transparent, deliver to the Administrative Agent a United States Internal Revenue Form W-8IMY together with the applicable accompanying forms, W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States Federal income tax (including backup withholding taxes). Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Administrative Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv) above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv) above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Administrative Agent, which attorneys may be employees of the Administrative Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

(viii) The Administrative Agent, the LC Issuer and each Lender shall take such steps as the Borrower reasonably requests to apply or otherwise take advantage of any tax refund or offsetting tax credit or other similar tax benefit arising out of or in conjunction with any amounts for which they have been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 3.5. If the Administrative Agent, the LC Issuer or a Lender determines that it has received a tax benefit arising out of or in conjunction with any amounts as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 3.5, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid by the Borrower under this Section 3.5 with respect to the amounts giving rise to such refund); provided, however, that during the continuance of an Event of Default, any such refund shall be applied in reduction of the Secured Obligations.

(ix) The Administrative Agent, the LC Issuer, and each Lender shall take reasonable steps to avoid the need for the Borrower to pay any amounts under this Section 3.5, but they shall not be required to take any steps that would impose material costs or other detriments on them. Any such cost incurred by the Administrative Agent, the LC Issuer or any Lender shall constitute a Secured Obligation and the Borrower shall reimburse such Person for such cost.

3.6. Lender Statements; Survival of Indemnity. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Administrative Agent) as to the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement; provided that the Borrower shall not be required to make any payments pursuant to Section 3.1, 3.2, 3.4 or 3.5 to a Lender or LC Issuer for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that such Lender or LC Issuer, as the case may be, notifies the Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's or the LC Issuer's intention to claim compensation therefor (except that, if the circumstances giving rise to such increased costs or reductions are retroactive, then the ninety (90) day period referred to above shall be extended to include the period of retroactive effect thereof).

3.7. Alternative Lending Installation. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under Section 3.3, so long as such designation is not, in the judgment of such Lender, reasonably disadvantageous to such Lender. A Lender's designation of an alternative Lending Installation shall not affect the Borrower's rights under Section 2.19 to replace a Lender.

ARTICLE IV

CONDITIONS PRECEDENT

4.1. Initial Credit Extension. The Lenders shall not be required to make the initial Credit Extension hereunder, which initial Credit Extension shall occur no later than February 24, 2005, unless the following conditions precedent are satisfied (or waived by the Administrative Agent) immediately prior to or substantially concurrent with such initial Credit Extension:

4.1.1 Copies of the articles or certificate of incorporation (or the equivalent thereof) of each Credit Party, in each case, together with all amendments thereto, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of organization.

4.1.2 Copies, certified by the Secretary or Assistant Secretary (or the equivalent thereof) of each Credit Party, in each case, of its by-laws and of its Board of Directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which such Credit Party is a party.

4.1.3 An incumbency certificate, executed by the Secretary or Assistant Secretary (or the equivalent thereof) of each Credit Party, in each case, which shall identify by name and title and bear the signatures of the Authorized Officers and any other officers of such Credit Party authorized to sign the Loan Documents to which such Credit Party is party, upon which certificate the Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by such Credit Party.

4.1.4 A certificate signed by the chief financial officer of the Borrower, stating that on the initial Credit Extension Date (i) no Event of Default or Unmatured Event of Default has occurred and is continuing, (ii) all of the representations and warranties in Article V shall be true and correct in all material respects as of such date and (iii) other than as disclosed in public filings with the Securities and Exchange Commission prior to the initial Credit Extension Date, no material adverse change in the business, condition (financial or otherwise), operations, performance or Property of the Borrower and its Subsidiaries, taken as a whole, has occurred since September 30, 2004. The chief financial officer or treasurer of the Borrower shall also deliver to the Administrative Agent on the Closing Date a fully completed compliance certificate substantially similar to Exhibit B hereto that is dated as of the Closing Date and that demonstrates the Borrower's compliance with, among other things, the financial covenants set forth in Sections 6.20 through 6.24 as of December 31, 2004. The financial information used to prepare such certificate shall be the Borrower's year-end financial information for 2004 that currently appears in its draft annual financial statements being audited by the Borrower's accountants. The financial information shall also give effect, on a pro forma basis, to the repayment of any of the Borrower's Indebtedness that is made after December 31, 2004 and prior to or contemporaneously with the effectiveness of this Agreement, including, without limitation, the Indebtedness referenced in Section 4.1.8.

4.1.5 (a) A written opinion of the Borrower's in-house counsel, in form and substance reasonably satisfactory to the Collateral Agent, the Administrative Agent and addressed to the Collateral Agent, the Administrative Agent and the Lenders, in substantially the form of Exhibit A-1 and (b) a written opinion of Cravath, Swaine & Moore LLP, special New York counsel to the Borrower, in form and substance reasonably satisfactory to the Collateral Agent, the Administrative Agent and addressed to the Collateral Agent, the Administrative Agent and the Lenders, in substantially the form of Exhibit A-2.

4.1.6 Any Notes requested by a Lender pursuant to Section 2.13 payable to the order of each such requesting Lender; provided that any Notes previously issued to such Lender are first returned to the Borrower.

4.1.7 Written money transfer instructions, in substantially the form of Exhibit D, addressed to the Administrative Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Administrative Agent may have reasonably requested.

4.1.8 The Administrative Agent shall have received written evidence reasonably satisfactory to it that all of the obligations owing under the Senior Secured Indenture

Documents have been or are concurrently with the effectiveness of this Agreement being discharged and the agreements, documents and instruments delivered in connection therewith (other than security interest filings) have been terminated except to the extent the provisions thereof expressly survive the repayment of such obligations.

4.1.9 All legal matters shall be reasonably satisfactory to the Administrative Agent.

4.1.10 The Administrative Agent shall have received evidence reasonably satisfactory to it that the Collateral Agent, on behalf of the Lenders, continues to hold a perfected first-priority Lien upon the Collateral.

4.1.11 Such other documents as the Administrative Agent or its counsel may have reasonably requested, including, without limitation, the Collateral Documents and those other documents set forth in Exhibit G hereto.

4.2. Each Credit Extension. The Lenders shall not (except as otherwise set forth in Section 2.4.4 or Section 2.20.6 with respect to Revolving Loans extended for the purpose of repaying Swing Line Loans or reimbursing draws under Facility LCs, as the case may be) be required to make any Credit Extension unless on the applicable Credit Extension Date:

4.2.1 There exists no Event of Default or Unmatured Event of Default.

4.2.2 The representations and warranties contained in Article V are true and correct as of such Credit Extension Date in all material respects except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects on and as of such earlier date.

4.2.3 Such Credit Extension will not, on the date such Credit Extension is to be made, result in a breach (without giving effect to any grace period or cure rights with respect to such breach) of the Senior Unsecured Indenture Documents.

Each Borrowing Notice or Swing Line Borrowing Notice, as the case may be, or request for issuance of a Facility LC, with respect to each such Credit Extension shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2.1, 4.2.2 and 4.2.3 have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to each Lender and the Administrative Agent as of each of (i) the date of the initial Credit Extension hereunder and (ii) each date as required by Section 4.2:

5.1. Existence and Standing. Each of the Borrower and its Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly

incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2. Authorization and Validity. The Borrower has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by (i) bankruptcy, insolvency, fraudulent conveyances, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally; (ii) general equitable principles (whether considered in a proceeding in equity or at law); and (iii) requirements of reasonableness, good faith and fair dealing.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Borrower or its Subsidiaries, as applicable, of the Loan Documents to which such Person is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any of its Subsidiaries except for violations which individually or in the aggregate would not reasonably be expected to result in a Material Adverse Effect, or (ii) the Borrower's or any Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating agreement or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which the Borrower or any of its Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with, or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Borrower or a Subsidiary pursuant to the terms of, any such indenture, instrument or agreement, other than indentures, instruments or agreements which will be terminated on the Closing Date in connection with the full repayment of Indebtedness outstanding under such indentures, instruments or agreements, and except for violations which individually or in the aggregate would not reasonably be expected to result in a Material Adverse Effect. No material order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other material action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower or any of its Subsidiaries, is required to be obtained by the Borrower or any of its Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents, except filings necessary to perfect Liens created under the Loan Documents.

5.4. Financial Statements. The December 31, 2003 audited consolidated financial statements of the Borrower and its Subsidiaries heretofore delivered to the Administrative Agent and the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present in all material respects the

consolidated financial condition and operations of the Borrower and its Subsidiaries at such date and the consolidated results of their operations for the period then ended in accordance with generally accepted accounting principles in effect on the date such statements were prepared.

5.5. Material Adverse Change. Other than as disclosed in public filings with the Securities and Exchange Commission prior to the initial Credit Extension Date, since September 30, 2004, there has been no change in the business, condition (financial or otherwise), operations, performance or Property of the Borrower and its Subsidiaries taken together, in each case which could reasonably be expected to have a Material Adverse Effect.

5.6. Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except (i) in respect of such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles or (ii) to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect. The United States federal income tax returns of the Borrower and its Subsidiaries have been audited by the Internal Revenue Service through the 2000 fiscal year, except with respect to VITAS Healthcare, which has been audited through September 30, 2001. No Liens have been filed and no claims are being asserted with respect to such taxes that would reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

5.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of any Credit Extensions.

5.8. Subsidiaries. Schedule 5.8 contains an accurate list of all Subsidiaries of the Borrower as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries. All of the issued and outstanding shares of capital stock or other ownership interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable.

5.9. ERISA. The Unfunded Liabilities of all Single Employer Plans would not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any other member of the Controlled Group has incurred, or reasonably expects to incur, pursuant to Section 4201 of ERISA, any withdrawal liability to Multiemployer Plans that in the aggregate would reasonably be expected to have a Material Adverse Effect. Each Plan complies in all material respects with all applicable requirements of law and regulations. No Reportable Event has occurred with respect to any Plan that would reasonably be expected to have a Material Adverse Effect. No steps have been taken to reorganize or terminate, within the meaning of Title IV of ERISA, any Multiemployer Plan.

5.10. Accuracy of Information. The Loan Documents and other written statements furnished by the Borrower and its Subsidiaries to the Administrative Agent in connection with the negotiation of, and compliance with, the Loan Documents (as modified or supplemented by information so furnished) taken as a whole do not contain any material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading; provided, however, that with respect to projected financial information, the Borrower and its Subsidiaries represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.11. Regulations T, U, and X. The Borrower will ensure that no use of Advances or proceeds thereof will violate Regulation T, U or X.

5.12. Material Agreements; Restrictions on Dividends. As of the Closing Date, neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. As of the Closing Date, neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party, which default could reasonably be expected to have a Material Adverse Effect (other than any agreement or instrument evidencing or governing Indebtedness).

5.13. Compliance With Laws. The Borrower and its Subsidiaries have complied with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, except such non-compliances that would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. This Section 5.13 does not relate to taxes which are the subject of Section 5.6, to employee benefits or ERISA matters which are the subject of Section 5.9 and environmental matters which are the subject of Section 5.16.

5.14. Ownership of Properties; Priority of Liens. The Borrower and its Subsidiaries have good title, free of all Liens other than those permitted by Section 6.15, to all of the material Property and assets reflected in the Borrower's most recent consolidated financial statements provided to the Administrative Agent, as owned by the Borrower and its Subsidiaries. To the extent governed by Article 8 or Article 9 of the UCC, when financing statements have been filed in the appropriate offices, the Collateral Agent has a perfected first priority Lien upon all of the Collateral, subject to (i) Liens permitted by Section 6.15, (ii) filings under any federal statute for patents, trademarks, and copyrights, and (iii) Collateral in which security interests or liens can only be perfected through compliance with the terms of the Federal Assignment of Claims Act.

5.15. Plan Assets; Prohibited Transactions. The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. Section 2510.3-101 of an employee benefit plan (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code).

5.16. Environmental Matters. In the ordinary course of its business, the officers of the Borrower consider the effect of Environmental Laws applicable to the business of the Borrower and its Subsidiaries, in the course of which they identify and evaluate potential risks and liabilities accruing to the Borrower due to Environmental Laws. On the basis of this consideration, the Borrower has concluded that the status of the Borrower's compliance with Environmental Laws cannot reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable Environmental Laws or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a Material Adverse Effect.

5.17. Investment Company Act. Neither the Borrower nor any Subsidiary is required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.18. Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.19. Insurance. The Borrower maintains, and has caused each Subsidiary to maintain, with financially sound and reputable insurance companies, or pursuant to self-insurance arrangements, insurance on all their material Property in such amounts, subject to such deductibles and self-insurance retentions and covering such properties and risks as is reasonably consistent with sound business practice.

5.20. No Event of Default or Unmatured Event of Default. No Event of Default or Unmatured Event of Default has occurred and is continuing.

5.21. SDN List Designation. Neither the Borrower nor any of its Subsidiaries or Affiliates is a country, individual or entity named on the Specifically Designated National and Blocked Persons (SDN) list issued by the Office of Foreign Asset Control of the Department of the Treasury of the United States of America.

5.22. Solvency. Immediately prior to and after the consummation of the transactions to occur as of the initial Credit Extension Date, prior to and immediately following the making of each Credit Extension on the initial Credit Extension Date, and prior to and after giving effect to the application of the proceeds of such Credit Extensions: (i) the fair value of the assets of the Borrower and its Subsidiaries on a consolidated basis, at fair valuation, will exceed the debts and liabilities, subordinated, contingent, or otherwise, of the Borrower and its Subsidiaries on a consolidated basis, (ii) the present fair saleable value of the Property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, (iii) the Borrower and its Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and

liabilities become absolute and matured, and (iv) the Borrower and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the Closing Date and after the initial Credit Extension Date.

ARTICLE VI

COVENANTS

Until the Revolving Loan Commitments have expired or been terminated, the LC Obligations have expired, been reimbursed or been cash collateralized (in each case in accordance with the terms of this Agreement), and the other Obligations have been paid in full (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, contingent indemnity obligations, other contingent obligations, and Rate Management Obligations), unless the Required Lenders shall otherwise consent in writing:

6.1. Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

6.1.1 Within ninety (90) days after the close of each of its fiscal years, financial statements prepared in accordance with Agreement Accounting Principles on a consolidated and consolidating basis for itself and its consolidated Subsidiaries, including balance sheets as of the end of such period, statements of income and statements of cash flows, accompanied by (a) an audit report, unqualified as to scope, of a nationally recognized firm of independent public accountants or other independent public accountants reasonably acceptable to the Required Lenders (it being understood and agreed that consolidating financial statements need not be certified by such accountants); (b) any management letter prepared by said accountants and (c) a certificate of said accountants (which certificate may be limited to the extent required by generally accepted accounting principles, rules or guidelines) that, in the course of their audit of the financial statements of the Borrower and its consolidated Subsidiaries, which audit was conducted in accordance with generally accepted accounting standards, they have obtained no knowledge of any Event of Default or Unmatured Event of Default, or if, in the opinion of such accountants, any Event of Default or Unmatured Event of Default shall exist, stating the nature and status thereof.

6.1.2 Within forty-five (45) days after the close of the first three quarterly periods of each of its fiscal years, for itself and its consolidated Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such period and consolidated and consolidating statements of income and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified as to fairness of presentation in all material respects in accordance with Agreement Accounting Principles, compliance with Agreement Accounting Principles, and consistency by its chief financial officer or treasurer, except for normal year-end audit adjustments and the absence of footnotes.

6.1.3 Together with the financial statements required under Sections 6.1.1 and 6.1.2, a compliance certificate in substantially the form of Exhibit B signed by its chief financial officer or treasurer showing the calculations necessary to determine compliance with Sections 6.20 through 6.24, an officer's certificate in substantially the form of Exhibit F stating that, to such officer's knowledge, no Event of Default or Unmatured Event of Default exists, or if any Event of Default or Unmatured Event of Default exists, stating the nature and status thereof.

6.1.4 As soon as possible and in any event within ten (10) days after the Borrower knows that any material Reportable Event has occurred with respect to any Plan, a statement, signed by the chief financial officer or treasurer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.

6.1.5 As soon as possible and in any event within ten (10) days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any Environmental Law by the Borrower or any of its Subsidiaries, which, in either case, could reasonably be expected to have a Material Adverse Effect.

6.1.6 Promptly upon the filing thereof, copies of all registration statements and copies of all filings on forms 10-K, 10-Q, or 8-K which the Borrower or any of its Subsidiaries makes with the Securities and Exchange Commission, including, without limitation, all certifications and other filings required by Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 and all rules and regulations related thereto.

6.1.7 As soon as practicable, and in any event within thirty (30) days after the beginning of each fiscal year of the Borrower, a copy of the plan and forecast (including a projected consolidated balance sheet, income statement and funds flow statement) of the Borrower for such fiscal year.

6.1.8 As soon as possible, and in any event within three (3) Business Days (in the case of the Borrower) and fifteen (15) days (in the case of any Guarantor) after the occurrence thereof, a reasonably detailed notification to the Administrative Agent and its counsel of any change in the jurisdiction of organization of the Borrower or any Guarantor.

6.1.9 Such other information (including non-financial information) as the Administrative Agent or any Lender may from time to time reasonably request.

If any information which is required to be furnished to the Lenders under this Section 6.1 is required by law or regulation to be filed by the Borrower with a government body on an earlier date, then the information required hereunder shall be furnished to the Lenders promptly following such earlier date.

6.2. Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use (i) the proceeds of the Term Loans in compliance with Section 2.1.2, to refinance certain existing Indebtedness outstanding on the Closing Date and for general corporate purposes, and (ii) the proceeds of the Revolving Loans to refinance certain Indebtedness outstanding on the Closing Date and for general corporate purposes, including, without limitation, for working capital, commercial paper liquidity support, Permitted Acquisitions, and to pay fees and expenses incurred in connection with this Agreement. The Borrower shall use the proceeds of Credit Extensions in compliance with all applicable legal and regulatory requirements and any such use shall not result in a violation of any such requirements, including, without limitation, Regulation T, U and X, the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

6.3. Notice of Event of Default. Within three (3) Business Days after an Authorized Officer becomes aware thereof, the Borrower will give notice in writing to the Lenders of the occurrence of any Event of Default or Unmatured Event of Default.

6.4. Conduct of Business. The Borrower will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted, and do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, as the case may be, as in effect on the Closing Date, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted; provided, however, that the foregoing shall not prohibit any merger, dissolution, or consolidation permitted under Section 6.11.

6.5. Taxes. The Borrower will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by law and pay all material taxes, assessments and governmental charges and levies before the same shall become delinquent or in default upon it or its income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with Agreement Accounting Principles.

6.6. Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies, or pursuant to self-insurance arrangements, insurance on all their material Property in such amounts, subject to such deductibles and self-insurance retentions, and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried. The Borrower shall deliver to the Collateral Agent and the Administrative Agent endorsements in form and substance reasonably acceptable to the Collateral Agent and the Administrative Agent (x) to all "All Risk" physical damage insurance policies on all of the Borrower's and its Subsidiaries' tangible real and personal property and assets and business interruption insurance policies naming the Collateral Agent as loss payee and (y) to all general liability and other liability policies naming the Collateral Agent as an additional insured. In the event the Borrower or any of its Subsidiaries at any time or times hereafter shall fail to obtain or maintain any of the policies or insurance required herein or to pay any premium in whole or in part relating thereto, then the Administrative Agent, without waiving or releasing any obligations or resulting Event of

Default hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which the Administrative Agent deems advisable. All sums so disbursed by the Administrative Agent shall constitute part of the Obligations, payable as provided in this Agreement.

6.7. Compliance with Laws. The Borrower will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Environmental Laws, ERISA and Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, except where the failure to do so individually or in the aggregate would not reasonably be expected to result in a Material Adverse Effect.

6.8. Maintenance of Properties. Subject to Section 6.12, the Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property material to the operation of its business in good repair, working order and condition (ordinary wear and tear excepted), and make all necessary and proper repairs, renewals and replacements to any such Property so that its business carried on in connection therewith may be properly conducted at all times.

6.9. Inspection; Keeping of Books and Records.

(i) The Borrower will, and will cause each Subsidiary to, permit (x) the Administrative Agent at any time and (y) the Lenders during the continuance of an Event of Default, in each case by their respective representatives and agents, to inspect any of the Property, including, without limitation, the Collateral, books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or any Lender may designate (in each case other than (x) records subject to attorney-client privilege and (y) patent-related information the disclosure of which is prohibited by applicable law or the rules and regulations of a Governmental Authority). The Borrower shall keep and maintain, and cause each of its Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities.

(ii) Except to the extent the Administrative Agent may reasonably consent to any change, the Borrower will, or will cause each Subsidiary to, continue to account for PIP in the same manner as the Credit Parties account for PIP as of the Closing Date which is as follows: (i) when PIP is received by any Credit Parties, funds are initially allocated (a) as a debit to cash on the Credit Parties' general ledger; and (B) as a corresponding credit in a contra-account reserve established with respect to the Credit Parties' accounts, with the funds in such contra-account not

specifically allocated to identified accounts (the amount of funds in such contra-account from time to time are referred to as "Unapplied PIP"); (ii) at such time as the Borrower allocates any portion of PIP to identified accounts, the contra-account for Unapplied PIP is reduced by that amount and the identified account is extinguished by that amount; and (iii) at such time as the Borrower determines any portion of PIP represents an overpayment under applicable Medicare, Medicaid, TRICARE, CHAMPVA or any other program of any Governmental Authority, Borrower transfers such overpaid portion on its books from the contra-account for Unapplied PIP to a liability entry on its general ledger entitled "PIP Settlements".

6.10. Restricted Payments. The Borrower will not, nor will it permit any Subsidiary to, make any Restricted Payment (other than dividends payable in its own capital stock) except that,

6.10.1 Any Subsidiary may declare and pay dividends or make distributions (i) payable solely in its capital stock to the direct or indirect holders of its capital stock or (ii) payable in dividends and distributions to the Borrower or to a Subsidiary that is a Guarantor (and if such Subsidiary has shareholders other than the Borrower or a Subsidiary that is a Guarantor, to its shareholders on a pro rata basis).

6.10.2 The Borrower may make dividends or distributions in respect of capital stock subject to the Closing Date Stock Award Plan so long as the aggregate amount of dividends or distributions made in cash in respect thereof does not exceed $2,800,000 and the aggregate amount of dividends or distributions made in capital stock in respect thereof does not exceed $5,500,000.

6.10.3 The Borrower may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock (or warrants, options, or other rights to acquire additional shares of its capital stock).

6.10.4 Repurchases of capital stock deemed to occur upon exercise of stock options if such capital stock represents a portion of the exercise price of such options, and repurchases of capital stock of Subsidiaries consisting of directors' qualifying shares or repurchases of shares issued to third parties to the extent necessary to satisfy any licensing requirements under applicable law with respect to the Borrower's or any of its Subsidiaries' businesses.

6.10.5 Cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for capital stock of the Borrower; provided, however, that any such cash payment shall not be for the purpose of evading the limitations of this Section 6.10.

6.10.6 So long as no Event of Default or Unmatured Event of Default exists at the time thereof, the Borrower may declare and pay cash dividends on its capital stock so long as (x) the amount of any dividend for any share of capital stock does not exceed $0.48, and (y) the aggregate amount of dividends paid on such capital stock does not exceed $7,000,000 in any fiscal year.

6.10.7 Any purchase, repurchase, redemption, retirement or other acquisition for value of shares of, or options to purchase shares of, common stock of the Borrower or any of its Subsidiaries from employees, former employees, directors or former directors of the Borrower or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such common stock; provided, however, that the aggregate amount of such purchases, repurchases, redemptions, retirements and other acquisitions for value will not exceed $2,000,000 in any calendar year.

6.10.8 Additional Restricted Payments to the extent not otherwise permitted under this 6.10 so long as the aggregate amount of such additional Restricted Payments does not exceed $1,000,000 at any time.

6.11. Merger or Dissolution. The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate into any other Person or dissolve, except that:

6.11.1 A Guarantor may merge into (x) the Borrower or (y) a Wholly-Owned Subsidiary that is a Guarantor or becomes a Guarantor promptly upon the completion of the applicable merger or consolidation.

6.11.2 A Subsidiary that is not a Guarantor and not required to be a Guarantor may merge or consolidate with or into any other Person; provided, however, that if the equity interests of such Subsidiary have been pledged to the Collateral Agent as Collateral, then such merger or consolidation shall not be permitted unless such Subsidiary is the surviving entity of such merger or consolidation or such merger or consolidation is approved in writing by the Administrative Agent prior to the consummation thereof (such approval not to be unreasonably withheld).

6.11.3 The Borrower or any Subsidiary may consummate any merger or consolidation in connection with any Permitted Acquisition.

6.11.4 Any Person may merge into the Borrower, provided that the Borrower shall be the continuing or surviving entity resulting from such merger.

6.11.5 Any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and the Subsidiaries and is not materially disadvantageous to the Lenders.

6.12. Sale of Assets. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of its Property (other than cash or cash equivalents not constituting Cash Equivalent Investments) to any other Person, except:

6.12.1 Sales or other dispositions of inventory in the ordinary course of business.

6.12.2 A disposition or transfer of assets by a Subsidiary to the Borrower or a Guarantor or by the Borrower to a Guarantor.

6.12.3 A disposition of obsolete, excess, damaged or worn-out Property, Property no longer used or useful in the business of the Borrower or its Subsidiaries or other assets in the ordinary course of business of the Borrower or any Subsidiary.

6.12.4 The VITAS Healthcare Stock Issuance so long as the form and substance thereof is reasonably satisfactory to the Required Lenders.

6.12.5 Sales or liquidations of Cash Equivalent Investments.

6.12.6 Each of the Borrower and its Subsidiaries may grant licenses, sublicenses, leases or subleases to other Persons not materially interfering with the conduct of the business of the Borrower or any of its Subsidiaries.

6.12.7 Restricted Payments permitted by Section 6.10.

6.12.8 Investments permitted by Section 6.13.

6.12.9 Liens permitted by Section 6.15.

6.12.10 Sale and Leaseback Transactions permitted by Section 6.27.

6.12.11 Sales of directors' qualifying shares or shares issued to third parties to the extent necessary to satisfy any licensing requirements under applicable law with respect to the Borrower's or any of its Subsidiaries' businesses.

6.12.12 The Service America Asset Sale, so long as (i) Service America Network, Inc. receives reasonably equivalent value (in the good faith determination of its Board of Directors) for the assets and liabilities subject thereto, (ii) such asset sale is consummated on or before December 31, 2005 and (iii) the agreements, documents and instruments evidencing such asset sale are in form and substance reasonably satisfactory to the Administrative Agent.

6.12.13 Leases, sales or other dispositions of its Property that, together with all other Property of the Borrower and its Subsidiaries previously leased, sold or disposed of (other than dispositions otherwise permitted by this Section 6.12) as permitted by this Section during any fiscal year of the Borrower do not exceed $1,000,000 in the aggregate.

6.13. Investments and Acquisitions. The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person, except:

6.13.1 Cash Equivalent Investments.

6.13.2 Existing Investments in Subsidiaries and other Investments in existence on the Closing Date and described in Schedule 6.13.

6.13.3 Investments permitted by Section 6.14.5.

6.13.4 Investments (x) by a Credit Party in any newly formed Subsidiary so long as the newly formed Subsidiary promptly becomes a Credit Party thereafter and (y) by the Borrower or a Guarantor in equity interests in their respective Subsidiaries; provided, however, all such Investments subject to this clause (y) that constitute contributions to capital shall not, when aggregated with Indebtedness owing by such Subsidiaries to the Borrower or any Guarantors as permitted by Section 6.14.5, exceed $2,500,000 at any time outstanding (such amount, the "Permitted Non-Credit Party Amount"); provided, further, that not more than $400,000 of the Permitted Non-Credit Party Amount shall at any time consist of Investments other than Investments in Roto-Rooter of Canada, Ltd. as further described in Schedule 6.13.

6.13.5 Investments permitted by Section 6.17.

6.13.6 Investments consisting of Contingent Obligations not prohibited by Section 6.14.

6.13.7 Investments arising out of deposits and pledges permitted by Section 6.15.

6.13.8 Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers.

6.13.9 Investments resulting from transactions permitted by Section 6.11.

6.13.10 Investments resulting from transactions permitted by Section 6.12.

6.13.11 Investments in charitable foundations organized under Section 501(c) of the Code in an amount not to exceed $1,000,000 in the aggregate in any fiscal year.

6.13.12 Loans and advances to employees, officers and directors of the Borrower and its Subsidiaries not to exceed in the aggregate at any time (x) $6,000,000 in respect of split-dollar policies and (y) $2,000,000 in respect of other loans and advances.

6.13.13 Investments in VNF not exceeding $1,000,000 in the aggregate in any fiscal year.

6.13.14 Payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business.

6.13.15 Investments resulting from stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Borrower or any Subsidiary or in satisfaction of judgments.

6.13.16 Investments in any Person consisting of the licensing of intellectual property pursuant to joint ventures, strategic alliances or joint marketing arrangements with such Person, in each case made in the ordinary course of business.

6.13.17 Investments in a vendor or supplier consisting of loans or advances to such vendor or supplier in connection with any guarantees to the Borrower or any Guarantor of supply by, or to fund the supply capacity of, such vendor or supplier, in any case not to exceed $2,000,000 at any time outstanding.

6.13.18 [Intentionally Omitted]

6.13.19 Investments consisting of loans or advances by the Borrower or a Subsidiary thereof to independent contractors or subcontractors of the Borrower or a Subsidiary thereof; provided, however, that (x) the proceeds of such loans or advances are used for equipment purchases in the ordinary course of business or for working capital expenditures in the ordinary course of business, (y) the aggregate amount of loans and advances to any individual independent contractor or subcontractor of the Borrower or a Subsidiary thereof shall not exceed $350,000, and (z) the aggregate amount of loans and advances to all independent contractors and subcontractors of the Borrower and its Subsidiaries shall not exceed $6,000,000.

6.13.20 Additional Investments to the extent not otherwise permitted under Sections 6.13.1 through 6.13.19 so long as the aggregate amount of such additional Investments does not exceed $1,000,000 at any time.

6.13.21 Acquisitions meeting the following requirements or otherwise approved by the Required Lenders (each such Acquisition constituting a "Permitted Acquisition"):

(i) as of the date of the consummation of such Acquisition, no Event of Default or Unmatured Event of Default shall have occurred and be continuing or would result from such Acquisition, and the representation and warranty contained in Section 5.11 shall be true both before and after giving effect to such Acquisition;

(ii) such Acquisition is consummated on a non-hostile basis pursuant to a negotiated acquisition agreement approved by the board of directors or other applicable governing body of the seller or entity to be acquired;

(iii) the business to be acquired in such Acquisition is similar or related to one or more of the lines of business in which the Borrower and its Subsidiaries are engaged on the Closing Date;

(iv) as of the date of the consummation of such Acquisition, all material governmental and corporate approvals required in connection therewith shall have been obtained;

(v) the Purchase Price for any such Acquisition shall not exceed $50,000,000 and the aggregate purchase price for all such Acquisitions during any calendar year shall not exceed $80,000,000;

(vi) within 45 days subsequent to the consummation of such Permitted Acquisition, the Borrower shall have delivered to the Administrative Agent a pro forma consolidated balance sheet, income statement and cash flow statement of the

Borrower and its Subsidiaries (the "Acquisition Pro Forma"), based on the Borrower's most recent financial statements delivered pursuant to Section 6.1.1 and using historical financial statements for the acquired entity provided by the seller(s) or which shall be complete and shall fairly present, in all material respects, the financial condition and results of operations and cash flows of the Borrower and its Subsidiaries in accordance with Agreement Accounting Principles, but taking into account such Permitted Acquisition and the funding of all Credit Extensions in connection therewith, and such Acquisition Pro Forma shall reflect that, on a pro forma basis, the Borrower would have been in compliance with the financial covenants set forth in Sections 6.20 through 6.24 for the period of four fiscal quarters reflected in the compliance certificate most recently delivered to the Administrative Agent pursuant to Section 6.1.3 prior to the consummation of such Permitted Acquisition (giving effect to such Permitted Acquisition and all Credit Extensions funded in connection therewith as if made on the first day of such period); and

(vii) within 45 days subsequent to the date on which a Permitted Acquisition is consummated, the Borrower shall deliver to the Administrative Agent a documentation, information and certification package in form and substance reasonably acceptable to the Administrative Agent, including, without limitation:

(A) a final version (with no amendments to be made thereto that could reasonably be expected to be materially adverse to the Lenders, without the approval of the Administrative Agent) of the acquisition agreement for such Acquisition together with drafts of the material schedules thereto;

(B) a final version (with no amendments to be made thereto that could reasonably be expected to be materially adverse to the Lenders, without the approval of the Administrative Agent) of all documents, instruments and agreements with respect to any Indebtedness to be incurred or assumed in connection with such Acquisition; and

(C) such other documents or information as shall be reasonably requested by the Administrative Agent in connection with such Acquisition.

(viii) within 45 days subsequent to the date on which a Permitted Acquisition is consummated, the Borrower shall deliver (or shall cause the delivery) to the Administrative Agent and the Collateral Agent all of the Collateral Documents necessary for the perfection of a first priority Lien (subject to Liens permitted by Section 6.15) in all of the Property to be acquired (including, as applicable, equity interests in the Person being acquired and such Person's Subsidiaries), all in accordance with the requirements of Section 6.26, and in each case together with opinions of counsel in form and substance reasonably acceptable to the Administrative Agent and the Collateral Agent. The Borrower shall also deliver (or shall cause the delivery) to the Administrative Agent, in accordance with Section 6.25, a supplement to the Guaranty Agreement if the Permitted Acquisition is an Acquisition of equities and the Person being acquired is not

being merged with the Borrower or any other Person required to be a Guarantor under the terms of this Agreement, the Guaranty Agreement, or the Collateral Documents.

6.14. Indebtedness. The Borrower will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

6.14.1 The Secured Obligations.

6.14.2 Indebtedness existing on the Closing Date and described in Schedule 6.14 (and renewals, refinancings or extensions thereof on non-pricing terms and conditions, taken as a whole, not materially less favorable to the applicable obligor than such existing Indebtedness and in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension plus the amount of any interest, premium or penalties required to be paid thereon plus fees and expenses associated therewith).

6.14.3 Indebtedness arising under Rate Management Transactions permitted under Section 6.17.

6.14.4 Secured or unsecured purchase money Indebtedness (including Capitalized Leases) and Indebtedness in respect of Sale and Leaseback Transactions permitted under Section 6.27 that is incurred by the Borrower or any of its Subsidiaries after the Closing Date to finance the acquisition of assets used in its business, if (1) the total of all such Indebtedness for the Borrower and its Subsidiaries taken together incurred on or after the Closing Date shall not exceed an aggregate principal amount of $1,000,000 at any one time outstanding, (2) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed, (3) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing plus the amount of any interest, premium or penalties required to be paid thereon plus fees and expenses associated therewith, and (4) any Lien securing such Indebtedness is permitted under Section 6.15 (such Indebtedness being referred to herein as "Permitted Purchase Money Indebtedness").

6.14.5 Indebtedness arising from intercompany loans and advances (i) made by any Credit Party to any other Credit Party, (ii) made by any Subsidiary that is not a Credit Party to any Credit Party; provided that all such Indebtedness described in this clause (ii) shall be expressly subordinated to the Secured Obligations pursuant to subordination provisions reasonably acceptable to the Administrative Agent, or (iii) made by any Credit Party to any Subsidiary that is not a Credit Party; provided that the aggregate of all such Indebtedness described in this clause (iii) shall not exceed $250,000 at any time.

6.14.6 Contingent Obligations of the Borrower of any Indebtedness of any Subsidiary permitted under this Section 6.14.

6.14.7 Contingent Obligations of any Subsidiary of the Borrower that is a Guarantor with respect to any Indebtedness of the Borrower or any other Subsidiary permitted under this Section 6.14.

6.14.8 [Intentionally Omitted]

6.14.9 Indebtedness outstanding under the Senior Unsecured Indenture Documents and any extensions, renewals, refinancings or replacements of such Indebtedness plus interest, premiums, penalties, fees and expenses paid in respect of refinancing, renewing, extending or refunding such Indebtedness, so long as the Borrower and its Subsidiaries are in compliance with Section 6.31.

6.14.10 Indebtedness of any Subsidiary of the Borrower at the time such Subsidiary is merged or consolidated with or into the Borrower or any Subsidiary and is not created in contemplation of such event.

6.14.11 [Intentionally Omitted]

6.14.12 Indebtedness arising from judgments or orders in circumstances not constituting an Event of Default.

6.14.13 Indebtedness incurred under Financial Contracts entered into in the ordinary course of financial management and not for speculative purposes.

6.14.14 Indebtedness in respect of performance bonds, bankers' acceptances and surety or appeal bonds provided by the Borrower and its Subsidiaries in the ordinary course of their business.

6.14.15 Indebtedness arising from the agreements of the Borrower or a Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case incurred in connection with the disposition of any business, assets or a Subsidiary of the Borrower in accordance with the terms of this Agreement other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition.

6.14.16 Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five Business Days of its incurrence.

6.14.17 Obligations arising from or representing deferred compensation to employees of the Borrower or its Subsidiaries that constitute or are deemed to be Indebtedness under Agreement Accounting Principles and that are incurred in the ordinary course of business.

6.14.18 Indebtedness incurred by a Guarantor, to the extent that the proceeds of such Indebtedness are used to repay Indebtedness under this Agreement.

6.14.19 Indebtedness arising under or in connection with Letters of Credit in an aggregate amount not to exceed $35,000,000 at any time so long as such Letters of Credit are issued in connection with worker's compensation claims or laws, unemployment

insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

6.14.20 Additional unsecured Indebtedness of the Borrower or any Subsidiary, to the extent not otherwise permitted under this Section 6.14; provided, however, that the aggregate principal amount of such Indebtedness shall not exceed $5,000,000 at any time outstanding.

6.15. Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except:

6.15.1 Liens securing Secured Obligations.

6.15.2 Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which reserves, if any, required in accordance with Agreement Accounting Principles shall have been set aside on its books.

6.15.3 Liens imposed by law, such as landlords', wage earners', carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than forty-five (45) days past due or which are being contested in good faith by appropriate proceedings and for which reserves, if any, required in accordance with Agreement Accounting Principles shall have been set aside on its books.

6.15.4 Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

6.15.5 Liens existing on the Closing Date and described in Schedule 6.15.

6.15.6 Deposits securing liability to insurance carriers under insurance or self-insurance arrangements.

6.15.7 Deposits to secure the performance of bids, contracts (other than for borrowed money), leases, public or statutory obligations, surety and appeal bonds, contested taxes, the payment of rent, performance bonds and other obligations of a like nature incurred in the ordinary course of business.

6.15.8 Easements, reservations, rights-of-way, zoning, building and other restrictions, survey exceptions and other similar encumbrances as to real property of the Borrower and its Subsidiaries which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not materially interfere with the conduct of the business of the Borrower or such Subsidiary conducted at the property subject thereto.

6.15.9 Purchase money Liens securing Permitted Purchase Money Indebtedness (as defined in Section 6.14); provided, that such Liens shall not apply to any property of the Borrower or its Subsidiaries other than that purchased with the proceeds of such Permitted Purchase Money Indebtedness.

6.15.10 Liens existing on any asset of any Subsidiary of the Borrower at the time such Subsidiary becomes a Subsidiary and not created in contemplation of such event.

6.15.11 Liens on any asset securing Indebtedness incurred or assumed for the purpose of financing or refinancing all or any part of the cost of acquiring or constructing such asset; provided that such Lien attaches to such asset concurrently with or within eighteen (18) months after the acquisition or completion or construction thereof.

6.15.12 Liens existing on any asset of any Subsidiary of the Borrower at the time such Subsidiary is merged or consolidated with or into the Borrower or any Subsidiary and not created in contemplation of such event.

6.15.13 Liens existing on any asset prior to the acquisition thereof by the Borrower or any Subsidiary and not created in contemplation thereof; provided that such Liens do not encumber any other property or assets.

6.15.14 Liens arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted under this Section 6.15; provided that (a) such Indebtedness is not secured by any additional assets, and (b) the principal amount of such Indebtedness secured by any such Lien is not increased, except to the extent such increase includes interest, premiums, penalties, fees and expenses paid in respect of refinancing, extending, renewing or refunding such Indebtedness.

6.15.15 Bankers' liens and rights of set off with respect to customary depositary arrangements entered into in the ordinary course of business.

6.15.16 Liens on assets of any Subsidiary of any Credit Party in favor of any Credit Party securing borrowings from such Credit Party.

6.15.17 [Intentionally Omitted]

6.15.18 Liens in favor of customs and revenue authorities which secure payment of customs duties in connection with the importation of goods.

6.15.19 Liens arising out of Capitalized Leases or Operating Leases.

6.15.20 Licenses, sublicenses, leases or subleases granted to others in the ordinary course of business that do not interfere in any material respect with the business of the Borrower and its Subsidiaries.

6.15.21 Liens arising from judgments, awards, orders or attachments in circumstances not constituting an Event of Default.

6.15.22 Liens affecting the interest of the landlord of any ground lease.

6.15.23 Liens securing Indebtedness permitted by Section 6.14.14.

6.15.24 Liens issued in favor of surety bonds in existence on the Closing Date and identified on Schedule 6.15.

6.15.25 Liens of any landlord arising under a real property lease to the extent such Liens arise in the ordinary course of business and secure obligations not more than forty-five (45) days past due or which are being contested in good faith by appropriate proceedings and for which reserves, if any, required in accordance with Agreement Accounting Principles shall have been set aside on its books.

6.15.26 Liens in favor of any Holder of Secured Obligations securing Rate Management Obligations permitted under Section 6.17.

6.15.27 Liens deemed to exist in connection with Cash Equivalent Investments of the type described in clause (v) of the definition thereof.

6.15.28 Rights of recoupment and any other Liens, rights and benefits of any governmental Third Party Payor with respect to Governmental Receivables.

6.15.29 Liens upon cash collateral securing obligations owing under or in connection with those Letters of Credit described in Section 6.14.19.

6.15.30 Additional Liens to the extent not otherwise permitted under this Section 6.15 so long as the aggregate amount of Indebtedness secured thereby does not exceed $1,000,000 at any time and the aggregate value of the Property subject thereto does not exceed $1,000,000 at any time.

In addition, neither the Borrower nor any of its Subsidiaries shall become a party to any agreement, note, indenture or other instrument, or take any other action, which would prohibit the creation of a Lien on any of its Properties or other assets in favor of the Collateral Agent or the Administrative Agent for the benefit of the Holders of Secured Obligations; provided, that (i) any agreement, note, indenture or other instrument in connection with (A) purchase money Indebtedness (including Capitalized Leases) and Indebtedness in respect of Sale and Leaseback Transactions for which the related Liens are permitted hereunder may prohibit the creation of a Lien in favor of the Collateral Agent or the Administrative Agent for the benefit of the Holders of Secured Obligations, with respect to the assets or Property obtained with the proceeds of such Indebtedness, and (B) the Senior Unsecured Notes and other agreements with respect to unsecured Indebtedness governed by indentures or credit agreements or note purchase agreements with institutional investors permitted by this Agreement may contain terms that are not materially more restrictive (as reasonably determined by the Administrative Agent), taken as a whole, than those contained in the Senior Unsecured Notes Documents, (ii) this paragraph shall not prohibit (A) customary restrictions contained in purchase and sale agreements limiting the transfer of the subject assets pending closing, (B) customary non-assignment provisions in leases and other contracts entered into in the ordinary course of business, (C) agreements in effect as of the Closing Date and not entered into in contemplation of the transactions effected in connection

with the VITAS Healthcare Acquisition, (D) any restriction existing under agreements relating to assets acquired by the Borrower or a Subsidiary in a transaction permitted hereby, and (E) any restriction or condition as required by applicable law; provided that such agreements existed at the time of such acquisition, were not put into place in anticipation of such acquisition and are not applicable to any assets other than assets so acquired and (iii) any restriction existing under any agreement of a Person acquired as a Subsidiary pursuant to a transaction permitted hereby; provided that any such agreement existed at the time of such acquisition, was not put into place in anticipation of such acquisition and was not applicable to any Person or assets other than the Person or assets so acquired.

6.16. Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate (other than the Borrower and its Subsidiaries) except (i) pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arm's-length transaction, (ii) transactions between or among the Credit Parties not involving any other Affiliate, (iii) transactions between or among Subsidiaries that are not Guarantors not involving any other Affiliate, (iv) the Borrower and its Subsidiaries may make loans and advances to directors, officers, and employees of the Borrower and its Subsidiaries in the ordinary course of business, (v) the Borrower and its Subsidiaries may make payments in respect of transactions required to be made pursuant to agreements or arrangements in effect on the Closing Date and set forth on Schedule 6.16, (vi) the Borrower and its Subsidiaries may enter into, make payments under, or issue securities, stock options or similar rights pursuant to employment arrangements, employee benefit plans, equity option plans, indemnification provisions and other compensatory arrangements with directors, officers, and employees of the Borrower and its Subsidiaries in the ordinary course of business, so long as such payments and issuances otherwise comply with the terms of this Agreement, (vii) the Borrower and its Subsidiaries may make Restricted Payments permitted by Section 6.10, (viii) the Borrower and its Subsidiaries may enter into transactions permitted by Section 6.11, 6.12, 6.13 or 6.14, (ix) the Transactions and (x) the making of severance payments to directors, officers or employees of VITAS Healthcare that are required pursuant to arrangements in effect prior to the date that the Borrower acquired VITAS Healthcare.

6.17. Financial Contracts. The Borrower will not, nor will it permit any Subsidiary to, enter into or remain liable upon any Rate Management Transactions except for those entered into in the ordinary course of business for bona fide hedging purposes and not for speculative purposes.

6.18. Subsidiary Covenants. The Borrower will not, and will not permit any Subsidiary to, create or otherwise cause to become effective any consensual encumbrance or restriction of any kind on the ability of any Subsidiary (i) to pay dividends or make any other distribution on its stock, (ii) to pay any Indebtedness or other obligation owed to the Borrower or any other Subsidiary, (iii) to make loans or advances or other Investments in the Borrower or any other Subsidiary, or (iv) to sell, transfer or otherwise convey any of its property to the Borrower or any other Subsidiary, except (A) any restriction existing under (1) the Loan Documents, (2) agreements disclosed in Schedule 6.18, (3) the Senior Unsecured Notes Documents and

agreements with respect to Indebtedness permitted by this Agreement containing provisions described in clauses (i), (ii) and (iii) above that are not materially more restrictive (as reasonably determined by the Administrative Agent), taken as a whole, than those of the Senior Unsecured Notes Documents, (B) customary non-assignment, subletting or transfer provisions in leases, licenses and other contracts entered into in the ordinary course of business, (C) customary restrictions contained in purchase and sale agreements limiting the transfer of the subject assets pending closing, (D) any restriction or condition as required by applicable law, (E) any restriction existing under agreements relating to assets acquired by the Borrower or a Subsidiary in a transaction permitted hereby; provided that such agreements existed at the time of such acquisition, were not put into place in anticipation of such acquisition and are not applicable to any assets other than assets so acquired, (F) any restriction existing under any agreement of a Person acquired as a Subsidiary in a transaction permitted hereby; provided any such agreement existed at the time of such acquisition, was not put into place in anticipation of such acquisition and was not applicable to any Person or assets other than the Person or assets so acquired, (G) agreements with respect to Indebtedness secured by Liens permitted by Section 6.15 that restrict the ability to transfer the assets securing such Indebtedness and (H) any encumbrance or restriction pursuant to an agreement effecting a refinancing of Indebtedness incurred pursuant to an agreement referred to in clause (A)(2)(E) or (F) of this covenant or this clause (H) or contained in any amendment to an agreement referred to in clause (A)(2)(E) or (F) of this covenant or this clause (H); provided, however, that the encumbrances and restrictions contained in any such refinancing agreement or amendment, taken as a whole, are not materially more restrictive than the encumbrances and restrictions contained in such predecessor agreements (as reasonably determined by the Administrative Agent).

6.19. Contingent Obligations. The Borrower will not, nor will it permit any Subsidiary to, make or suffer to exist any Contingent Obligation in respect of Indebtedness of another Person (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary), except (i) by endorsement of instruments for deposit or collection in the ordinary course of business, (ii) the Reimbursement Obligations (iii) any Contingent Obligation in respect of the Secured Obligations, (iv) any Indebtedness permitted by Section 6.14, and (v) any Contingent Obligation in respect of any Indebtedness permitted by Section 6.14.

6.20. Leverage Ratio; Senior Leverage Ratio.

6.20.1 Leverage Ratio. The Borrower will not permit the ratio (the "Leverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Funded Indebtedness of the Borrower to (ii) Consolidated EBITDA for the then most-recently ended four fiscal quarters (subject to the remainder of this Section 6.20.1) to be greater than the applicable "Maximum Leverage Ratio" set forth below:

Fiscal Quarter Ending	Maximum Leverage Ratio
December 31, 2004	5.50 to 1.00
As of the Closing Date and each of March 31, 2005, June 30, 2005, September 30, 2005, December 31, 2005, March 31, 2006, June 30, 2006, September 30, 2006 and December 31, 2006	4.00 to 1.00
Each of March 31, 2007, June 30, 2007, September 30, 2007, December 31, 2007, March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008	3.75 to 1.00
Each fiscal quarter thereafter	3.50 to 1.00

Notwithstanding the foregoing, for the purposes of the calculation of covenant compliance for the quarter ended December 31, 2004, the Borrower shall use such calculation methodology as was set forth in the Prior Credit Agreement, giving effect to and including the repayment of the Senior Secured Notes.

6.20.2 Senior Leverage Ratio. The Borrower will not permit the ratio (the "Senior Leverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Senior Funded Debt of the Borrower to (ii) Consolidated EBITDA for the then most recently ended four fiscal quarters (subject to the remainder of this Section 6.20.2) to be greater than the applicable "Maximum Senior Leverage Ratio" set forth below:

Fiscal Quarter Ending	Maximum Senior Leverage Ratio
December 31, 2004	3.375 to 1.00
As of the Closing Date and each of March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005	3.00 to 1.00
Each fiscal quarter thereafter	2.75 to 1.00

Notwithstanding the foregoing, for the purposes of the calculation of covenant compliance for the quarter ended December 31, 2004, the Borrower shall use such calculation methodology as was set forth in the Prior Credit Agreement, giving effect to and including the repayment of the Senior Secured Notes.

6.21. Fixed Charge Coverage Ratio. The Borrower will not permit the ratio (the "Fixed Charge Coverage Ratio"), determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters of (i) Consolidated EBITDA minus Consolidated Capital Expenditures to (ii) Consolidated Interest Expense plus Consolidated Current Maturities during such period (including, without limitation, Capitalized Lease Obligations) plus cash dividends paid on the equity interests of the Borrower during such period plus expenses for taxes paid or taxes accrued during such period, all calculated for the Borrower and its Subsidiaries on a consolidated basis, to be less than the applicable "Minimum Fixed Charge Coverage Ratio" below:

Fiscal Quarter Ending	Minimum Fixed Charge Coverage Ratio
December 31, 2004	1.15 to 1.00
As of the Closing Date and each of March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005	1.25 to 1.00
Each of March 31, 2006, June 30, 2006, September 30, 2006, and December 31, 2006	1.375 to 1.00
Each fiscal quarter thereafter	1.50 to 1.00

Notwithstanding the foregoing, for the purposes of the calculation of covenant compliance for the quarter ended December 31, 2004, the Borrower shall use such calculation methodology as was set forth in the Prior Credit Agreement, giving effect to and including the repayment of the Senior Secured Notes.

6.22. Minimum Consolidated Net Worth. The Borrower will at all times maintain Consolidated Net Worth of not less than (i) 85% of Consolidated Net Worth at December 31, 2004 plus (ii) 50% of Consolidated Net Income (if positive) earned in each fiscal quarter beginning with the fiscal quarter ending March 31, 2005 plus (iii) the amount of all Net Cash Proceeds resulting from issuances of the Borrower's or any Subsidiary's capital stock or other equity interests to a Person other than the Borrower or any Subsidiary.

6.23. Capital Expenditures. The Borrower will not, nor will it permit any Subsidiary to, expend, or be committed to expend, in excess of $30,000,000 (the "Base Amount") for Capital Expenditures of the Borrower and its Subsidiaries during any fiscal year of the Borrower; provided, however, that if the aggregate amount of Capital Expenditures actually expended during any such fiscal year is less than the Base Amount (the difference being the "Unused CapEx Amount"), then, the permitted amount of Capital Expenditures during the immediately succeeding fiscal year (and no other succeeding fiscal year) shall be an amount equal to the Base Amount plus the Unused CapEx Amount, with the Unused Cap Ex Amount being deemed utilized first with any excess Base Amount available to use in the immediately succeeding fiscal year in accordance herewith.

6.24. Operating Leases. The Borrower will not, nor will it permit any Subsidiary to, enter into or remain liable upon any Operating Lease, synthetic lease or tax ownership operating lease, except for Operating Leases for which the Borrower's and its Subsidiaries' annual aggregate payment obligations in respect of fixed lease payments do not exceed $30,000,000.

6.25. Guarantors. The Borrower shall cause each of its Domestic Subsidiaries to guarantee pursuant to the Guaranty Agreement or supplement thereto the Secured Obligations. In furtherance of the above, the Borrower shall promptly (and in any event within forty-five (45) days thereof) (i) provide written notice to the Administrative Agent upon any Person becoming a Domestic Subsidiary, setting forth information in reasonable detail describing all of the assets of such Person, (ii) cause such Person to execute a supplement to the Guaranty Agreement and such other Collateral Documents as are necessary for the Borrower and its Subsidiaries to comply with Section 6.26, (iii) cause the Applicable Pledge Percentage of the issued and outstanding equity interests of such Person to be delivered to the Collateral Agent (together with undated stock powers signed in blank, if applicable) and pledged to the Collateral Agent pursuant to an appropriate pledge agreement(s) in substantially the form of the Pledge and Security Agreement (or joinder or other supplement thereto) and otherwise in form reasonably acceptable to the Collateral Agent and (iv) deliver such other documentation as the Collateral Agent may reasonably request in connection with the foregoing, including, without limitation, certified resolutions and other authority documents of such Person and, to the extent requested by the Collateral Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above), all in form, content and scope reasonably satisfactory to the Collateral Agent; provided, however, that in respect of subclause (iii), no Credit Party shall be required to pledge (w) the equity interests of Roto-Rooter of Canada, Ltd. or VNF, (x) more than 40% of the equity interests of RR Plumbing Services Corporation, (y) more than 49% of the equity interests of Complete Plumbing Services Inc., or (z) more than 80% of the equity interests of Nurotoco of New Jersey, Inc.; provided, further, that, except to the extent necessary to satisfy any licensing requirement under applicable law with respect to the Borrower's or any Subsidiary's business, the Borrower will not permit, nor will it permit any other Credit Party to, grant a security interest in, pledge or deliver to any non-Credit Party those equity interests that are not pledged or delivered to the Collateral Agent pursuant to this Section 6.25.

6.26. Collateral. The Borrower will cause, and will cause each other Credit Party to cause, all of its owned Property (other than real property) to be subject at all times to first priority, perfected Liens in favor of the Collateral Agent for the benefit of the creditors of the Borrower that are party to the Intercreditor Agreement, including, without limitation, the Holders of Secured Obligations, to secure the Secured Obligations and the other Indebtedness subject to the Intercreditor Agreement in accordance with the terms and conditions of the Collateral Documents, subject in any case to Liens permitted by Section 6.15 hereof; provided, however, that the Borrower and the other Credit Parties shall not be required to comply with the terms of the Federal Assignment of Claims Act in connection with their pledge of any Collateral to the Collateral Agent. Without limiting the generality of the foregoing, the Borrower will cause the Applicable Pledge Percentage of the issued and outstanding equity interests of each Pledge Subsidiary directly owned by the Borrower or any other Credit Party to be subject at all times to a first priority, perfected Lien in favor of the Collateral Agent in accordance with the terms and conditions of this Agreement and the Collateral Documents or such other security documents as the Collateral Agent shall reasonably request, in each case to the extent, and within such time period as is, reasonably required by the Collateral Agent, subject in any case to Liens permitted by Section 6.15. Notwithstanding the foregoing, (i) no Credit Party shall be required to pledge (A) the equity interests of Roto-Rooter of Canada, Ltd. or VNF, (B) more than 40% of the equity interests of RR Plumbing Services Corporation, (C) more than 49% of the equity interests of

Complete Plumbing Services Inc., or (D) more than 80% of the equity interests of Nurotoco of New Jersey, Inc.; provided, however, that, except to the extent necessary to satisfy any licensing requirement under applicable law with respect to the Borrower's or any Subsidiary's business, the Borrower will not permit, nor will it permit any other Credit Party to, grant a security interest in, pledge or deliver to any non-Credit Party those equity interests that are not pledged or delivered to the Collateral Agent pursuant to this Section 6.26; and (ii) no pledge agreement in respect of the equity interests of a Foreign Subsidiary shall be required hereunder to the extent such pledge thereunder is prohibited by applicable law or its counsel reasonably determines that such pledge would not provide material credit support for the benefit of the creditors of the Borrower that are party to the Intercreditor Agreement pursuant to legally valid, binding and enforceable pledge agreements.

6.27. Sale and Leaseback Transactions. The Borrower shall not, nor shall it permit any Subsidiary to, enter into any Sale and Leaseback Transaction, other than Sale and Leaseback Transactions in respect of which the net cash proceeds received in connection therewith does not exceed $250,000 in the aggregate during any fiscal year of the Borrower, determined on a consolidated basis for the Borrower and its Subsidiaries.

6.28. Intentionally Omitted.

6.29. Intentionally Omitted.

6.30. Prepayment of Indebtedness. The Borrower will not, and will not permit any Subsidiary, to voluntarily prepay any Indebtedness other than (i) the Obligations and Indebtedness permitted by Section 6.14.4, 6.14.5, and 6.14.9, (ii) any other Indebtedness so long as such other Indebtedness is voluntarily prepaid with cash proceeds resulting from the sale to non-Affiliates of equity interests in the Borrower or any Subsidiary thereof, (iii) pursuant to renewals, refinancings and extensions of Indebtedness permitted by Section 6.14, and (iv) payments of Indebtedness that would become due or would be required to be redeemed or repurchased as a result of the voluntary sale or transfer of Property that is being sold or transferred.

6.31. Amendments to Senior Unsecured Indenture Documents. The Borrower will not, and will not permit any Subsidiary to, amend the Senior Unsecured Notes, the other Senior Unsecured Indenture Documents or any document, agreement or instrument evidencing any Indebtedness incurred pursuant to the Senior Unsecured Indenture Documents (or any replacements, substitutions, extensions or renewals thereof) or pursuant to which such Indebtedness is issued to the extent such amendment, modification or supplement provides for the following or which has any of the following effects: (i) results in the Indebtedness outstanding under the Senior Unsecured Indenture Documents being secured by the Borrower's or any Subsidiary's Property; (ii) prohibits the Borrower or any Subsidiary from securing the Secured Obligations (iii) shortens the final maturity date of the Indebtedness outstanding under the Senior Unsecured Indenture Documents or otherwise accelerates the amortization schedule for Indebtedness outstanding under the Senior Unsecured Indenture Documents; (iv) increases the overall principal amount of the Indebtedness outstanding under the Senior Unsecured Indenture Documents or increases the amount of any single scheduled installment of principal or interest other than in connection with issuances of additional Senior Unsecured Notes permitted

by Section 6.14.9; (v) shortens or accelerates the date upon which any installment of principal or interest becomes due or adds any additional mandatory prepayment or redemption provisions not set forth in the Senior Unsecured Indenture Documents on the Closing Date; or (vi) adds to or otherwise includes in any Senior Unsecured Indenture Document a default or event of default provision, including, without limitation, a cross-default, that is triggered by the occurrence of an Event of Default or Unmatured Event of Default under the Loan Documents unless such Event of Default hereunder results from the non-payment of the Obligations upon the maturity thereof or the acceleration of the Obligations.

ARTICLE VII

EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an Event of Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent under or in connection with this Agreement, any Credit Extension, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be false in any material respect on the date as of which made or deemed made.

7.2 Nonpayment of (i) principal of any Loan when due, (ii) any Reimbursement Obligation within one Business Day after the same becomes due, or (iii) interest upon any Loan or any Commitment Fee, LC Fee or other Obligations under any of the Loan Documents within five (5) Business Days after such interest, fee or other Obligation becomes due.

7.3 The breach by the Borrower of any of the terms or provisions of Section 6.2, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.17, 6.18, 6.19, 6.20, 6.21, 6.22, 6.23, 6.24, 6.25, 6.26, 6.27, 6.30, and 6.31.

7.4 The breach by the Borrower (other than a breach which constitutes an Event of Default under another Section of this Article VII) of any of the terms or provisions of (i) this Agreement or (ii) any other Loan Document (beyond the applicable grace period with respect thereto, if any), in each case which is not remedied within thirty (30) days after the earlier to occur of (x) written notice thereof from the Administrative Agent or any Lender to the Borrower or (y) an Authorized Officer otherwise becomes aware of any such breach.

7.5 Failure of the Borrower or any of its Subsidiaries to pay when due any Material Indebtedness (subject to any applicable grace period with respect thereto, if any, set forth in the Material Indebtedness Agreement evidencing such Material Indebtedness) which failure has not been (i) timely cured or (ii) waived in writing by the requisite holders of such Material Indebtedness; or the default by the Borrower or any of its Subsidiaries in the performance (beyond the applicable grace period with respect thereto, if any) of any term, provision or condition contained in any Material Indebtedness Agreement and such default has not been (x) timely cured or (y) waived in writing by the requisite holders of the Material Indebtedness in respect thereof, or any other event shall occur or condition exist, the effect of which default,

event or condition is to cause, or to permit the holder(s) of such Material Indebtedness or the lender(s) under any Material Indebtedness Agreement to cause, such Material Indebtedness to become due prior to its stated maturity or any commitment to lend under any Material Indebtedness Agreement to be terminated prior to its stated expiration date; or any Material Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof, in each case other than secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the Property securing such Indebtedness; or the Borrower or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6 The Borrower or any of its Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 7.6.

7.7 Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(iv) shall be instituted against the Borrower or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days.

7.8 The Borrower or any of its Subsidiaries shall fail within thirty (30) days to pay, bond or otherwise discharge one or more judgments or orders for the payment of money in excess of $10,000,000 (or the equivalent thereof in currencies other than Dollars) in the aggregate, which judgment(s), in any such case, is/are not stayed on appeal or otherwise being appropriately contested in good faith.

7.9 The Unfunded Liabilities of all Single Employer Plans shall exceed $5,000,000 in the aggregate, or any Reportable Event shall occur in connection with any Plan and such Reportable Event would reasonably be expected to have a Material Adverse Effect.

7.10 Any Change of Control shall occur.

7.11 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred, pursuant to Section 4201 of ERISA, withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other

member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds $5,000,000 or requires payments exceeding $5,000,000 per annum.

7.12 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased, in the aggregate, over the annual amounts contributed to such Multiemployer Plans for the respective plan years of such Multiemployer Plans immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $5,000,000.

7.13 Other than with respect to environmental proceedings, investigations, violations, or liabilities disclosed by the Borrower to the Administrative Agent and the Lenders prior to the Closing Date, the Borrower or any of its Subsidiaries shall (i) be the subject of any proceeding or investigation pertaining to the release by the Borrower, any of its Subsidiaries or any other Person of any toxic or hazardous waste or substance into the environment, or (ii) violate any Environmental Law, which, in the case of an event described in clause (i) or clause (ii), has resulted in liability to the Borrower or any of its Subsidiaries in an amount equal to $5,000,000 or more, which liability is not paid, bonded or otherwise discharged within forty-five (45) days or which is not stayed on appeal and being appropriately contested in good faith.

7.14 Any Loan Document shall fail to remain in full force or effect or any action shall be taken by the Borrower to assert the invalidity or unenforceability of, or which results in the invalidity or unenforceability of, any Loan Document or any Lien in favor of the Collateral Agent or the Administrative Agent under the Loan Documents as to assets that are material to the Borrower and its Subsidiaries taken as a whole, or such Lien shall not have the priority contemplated by the Loan Documents, except (i) as a result of the sale or other disposition of the applicable Collateral in a transaction permitted under the Loan Documents or (ii) as a result of the Collateral Agent's failure to maintain possession of any stock certificates, promissory notes or other instruments delivered to it under any Loan Document or as a result of the negligent or willful failure of the Collateral Agent to take such action as is necessary to continue such Liens.

ARTICLE VIII

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration.

(i) If any Event of Default described in Section 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and the Secured Obligations shall immediately become due and payable without any election or action on the part of the Administrative Agent, the LC Issuer or any Lender, and the Borrower will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay the

Administrative Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time less (y) the amount or deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Secured Obligations (the "Collateral Shortfall Amount"). If any other Event of Default occurs, the Required Lenders (or the Administrative Agent with the consent of the Required Lenders) may (a) terminate or suspend the obligations of the Lenders to make Loans hereunder and the obligation and power of the LC Issuer to issue Facility LCs, or declare the Secured Obligations to be due and payable, or both, whereupon the Secured Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives and (b) upon notice to the Borrower and in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Borrower to pay, and the Borrower will forthwith upon such demand and without any further notice or act pay to the Administrative Agent the Collateral Shortfall Amount which funds shall be deposited in the Facility LC Collateral Account.

(ii) If at any time while any Event of Default is continuing, the Administrative Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Administrative Agent may make demand on the Borrower to pay, and the Borrower will, forthwith upon such demand and without any further notice or act, pay to the Administrative Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(iii) While an Event of Default is continuing, the Administrative Agent may at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Secured Obligations in respect of Facility LCs and any other amounts as shall from time to time have become due and payable by the Borrower to the Lenders or the LC Issuer under the Loan Documents.

(iv) At any time while any Event of Default is continuing, neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Secured Obligations have been indefeasibly paid in full and the Aggregate Revolving Loan Commitment and Aggregate Term Loan Commitment have been terminated, any funds remaining in the Facility LC Collateral Account shall be paid to the Collateral Agent or paid to whomever may be legally entitled thereto at such time.

(v) If, after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans and the obligation and power of the LC Issuer to issue Facility LCs hereunder as a result of any Event of Default (other than any Event of Default as described in Section 7.6 or 7.7 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations

due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Administrative Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Section 8.2 and the Intercreditor Agreement, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or thereunder or waiving any Event of Default hereunder or thereunder; provided, however, that no such supplemental agreement shall, without the consent of each Lender directly affected thereby:

8.2.1 Extend the Revolving Loan Termination Date, extend the final maturity of any Revolving Loan or extend the expiry date of any Facility LC to a date after the Revolving Loan Termination Date (except as expressly permitted in Section 2.20.1), extend the final maturity date of any Term Loan to a date after the Term Loan Maturity Date, or postpone any regularly scheduled payment of principal of any Loan or forgive all or any portion of the principal amount thereof, or any Reimbursement Obligation related thereto, or reduce the rate or extend the time of payment of interest or fees thereon or Reimbursement Obligations related thereto (other than (x) a waiver of the application of the default rate of interest pursuant to Section 2.11 hereof and (y) any reduction of the amount of or any modification of the payment date for the mandatory payments required under Section 2.2, in each case which shall only require the approval of the Required Lenders).

8.2.2 Reduce the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or amend the definition of "Pro Rata Share", "Revolving Loan Pro Rata Share" or "Term Loan Pro Rata Share".

8.2.3 Increase the amount of the Revolving Loan Commitment or Term Loan Commitment of any Lender hereunder, or permit the Borrower to assign its rights or obligations under this Agreement.

8.2.4 Amend this Section 8.2.

8.2.5 Other than in connection with a transaction permitted under this Agreement, release all or substantially all of the Collateral.

8.2.6 Other than in connection with a transaction permitted under this Agreement, release all or substantially all of the Guarantors from their obligations under the Guaranty Agreement or any other agreement pursuant to which such Guarantors guarantee the repayment of the Secured Obligations.

Notwithstanding the foregoing, no Lender's consent shall be required for any amendment, modification or waiver if (i) by the terms of such amendment, modification or waiver the Revolving Loan Commitment and the Term Loan Commitment, as applicable, of such Lender shall terminate upon the effectiveness of such amendment, modification or waiver and (ii) at the

time such amendment, modification or waiver becomes effective, such Lender receives payment in full of all of the Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, Rate Management Obligations, contingent indemnity obligations and other contingent obligations) owing to it under the Loan Documents. No amendment of any provision of this Agreement relating to the Administrative Agent shall be effective without the written consent of the Administrative Agent. The Administrative Agent may waive payment of the fee required under Section 12.3.3 without obtaining the consent of any other party to this Agreement. No amendment of any provision of this Agreement relating to the Swing Line Lender or any Swing Line Loan shall be effective without the written consent of the Swing Line Lender. No amendment of any provision of this Agreement relating to the LC Issuer shall be effective without the written consent of the LC Issuer.

8.3. Preservation of Rights. No delay or omission of the Lenders, the LC Issuer or the Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and the making of a Credit Extension notwithstanding the existence of an Event of Default or Unmatured Event of Default or the inability of the Borrower to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by, or by the Administrative Agent with the consent of, the requisite number of Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Administrative Agent, the LC Issuer and the Lenders until all of the Secured Obligations have been paid in full.

ARTICLE IX

GENERAL PROVISIONS

9.1. Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the Collateral Agent, the LC Issuer and the Lenders and supersede all prior agreements and understandings among the

Borrower, the Administrative Agent, the Collateral Agent, the LC Issuer and the Lenders relating to the subject matter thereof other than those contained in the fee letter described in Section 10.13 which shall survive and remain in full force and effect during the term of this Agreement.

9.5. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Administrative Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns, provided, however, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of Sections 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. Expenses; Indemnification. (i) The Borrower shall reimburse the Administrative Agent and the Arranger for any reasonable out-of-pocket costs and expenses (including reasonable out-of-pocket attorneys' fees and out-of-pocket expenses of and fees for other advisors and professionals engaged by the Administrative Agent or the Arranger) paid or incurred by the Administrative Agent or the Arranger in connection with the investigation, preparation, negotiation, documentation, execution, delivery, syndication, distribution (including, without limitation, via the internet), review, amendment, modification and administration of the Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Arranger, the LC Issuer and the Lenders for any reasonable out-of-pocket costs and expenses (including reasonable out-of-pocket attorneys' fees and expenses) paid or incurred by the Administrative Agent, the Arranger, the LC Issuer or any Lender in connection with the collection and enforcement of the Loan Documents. Expenses being reimbursed by the Borrower under this Section include, without limitation, costs and expenses incurred in connection with the Reports described in the following sentence. The Borrower acknowledges that from time to time JPMorgan Chase may prepare and may distribute to the Lenders (but shall have no obligation or duty to prepare or to distribute to the Lenders) certain audit reports (the "Reports") pertaining to the Borrower's assets for internal use by JPMorgan Chase from information furnished to it by or on behalf of the Borrower, after JPMorgan Chase has exercised its rights of inspection pursuant to this Agreement.

(ii) The Borrower hereby further agrees to indemnify the Administrative Agent, the Arranger, the LC Issuer, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and related reasonable out-of-pocket expenses (including, without limitation, all reasonable out-of-pocket expenses of litigation or preparation therefor whether or not the Administrative Agent, the Arranger, the LC Issuer, any Lender or any affiliate is a party thereto, and all reasonable out-of-pocket attorneys' fees and expenses) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross

negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrower under this Section 9.6 shall survive the termination of this Agreement.

(iii) The Collateral Agent shall receive the benefits of the provisions of this Section 9.6 with respect to all losses, claims, damages, penalties, judgments, liabilities and expenses resulting under or in connection with the Collateral Documents.

9.7. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders, to the extent that the Administrative Agent deems appropriate.

9.8. Accounting. Except as provided to the contrary herein, all accounting terms used in the calculation of any financial covenant or test shall be interpreted and all accounting determinations hereunder in the calculation of any financial covenant or test shall be made in accordance with Agreement Accounting Principles. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Borrower or any of its Subsidiaries with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("Accounting Changes"), the parties hereto agree, at the Borrower's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably satisfactory to the Administrative Agent and the Required Lenders, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to Agreement Accounting Principles shall mean generally accepted accounting principles as of the date of such amendment. Notwithstanding the foregoing, all financial statements to be delivered by the Borrower pursuant to Section 6.1 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

9.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. Nonliability of Lenders. The relationship between the Borrower on the one hand and the Lenders, the LC Issuer and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of,

or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Administrative Agent, the Arranger, the LC Issuer nor any Lender shall have any liability to the Borrower with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. Confidentiality. The Administrative Agent and each Lender agrees to hold the "Information" (as defined below) which it may receive from the Borrower in connection with this Agreement in confidence, except for disclosure (i) on a confidential basis to its Affiliates and to any other party to this Agreement, (ii) on a confidential basis to legal counsel, accountants, and other professional advisors to such Lender, (iii) to regulatory officials as requested, (iv) to any Person as required by law, regulation, or legal process, (v) to any Person as required in connection with any legal proceeding to which it is a party, (vi) subject to an agreement containing provisions substantially the same as those of this Section, on a confidential basis to its direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 12.4. Without limiting Section 9.4, the Borrower agrees that the terms of this Section 9.11 shall set forth the entire agreement between the Borrower and each Lender (including the Administrative Agent) with respect to any confidential information previously or hereafter received by such Lender in connection with this Agreement, and this Section 9.11 shall supersede any and all prior confidentiality agreements entered into by such Lender with respect to such confidential information. For the purposes of this Section, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or their respective businesses, as the case may be, other than any such information that is available to the Administrative Agent, the Collateral Agent, the LC Issuer or any Lender on a nonconfidential basis.

9.12. Lenders Not Utilizing Plan Assets. Each Lender represents and warrants that none of the consideration used by such Lender to make its Credit Extensions constitutes for any purpose of ERISA or Section 4975 of the Code assets of any "plan" as defined in Section 3(3) of ERISA or Section 4975 of the Code and the rights and interests of such Lender in and under the Loan Documents shall not constitute such "plan assets" under ERISA.

9.13. Nonreliance. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for herein.

9.14. Disclosure. The Borrower and each Lender, including the LC Issuer, hereby acknowledge and agree that each Lender and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

9.15. Performance of Obligations. Subject to the terms of the Intercreditor Agreement, the Borrower agrees that the Collateral Agent or the Administrative Agent may, but shall have no obligation to (i) after the occurrence and during the continuance of an Event of Default, pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against any Collateral and (ii) after the occurrence and during the continuance of an Event of Default make any other payment or perform any act required of the Borrower under any Loan Document or take any other action which the Collateral Agent or the Administrative Agent in its discretion deems necessary or desirable to protect or preserve the Collateral, including, without limitation, any action to (x) effect any repairs or obtain any insurance called for by the terms of any of the Loan Documents and to pay all or any part of the premiums therefor and the costs thereof and (y) pay any rents payable by the Borrower which are more than thirty (30) days past due, or as to which the landlord has given notice of termination, under any lease. The Administrative Agent shall use its best efforts to give or cause the Collateral Agent to give the Borrower notice of any action taken under this Section 9.15 prior to the taking of such action or promptly thereafter provided the failure to give such notice shall not affect the Borrower's obligations in respect thereof. The Borrower agrees to pay the Administrative Agent, upon demand, the principal amount of all funds advanced by the Administrative Agent under this Section 9.15 together with interest thereon at the rate from time to time applicable to Floating Rate Loans from the date of such advance until the outstanding principal balance thereof is paid in full. If the Borrower fails to make payment in respect of any such advance under this Section 9.15 within one (1) Business Day after the date the Borrower receives written demand therefor from the Administrative Agent, the Administrative Agent shall promptly notify each Lender and each Lender agrees that it shall thereupon make available to the Administrative Agent, in Dollars in immediately available funds, the amount equal to such Lender's Pro Rata Share of such advance. If such funds are not made available to the Administrative Agent by such Lender within one (1) Business Day after the Administrative Agent's demand therefor, the Administrative Agent will be entitled to recover any such amount from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of such demand and ending on the date such amount is received. The failure of any Lender to make available to the Administrative Agent its Pro Rata Share of any such unreimbursed advance under this Section 9.15 shall neither relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Pro Rata Share of such advance on the date such payment is to be made nor increase the obligation of any other Lender to make such payment to the Administrative Agent. All outstanding principal of, and interest on, advances made under this Section 9.15 shall constitute Obligations secured by the Collateral until paid in full by the Borrower.

9.16. USA Patriot Act Notification. The following notification is provided to the Borrower pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government of the United States of America fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each Person that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. Accordingly, when the Borrower opens an account, the Administrative Agent and the Lenders will ask for the Borrower's name, tax identification

number, business address, and other information that will allow the Administrative Agent and the Lenders to identify the Borrower. The Administrative Agent and the Lenders may also ask to see the Borrower's legal organizational documents or other identifying documents.

9.17. Subordination of Intercompany Indebtedness. The Borrower agrees that any and all claims of the Borrower against any Guarantor with respect to any "Intercompany Indebtedness" (as hereinafter defined) shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Secured Obligations; provided that, and not in contravention of the foregoing, unless an Event of Default has occurred and is continuing and the Borrower receives from the Administrative Agent a payment blockage notice pursuant to this Section 9.17 that has not been withdrawn, the Borrower may make loans to and receive payments in the ordinary course with respect to such Intercompany Indebtedness from the Guarantors, to the extent permitted by the terms of this Agreement and the other Loan Documents. Notwithstanding any right of the Borrower to ask, demand, sue for, take or receive any payment from the Guarantors, all rights, liens and security interests of the Borrower, whether now or hereafter arising and howsoever existing, in any assets of any such guarantor shall be and are subordinated to the rights of the Holders of Secured Obligations in those assets. The Borrower shall not have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Secured Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, Rate Management Obligations, contingent indemnity obligations, and other contingent obligations) shall have been fully paid and satisfied (in cash). If all or any part of the assets of any such guarantor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such guarantor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other similar action or proceeding, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any Indebtedness of any Guarantor, to the Borrower ("Intercompany Indebtedness") shall be paid or delivered directly to the Administrative Agent, who shall remit it to the Collateral Agent if required under the Intercreditor Agreement for application in accordance with the Intercreditor Agreement, or, if not required under the Intercreditor Agreement, for application to any of the Secured Obligations, due or to become due, until such Secured Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, Rate Management Obligations, contingent indemnity obligations, and other contingent obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by the Borrower upon or with respect to the Intercompany Indebtedness after an Insolvency Event prior to the satisfaction of all of the Secured Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, Rate Management Obligations, contingent indemnity obligations and other contingent obligations), the Borrower shall receive and hold the same in trust, as trustee, for the benefit of the Holders of Secured Obligations and shall forthwith deliver the same to the Administrative Agent, who shall remit it to the Collateral Agent if required under the Intercreditor Agreement for application in accordance with the Intercreditor Agreement or, if not required under the Intercreditor Agreement, for application to any of the Secured Obligations, in precisely the form received (except for the endorsement or assignment of the Borrower where

necessary), and, until so delivered, the same shall be held in trust by the Borrower as the property of the Administrative Agent or the Collateral Agent, as applicable. If the Borrower fails to make any such endorsement or assignment to the Collateral Agent or the Administrative Agent, the Collateral Agent or the Administrative Agent or any of its officers or employees are irrevocably authorized to make the same. The Borrower agrees that until the Secured Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, Rate Management Obligations, contingent indemnity obligations, and other contingent obligations) have been paid in full (in cash) and satisfied, the Borrower will not assign or transfer to any Person (other than the Agent) any claim the Borrower has or may have against any Guarantor except as otherwise permitted by the Loan Documents.

ARTICLE X

THE ADMINISTRATIVE AGENT

10.1. Appointment; Nature of Relationship. JPMorgan Chase is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Administrative Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Administrative Agent," it is expressly understood and agreed that the Administrative Agent shall not have any fiduciary responsibilities to any of the Holders of Secured Obligations by reason of this Agreement or any other Loan Document and that the Administrative Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Administrative Agent (i) does not hereby assume any fiduciary duties to any of the Holders of Secured Obligations, (ii) is a "representative" of the Holders of Secured Obligations within the meaning of the term "secured party" as defined in the New York Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders, for itself and on behalf of its Affiliates as Holders of Secured Obligations, hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Holder of Secured Obligations hereby waives.

10.2. Powers. The Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Administrative Agent.

10.3. General Immunity. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, or any Lender or Holder of Secured Obligations for any action taken or omitted to be taken by it or them hereunder or under any

other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final, non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4. No Responsibility for Loans, Recitals, etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered solely to the Administrative Agent; (d) the existence or possible existence of any Event of Default or Unmatured Event of Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any Collateral; or (g) the financial condition of the Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Administrative Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Administrative Agent at such time, but is voluntarily furnished by the Borrower to the Administrative Agent (either in its capacity as Administrative Agent or in its individual capacity). Except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Administrative Agent in such capacity or any Affiliate thereof in any capacity.

10.5. Action on Instructions of Lenders. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders (or all of the Lenders in the event that and to the extent that this Agreement expressly requires such). The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. The Administrative Agent may execute any of its duties as Administrative Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall be entitled to advice of counsel concerning the contractual

arrangement between the Administrative Agent and the Lenders and all matters pertaining to the Administrative Agent's duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex, electronic mail message, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Administrative Agent, which counsel may be employees of the Administrative Agent. For purposes of determining compliance with the conditions specified in Sections 4.1 and 4.2, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the applicable date specifying its objection thereto.

10.8. Administrative Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Administrative Agent ratably in proportion to the Lenders' Pro Rata Shares (i) for any amounts not reimbursed by the Borrower for which the Administrative Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Administrative Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Administrative Agent in connection with any dispute between the Administrative Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, provided that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Administrative Agent and (ii) any indemnification required pursuant to Section 3.5(vii) shall, notwithstanding the provisions of this Section 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this Section 10.8 shall survive payment of the Secured Obligations and termination of this Agreement.

10.9. Notice of Event of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default hereunder unless the Administrative Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders.

10.10. Rights as a Lender. In the event the Administrative Agent is a Lender, the Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Revolving Loan Commitment and its Credit Extensions as any Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" shall, at any time when the Administrative Agent is a Lender, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Administrative Agent, in its individual capacity, is not obligated to remain a Lender.

10.11. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent or, if no successor Administrative Agent has been appointed, forty-five (45) days after the retiring Administrative Agent gives notice of its intention to resign. The Administrative Agent may not be removed at any time without its prior written consent. Upon any resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent reasonably acceptable to the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Lenders within thirty (30) days after the resigning Administrative Agent's giving notice of its intention to resign, then the resigning Administrative Agent may appoint, on behalf of the Borrower and the Lenders, a successor Administrative Agent reasonably acceptable to the Borrower. Notwithstanding the previous sentence, the Administrative Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Administrative Agent hereunder. If the Administrative Agent has resigned or been removed and no successor Administrative Agent has been appointed, the Lenders may perform all the duties of the Administrative Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Administrative Agent shall be deemed to be appointed hereunder until such successor Administrative Agent has accepted the appointment. Any such successor Administrative Agent shall be a commercial bank having capital and retained earnings of at least $100,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed

Administrative Agent. Upon the effectiveness of the resignation or removal of the Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Administrative Agent, the provisions of this Article X shall continue in effect for the benefit of such Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Administrative Agent by merger, or the Administrative Agent assigns its duties and obligations to an Affiliate pursuant to this Section 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Administrative Agent.

10.13. Administrative Agent and Arranger Fees. The Borrower agrees to pay to the Administrative Agent and the Arranger, for their respective accounts, the fees agreed to by the Borrower, the Administrative Agent and the Arranger pursuant to that certain letter agreement dated January 6, 2005, or as otherwise agreed from time to time.

10.14. Delegation to Affiliates. The Borrower and the Lenders agree that the Administrative Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Administrative Agent is entitled under Articles IX and X.

10.15. Intentionally Omitted

10.16. Collateral Documents. (a) Each Lender authorizes the Administrative Agent and the Collateral Agent to enter into, on behalf of each such Lender, each of the Collateral Documents to which it is a party, to remain subject to the Intercreditor Agreement and the Collateral Documents in effect on the Closing Date, and to take all action contemplated by each of such documents. Each Lender agrees that no Holder of Secured Obligations (other than the Administrative Agent) shall have the right individually to seek to realize upon the security granted by any Collateral Document, it being understood and agreed that such rights and remedies may be exercised solely by the Administrative Agent for the benefit of the Holders of Secured Obligations or the Collateral Agent for the benefit of the Holders of Secured Obligations and the Borrower's other creditors subject to the Intercreditor Agreement and upon the terms of the Collateral Documents.

(b) In the event that any Collateral is hereafter pledged by any Person as collateral security for the Secured Obligations, the Administrative Agent is hereby authorized to execute and deliver on behalf of the Holders of Secured Obligations any Loan Documents necessary or appropriate to grant and perfect a Lien on such Collateral in favor of the Collateral Agent.

(c) Subject to the Intercreditor Agreement, the Lenders hereby authorize the Administrative Agent, at its option and in its discretion, to direct the Collateral Agent to release any Lien granted to or held by the Collateral Agent upon any Collateral (i) upon termination of the Revolving Loan Commitments, Term Loan Commitments and payment and satisfaction of all

of the Obligations (other than obligations to pay fees and expenses with respect to which the Borrower has not received an invoice, contingent indemnity obligations, and Rate Management Obligations) at any time arising under or in respect of this Agreement or the Loan Documents or the transactions contemplated hereby or thereby; (ii) as permitted by, but only in accordance with, the terms of the applicable Loan Document; or (iii) if approved, authorized or ratified in writing by the Required Lenders, unless such release is required to be approved by all of the Lenders hereunder. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to direct the Collateral Agent to release particular types or items of Collateral pursuant to this Section 10.16. The Lenders confirm that the Collateral Agent may take actions described in this Section 10.16(c) so long as such actions are permitted under and comply with the terms of the Intercreditor Agreement.

(d) Subject to the terms of the Intercreditor Agreement, upon any sale or transfer of assets constituting Collateral which is permitted pursuant to the terms of any Loan Document, including, without limitation, the Service America Asset Sale, or consented to in writing by the Required Lenders or all of the Lenders, as applicable, the security interest in such Collateral shall be automatically released. In connection with any such release, the Administrative Agent shall (and is hereby irrevocably authorized by the Lenders to) direct the Collateral Agent to execute such documents as may be necessary to evidence the release of the Liens granted to the Collateral Agent for the benefit of the Holders of Secured Obligations herein or pursuant hereto upon the Collateral that was sold or transferred; provided, however, that (i) the Administrative Agent shall not be required to direct the Collateral Agent to execute any such document on terms which, in the Administrative Agent's opinion, would expose the Administrative Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Secured Obligations or any Liens upon (or obligations of the Borrower or any Subsidiary in respect of) all interests retained by the Borrower or any Subsidiary, including (without limitation) the proceeds of the sale, all of which shall continue to constitute part of the Collateral.

ARTICLE XI

SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any other Event of Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Secured Obligations owing to such Lender, whether or not the Secured Obligations, or any part thereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Outstanding Revolving Credit Exposure or its Term Loans (other than payments received pursuant to Section 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a participation in the Aggregate Outstanding Revolving Credit Exposure and Term Loans held by the other Lenders so that after such purchase each Lender will hold its Pro Rata Share, Revolving

Loan Pro Rata Share and Term Loan Pro Rata Share. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their respective Pro Rata Shares. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and the Lenders and their respective successors and assigns permitted hereby, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents without the prior written consent of each Lender, (ii) any assignment by any Lender must be made in compliance with Section 12.3, and (iii) any transfer by Participation must be made in compliance with Section 12.2. Any attempted assignment or transfer by any party not made in compliance with this Section 12.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 12.3.2. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and this Section 12.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank, (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee or (z) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to direct or indirect contractual counterparties in swap agreements relating to the Loans; provided, however, that (i) no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto, (ii) the Lender making such pledge or assignment shall retain the sole right to approve, without consent of any pledgee or assignee, any amendment, modification or waiver of any provisions of the Loan Documents, and (iii) the Borrower shall continue to deal solely and directly with such Lenders in connection such Lenders' rights and obligations under the Loan Documents unless and until the parties thereto have complied with the provisions of Section 12.3. The Administrative Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; provided, however, that the Administrative Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

12.2. Participations.

12.2.1 Permitted Participants; Effect. Any Lender may at any time sell to one or more banks or other entities ("Participants") participating interests in any Outstanding Revolving Credit Exposure of such Lender, any Term Loans of such Lender, any Note held by such Lender, any Revolving Loan Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Outstanding Revolving Credit Exposure and Term Loans and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Credit Extension or Revolving Loan Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.2.

12.2.3 Benefit of Certain Provisions. To the extent permitted by law, the Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.3, provided that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

12.3. Assignments.

12.3.1 Permitted Assignments. Any Lender may at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be evidenced by an agreement substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto (each such agreement, an "Assignment Agreement"). Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate of a Lender or an Approved Fund shall either be in an amount equal to the entire applicable Revolving Loan Commitment, Term Loan Commitment and Outstanding Revolving Credit Exposure and/or Term Loans, as applicable, of the assigning Lender or (unless each of the Borrower and the Administrative Agent otherwise consents) be in an aggregate amount not less than (x) $5,000,000 with respect to Revolving Loan Commitments and Outstanding Revolving Credit Exposure and (y) $1,000,000 with respect to Term Loans. The amount of the assignment shall be based on the Revolving Loan Commitment, Term Loan Commitment, Outstanding Revolving Credit Exposure (if the Revolving Loan Commitment has been terminated) and/or outstanding Term Loans (if the Term Loan Commitment has been terminated), as applicable, subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the Assignment Agreement.

12.3.2 Consents. The consent of the Borrower shall be required prior to an assignment becoming effective unless the Purchaser is a Lender, an Affiliate of a Lender or an Approved Fund; provided that the consent of the Borrower shall not be required if (i) an Event of Default or an Unmatured Event of Default has occurred and is continuing or (ii) if such assignment is in connection with the physical settlement of any Lender's obligations to direct or indirect contractual counterparties in swap agreements relating to the Loans. The consent of the Administrative Agent shall be required prior to an assignment becoming effective unless such assignment is an assignment of all or a portion of the Term Loans, in which case the Administrative Agent's consent shall not be required if the Purchaser of such Term Loans (or any portion thereof) is a Lender, an Affiliate of a Lender or an Approved Fund. Any consent required under this Section 12.3.2 shall not be unreasonably withheld or delayed.

12.3.3 Effect; Effective Date. Upon (i) delivery to the Administrative Agent of an Assignment Agreement, together with any consents required by Sections 12.3.1 and 12.3.2, and (ii) payment of a $3,500 fee to the Administrative Agent for processing such assignment (unless such fee is waived by the Administrative Agent), such assignment shall become effective on the effective date specified in such assignment. The Assignment Agreement shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Revolving Loan Commitment and Outstanding Revolving Credit Exposure and/or Term Loans, as applicable, under the applicable Assignment Agreement constitutes "plan assets" as defined under ERISA or Section 4975 of the Code and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA or Section 4975 of the Code. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto, and the

transferor Lender shall be released with respect to the Revolving Loan Commitment and Outstanding Revolving Credit Exposure and/or Term Loans, as applicable, assigned to such Purchaser without any further consent or action by the Borrower, the Lenders or the Administrative Agent. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.2. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.3, the transferor Lender, the Administrative Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender, if applicable, and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Revolving Loan Commitments (or, if the Revolving Loan Termination Date has occurred, their respective Outstanding Revolving Credit Exposure) or Term Loan Commitments (or, if the Term Loan Commitments have been terminated, outstanding Term Loans), as applicable, as adjusted pursuant to such assignment.

12.3.4 Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Loan Commitments of, and principal amounts of the Credit Extensions owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice.

12.4. Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries, including without limitation any information contained in any Reports; provided that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is not incorporated under the laws of the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

ARTICLE XIII

NOTICES

13.1. Notices; Effectiveness; Electronic Communication

13.1.1 Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 13.1.2 below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows:

(i) if to the Borrower, at its address or telecopier number set forth on the signature page hereof;

(ii) if to the Administrative Agent, at its address or telecopier number set forth on the signature page hereof;

(iii) if to the LC Issuer, at its address or telecopier number set forth on the signature page hereof;

(iv) if to a Lender, to it at its address (or telecopier number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in Section 13.1.2 below, shall be effective as provided in said Section 13.1.2.

13.1.2 Electronic Communications. Notices and other communications to the Lenders and the LC Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent or as otherwise determined by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender or the LC Issuer pursuant to Article II if such Lender or the LC Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, provided that such determination or approval may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if

such notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

13.2. Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

ARTICLE XIV

COUNTERPARTS; INTEGRATION; EFFECTIVENESS; ELECTRONIC EXECUTION

14.1. Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in Article IV, this Agreement shall become effective when it shall have been executed by the Borrower, the Administrative Agent, the LC Issuer and the Lenders and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of such parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

14.2. Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, or any other state laws based on the Uniform Electronic Transactions Act.

ARTICLE XV

CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PROVISIONS OR PRINCIPLES) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT, THE LC ISSUER, ANY LENDER OR ANY HOLDER OF SECURED OBLIGATIONS OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT, THE LC ISSUER, ANY LENDER OR ANY HOLDER OF SECURED OBLIGATIONS INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT MAY BE BROUGHT IN A COURT IN THE BOROUGH OF MANHATTAN IN NEW YORK, NEW YORK. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE LC ISSUER, ANY LENDER OR ANY HOLDER OF SECURED OBLIGATIONS TO BRING PROCEEDINGS AGAINST THE BORROWER OR LIMIT THE RIGHTS OF THE BORROWER TO BRING PROCEEDINGS AGAINST SUCH OTHER PARTY IN THE COURTS OF ANY OTHER JURISDICTION.

15.3. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT, THE LC ISSUER, EACH LENDER, AND EACH OTHER HOLDER OF SECURED OBLIGATIONS HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

ARTICLE XVI

PRIOR CREDIT AGREEMENT

The Borrower, certain of the Lenders, and the Administrative Agent are parties to the Prior Credit Agreement. The Borrower, the Lenders, and the Administrative Agent agree that upon (i) the execution and delivery of this Agreement by each of the parties hereto and (ii) satisfaction (or waiver by the aforementioned parties) of the conditions precedent set forth in Section 4.1, the terms and conditions of the Prior Credit Agreement shall be and hereby are amended, superseded, and restated in their entirety by the terms and provisions of this Agreement. All amounts outstanding or otherwise due and payable under the Prior Credit Agreement prior to the Closing Date shall, on and after the Closing Date, be outstanding and due and payable under this Agreement. Notwithstanding the foregoing, the Borrower affirms its

rights, duties and obligations under the Collateral Documents to which it is a party, including without limitation, the grant of security thereunder, and the other Loan Documents, and agrees and acknowledges that this Agreement constitutes the "Credit Agreement" referenced therein.

The remainder of this page is intentionally blank.

IN WITNESS WHEREOF, the Borrower, the Leaders, the LC Issuer and the Administrative Agent have executed this Agreement as of the date first above written.

CHEMED CORPORATION,
as the Borrower

By: /s/ David P. Williams

Name: David P. Williams
Title: Chief Financial Officer

Address:
2600 Chemed Center
255 East Fifth Street
Cincinnati, Ohio 45202
Attention: David Williams
Phone: 513-762-6901
Fax: 513-762-6919

JPMORGAN CHASE BANK, N.A.,
as the Administrative Agent,
as Swing Line Lender, as
LC Issuer and as a Lender

By: /s/ Thomas J. Reingold

Name: Thomas J. Reingold
Title: Vice President

Administrative Agent and Swing Line Lender:

JP Morgan
Mail Code IL1-0010
131 South Dearborn
Chicago, Illinois 60603
Attention: Leonida Mischke
Phone: 312-385-7055
Fax: 312-385-7103

LC Issuer:

JP Morgan
Mail Code IL1-0236
131 South Dearborn
Chicago, Illinois 60603
Attention: Floro Alcantara
Phone: 312-954-1910
Fax: 312-954-0203

GENERAL ELECTRIC CAPITAL CORPORATION,
as Lender

By: /s/ Roger Tauchman

Name: Roger Tauchman
Title: Duly Authorized Signatory

Address:
500 W. Monroe St., 12th Floor
Chicago, IL 60661
Attention: Jennifer Pricco
Phone: 312-463-2343
Fax: 312-463-3840

BANK OF AMERICA, N.A.,
as Lender

By: /s/ Alexander L. Rody

Name: Alexander L. Rody
Title: Senior Vice President

Address:
FL6-812--08-05
401 East Las Olas Boulevard, 8th floor
Ft. Lauderdale, FL 33301
Attention: Alexander L. Rody
Phone: 954/765-2579
Fax: 954/765-2123

CITICORP USA, INC.,
as a Lender

By: /s/ Allen Fisher

Name: Allen Fisher
Title: Vice-President

Address:
388 Greenwich Street, 23rd Floor
New York, NY 10013
Attention: Allen Fisher
Phone: 212-816-5254
Fax: 212-816-5715

LASALLE BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Warren F. Weber

Name: Warren F. Weber
Title: Senior Vice President

Address:
312 Walnut Street, Suite 2450
Cincinnati, OH 45202
Attention: Warren Weber, Commercial Banking
Phone: 513-929-3423
Fax: 513-929-0923

HARRIS TRUST AND SAVINGS BANK,
as a Lender

By: /s/ Gloria Compean-Endicott

Name: Gloria Compean-Endicott
Title: Managing Director

Address:
111 W. Monroe Street
Suite 20E
Chicago, IL 60603

Attention: Gloria Compean-Endicott
Phone: 312-461-2324
Fax: 312-293-4355

FIFTH THIRD BANK,
as a Lender

By: /s/ Christine L. Wagner

Name: Christine L. Wagner
Title: Vice President

Address:
38 Fountain Square, MD 109046
Cincinnati, Ohio 45203
Attention: Christine L. Wagner
Phone: (513) 534-7348
Fax: (513) 534-5947

RE: CHEMED CORPORATION

ALLIED IRISH BANKS PLC
as a Lender

By: /s/ Vikas Mavinkurve

Name: Vikas Mavinkurve
Title: Vice President

Address:
405 Park Avenue, 4th Floor
New York, NY 10022
Phone: 212 339 8053
Fax : 212 339 8325

By: /s/ Margaret Brennan

Name: Margaret Brennan
Title: Vice President

Address:
405 Park Avenue, 4th Floor
New York, NY 10022
Phone: 212 515 6761
Fax : 212 339 8325

THE PROVIDENT BANK,
as a Lender

By: /s/ Steven J. Bloemer

Name: Steven J. Bloemer
Title: Vice President

Address:
One East Fourth Street, MD 211A
Cincinnati, Ohio 45202
Attention: Steven J. Bloemer
Phone: (513) 763-8722
Fax: (513) 579-2201

HUNTINGTON CAPITAL,
as a Lender

By: /s/ Christopher Henn

Name: Christopher Henn
Title: Senior Vice President

105 East Fourth Street
Suite 200A
Cincinnati, OH 45202

Attention: Lance Rollins
Phone: (5 l3)762-5186
Fax: (5 l3)762- 1873

COMMITMENT SCHEDULE

REVOLVING LOAN COMMITMENTS

Lender	Amount of Revolving Loan Commitment	% of Aggregate Revolving Loan Commitment
JPMorgan Chase Bank, N.A.	$ 45,000,000	25.7142857142%
General Electric Capital Corporation	$ 30,000,000	17.1428571428%
Bank of America, N.A.	$ 17,500,000	10.0000000000%
Citicorp USA, Inc.	$ 17,500,000	10.0000000000%
LaSalle Bank National Association	$ 14,000,000	8.0000000000%
Harris Trust and Savings Bank	$ 12,000,000	6.8571428571%
Fifth Third Bank	$ 11,000,000	6.2857142857%
Allied Irish Banks PLC	$ 10,000,000	5.7142857142%
The Provident Bank	$ 10,000,000	5.7142857142%
Huntington Capital	$ 8,000,000	4.5714285714%
TOTAL	$175,000,000.00	100%

TERM LOAN COMMITMENTS ON FOLLOWING PAGE

TERM LOAN COMMITMENTS

Lender	Amount of Term Loan Commitment	% of Aggregate Term Loan Commitment
JPMorgan Chase Bank, N.A.	$ 59,000,000	69.4117647059%
General Electric Capital Corporation	$ 10,000,000	11.7647058824%
The Provident Bank	$ 4,500,000	5.2941176471%
LaSalle Bank National Association	$ 4,000,000	4.7058823529%
Bank of America, N.A.	$ 3,500,000	4.1176470588%
Huntington Capital	$ 2,000,000	2.3529411765%
Harris Trust and Savings Bank	$ 1,000,000	1.1764705882%
Fifth Third Bank	$ 1,000,000	1.1764705882%
TOTAL	$85,000,000.00	100%

PRICING SCHEDULE

APPLICABLE MARGIN	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Eurodollar Rate for Revolving Loans	3.00%	2.75%	2.50%	2.00%	1.75%
Applicable Margin for Term Loans (whether Floating Rate or Eurodollar Rate)	2.00%	2.00%	2.00%	2.00%	2.00%
Floating Rate for Revolving Loans	1.75%	1.50%	1.25%	0.75%	0.75%

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Commitment Fee	0.50%	0.50%	0.375%	0.375%	0.375%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Financials" means the annual or quarterly financial statements of the Borrower delivered pursuant to Section 6.1.

"Level I Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is equal to or greater than 3.50 to 1.00.

"Level II Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is equal to or greater than 3.00 to 1.00 but less than 3.50 to 1.00.

"Level III Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is equal to or greater than 2.50 to 1.00 but less than 3.00 to 1.00.

"Level IV Status" exists at any date if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is greater than 2.00 to 1.00 but less than 2.50 to 1.00.

"Level V Status" exists at any date, if, as of the last day of the fiscal quarter of the Borrower referred to in the most recent Financials, the Leverage Ratio is less than or equal to 2.00 to 1.00

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, or Level V Status.

The Applicable Margin and Applicable Fee Rate shall be determined in accordance with foregoing table based on the Borrower's Status as reflected in the then most recent Financials. Adjustments, if any, to the Applicable Margin or Applicable Fee Rate shall be effective five Business Days after the Administrative Agent has received the applicable Financials. If the Borrower fails to deliver the Financials to the Administrative Agent at the time required pursuant to Section 6.1, then the Applicable Margin and Applicable Fee Rate shall be the highest Applicable Margin and Applicable Fee Rate set forth in the foregoing table until five days after such Financials are so delivered.

Notwithstanding the foregoing, Level III Status shall be in effect until the Administrative Agent receives the Financials for the Borrower's fiscal quarter ending on March 31, 2005 and adjustments to the Applicable Margin and Applicable Fee Rate shall thereafter be effected in accordance with the preceding paragraph.

Exhibit 10.50

June 23, 2004

Dear _____:

I am pleased to inform you that the Compensation/Incentive Committee of Chemed Corporation (the "Company"), has granted you _____ shares of the Company's Capital Stock ("Capital Stock"), par value $1.00 per share, under the 2004 Stock Incentive Plan (the "Plan"). This letter evidences the issuance or transfer of such shares to you today and sets forth the agreement under which such shares (hereinafter sometimes called the "Restricted Shares") are being issued or transferred to you.

1. The Restricted Shares are issued or transferred to you subject to the following restrictions:

   (a) As long as you are employed by the Company or a Subsidiary (as defined in paragraph 9 below) and until the restrictions set forth in this subparagraph (a) lapse in accordance with paragraph 5, you will not, except as otherwise specifically required or permitted by this Agreement, sell, exchange, transfer, pledge, hypothecate or otherwise dispose of any of the Restricted Shares or any interest therein.

   (b) During your employment with the Company or a Subsidiary, you will not, except as otherwise required or permitted by this Agreement, sell, exchange, transfer, pledge, hypothecate or otherwise dispose of any Restricted Shares, or any interest therein, with respect to which the restrictions on transfer herein imposed have not lapsed ("Non-vested Shares").

2. Upon the issuance or transfer to you of the Restricted Shares, you shall for all purposes be a stockholder of record of the Company with respect to the Restricted Shares and shall have all rights of a holder of Capital Stock with respect to such shares (including the right to vote such shares at any meeting of holders of Capital Stock and the right to receive all dividends paid with respect to such shares), subject only to the restrictions imposed by paragraph 1 of this Agreement. To evidence such restrictions and until such restrictions shall have lapsed, the certificates or book entry for the Restricted Shares shall carry a legend to the effect, in

form satisfactory to the Company's counsel, that they were issued or transferred subject to, and may be sold or otherwise disposed of only in accordance with, the terms of this Agreement.

3. Under Section 83(b) of the Internal Revenue Code, you may, within 30 days from the date of grant of the Restricted Shares, make an election which would cause you to be taxed on the value of such Shares based on their Fair Market Value (as defined in the Plan) on the date of grant; otherwise, in the absence of such an election, you will be taxed at the times of the lapse(s) on the Restricted Shares, based on their Fair Market Value at the times of the lapse(s).

4. In the event that, as the result of a stock dividend, stock split, recapitalization, merger, consolidation, reorganization, or other similar event, you shall, as the owner of Restricted Shares, be entitled, under the provisions of the Plan or otherwise, to new or additional or different shares or securities as follows:

   (a) such new or additional or different shares or securities shall be deemed "Restricted Shares,"

   (b) all the provisions of this Agreement relating to restrictions and lapse of restrictions shall be applicable thereto, and

   (c) the certificates or other instruments or book entry evidencing such new or additional or different shares or securities shall bear the legend referred to in the third sentence of paragraph 2. The foregoing restrictions shall not apply to any fractional shares resulting from any such event, or to any pre-emptive or other rights to purchase securities to which you, as a holder of Restricted Shares, may become entitled in connection with a public offering of Capital Stock.

5. (a) The restrictions set forth in paragraph 1 above on the transfer of the Restricted Shares shall lapse in full on December 31, 2007 subject to all the then applicable provisions of this Agreement.

   (b) If your employment with the Company or a Subsidiary shall, while you hold any Non-vested Shares, terminate for any reason other than death, disability, retirement under a retirement plan of the Company or a Subsidiary, termination without cause or change in control of the Company such

Non-vested Shares shall be forfeited by you. If your employment with the Company or a Subsidiary shall, while you hold any Non-vested Shares, terminate by reason of death, disability, retirement under a retirement plan of the Company or a Subsidiary, termination without cause, or change in control of the Company, the restrictions on transfer applicable to such Non-vested Shares shall lapse in their entirety as of the effective date of such termination of employment or change in control.

(c) If, as and when the restrictions lapse with respect to Restricted Shares pursuant to this paragraph 5, there will be delivered to you, promptly upon your request, certificates free of any legend for a like number of shares in exchange for the certificates or cancellation of the book entry for such Restricted Shares bearing the legend referred to in paragraph 2 of this Agreement.

6. Except as otherwise expressly required or permitted by this Agreement, no right, benefit or interest in the Restricted Shares or under this Agreement shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation.

7. (a) Nothing in paragraph 1 or elsewhere in this Agreement shall preclude a transfer to your legal representatives following your death or a distribution to the persons provided for in paragraph 7(b)(iii) or shall preclude you, upon not less than thirty (30) days' advance written notice to the Company, from making a gift of any Restricted Shares, or any interest therein, (i) to one or more of your Immediate Family Members, (ii) to a trust of which the beneficiary or beneficiaries of the corpus or of the income, or both, is either yourself or one or more of your Immediate Family Members, or both, or (iii) to a corporation all of the stock of which is owned by you or one or more of your Immediate Family Members, or both. For the purpose of this provision, an "Immediate Family Member" shall be deemed to be a spouse, child, stepchild, grandchild, parent, brother or sister or child of a brother or sister of yours, whether of the whole or half blood, and whether the relationship arose by adoption.

(b) the term "Donee," as used in this Agreement, shall be deemed to mean (i) the person, or collectively, all the

persons (including a trust or corporation), to whom a gift permitted by paragraph 7(a) has been made by you, (ii) your legal representatives following your death, and (iii) the persons to whom Restricted Shares shall be distributed by your legal representatives as the persons whom they believe to be entitled thereto under your will, or, in case of intestacy, under the laws relating to intestacy.

(c) In case of any gift, transfer or distribution to a Donee, (i) the Restricted Shares so given, transferred or distributed shall continue to be subject to all the restrictions and other provisions of this Agreement, (ii) the certificates for the Restricted Shares so given, transferred or distributed shall bear the legend referred to in paragraph 2 of this Agreement, and (iii) the Donee shall, with respect to the Restricted Shares so given, transferred or distributed, have all the powers and shall be required to comply with all the restrictions and other provisions of this Agreement requiring the taking, or refraining from taking, of action to the same extent as you were immediately prior to the making of such gift, transfer or distribution.

8. Any provision of this Agreement to the contrary, the Company may take such steps as it believes necessary or desirable to obtain sufficient funds from you to pay all taxes, if any, required by law to be withheld in respect of the Restricted Shares including, but not limited to, requiring payments to the Company by you or on your behalf and/or taking deductions from amounts payable by the Company to you or on your behalf.

9. As used in this Agreement, the term "Company or a Subsidiary" shall mean the Company, its divisions and units, and all corporations or other forms of business association of which shares (or other ownership interests) having 50% or more of the voting power regularly entitled to vote for directors (or equivalent management) or regularly entitled to receive 50% or more of the dividends (or their equivalents) paid on the Capital Stock (or its equivalent) are owned or controlled, directly or indirectly, by the Company.

10. Each of the parties hereto agrees to execute and deliver all consents and other instruments and to take all other action deemed necessary or desirable by counsel for the Company to carry out each term of this Agreement. Without limiting the

generality of the foregoing, you shall, if and when requested by the Company, deposit any or all certificates for the Restricted Shares, together with a stock power or other instrument of transfer appropriately executed in blank, with a bank and under a deposit agreement approved by the Company and, following such deposit, certificates for the Restricted Shares shall no longer carry the legend referred to in paragraph 2 of this Agreement, and new certificates shall be issued in place thereof, in which event, each of the parties agrees to give such instructions and to deliver or refrain from delivering such notices to the bank acting under such deposit agreement as may be necessary to carry out each term of this Agreement, to the end that all property deposited under such deposit agreement shall be paid, transferred, released or otherwise disposed of in accordance with the terms of this Agreement and each obligation thereunder. Each party recognizes that the other party has no adequate remedy at law for breach of this Agreement and recognizes, consents and agrees that the other party shall be entitled to an injunction or decree of specific performance directed to the other party and to the bank acting under any such deposit agreement requiring that the provisions of this Agreement be carried out.

11. (a) Any notice to the Company under or pursuant to this Agreement shall be deemed to have been given if and when delivered in person to the Secretary of the Compensation/Incentive Committee or if and when mailed by certified or registered mail to the Secretary of the Compensation/Incentive Committee at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202, or such other address as the Company may from time to time designate in writing by notice to you given pursuant to paragraph 11(b) hereof.

(b) Any notice to you under or pursuant to this Agreement shall be deemed to have been given if and when delivered to you in person or if and when mailed by certified or registered mail to you at your address hereinabove given or such other address as you may from time to time designate in writing by notice to the Company given pursuant to paragraph 11(a) above.

12. Notwithstanding any remedy provided for in this Agreement, nothing in this Agreement shall preclude the Company from taking

any other action or enforcing any other remedy available to the Company.

13. This Agreement has been executed pursuant to the Plan of the Company, and the Plan is hereby incorporated herein by reference.

14. This Agreement shall be binding upon and inure to the benefit of (a) the Company, its successors and assigns, and (b) you, and to the extent applicable, each Donee.

15. This Agreement has been executed, and it and the Restricted Shares have been or are to be delivered, in accordance with the laws of the State of Ohio, the state in which the Company maintains its principal executive offices, and the validity, interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Ohio.

Very truly yours,

CHEMED CORPORATION

Executed and agreed to as of:

By: ----------
Kevin J. McNamara
President and Chief Executive Officer

- ----------

Date: ----------

Date: ----------

EXHIBIT 10.51

May 17, 2004

In accordance with the 2004 Stock Incentive Plan (the "Plan") of Roto-Rooter, Inc. (the "Corporation"), you are hereby granted an option to purchase _____ shares of the capital stock, par value $1.00 per share, of the Corporation upon the following terms and conditions.

(1) The purchase price shall be $_____ per share. Payment thereof shall be made in cash or, subject to the next sentence, by delivery to the Corporation of shares of capital stock of the Corporation which shall be valued at their Fair Market Value on the date of exercise, or in a combination of cash and such shares. Your right to pay the purchase price, in whole or in part, by delivery to the Corporation of shares of capital stock of the Corporation is expressly subject to temporary or permanent revocation or withdrawal at any time and from time to time to time by action of the Board of Directors of the Corporation without any requirement that advance notice of such revocation or withdrawal by given to you.

(2) Subject to the provisions of paragraphs (3) and (6), this option is exercisable in whole or in part at any time and from time to time on or after November 17, 2004. Neither this option nor any right hereunder may be assigned or transferred by you, except by will, the laws of descent and distribution, pursuant to a qualified Domestic Relations order, or to a permitted transferee. It may be exercised during your life only by you or by a permitted transferee. Within fifteen (15) months after your death it may be exercised only by your estate, by a permitted transferee, or by a person who acquired the right to exercise the option by bequest or inheritance or by reason of your death. At the time of each exercise of this option, you or the person or persons exercising the option shall, if requested by the person or persons exercising the option 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 may deem desirable to assure compliance with all applicable legal requirements.

(3) This option, to the extent that it shall not have been exercised, shall terminate when you cease to be an employee of the Corporation or a Subsidiary, unless you cease to be an

employee because of your resignation with the consent of the Incentive Committee or because of your death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary. If you cease to be an employee because of such resignation, this option shall terminate upon the expiration of three months after you cease to be an employee, except as provided in the next sentence. If you cease to be an employee because of your death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary, or if you case to be an employee because of your resignation with the consent of the Incentive Committee and die during the three-month period referred to in the preceding sentence, this option shall terminate fifteen (15) months after you ceased to be an employee. Where this option is exercised more than three months after termination of employment, as aforesaid, only that which shall have become exercisable prior to the expiration of three months after you ceased to be an employee, whether by death or otherwise, may be exercised. 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 (3), provided, however, that this option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (3) or any provision of the Plan, this option shall not be exercisable after the expiration of ten years from the date this option is granted.

(4) The number and class of shares or other securities covered by this option and the price to be paid therefore shall be subject to adjustment as, and under the circumstances, provided in Section 8 of the Plan.

(5) This option may be exercised only by serving written notice on the Secretary or Treasurer of the Corporation. The Corporation shall deliver the shares to you against payment; provided, however, no share shall be issued or transferred pursuant to this option unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of the counsel to the Corporation, been complied with. Any Federal, state or local withholding taxes applicable to any compensation you may realize by reason of the exercise of the option or any subsequent disposition of the shares acquired on exercise shall, upon request, be remitted to the Corporation or the Subsidiary by which you are employed at the time of exercise or sale, as the case may be. You shall have the rights of a stockholder only as to stock actually delivered to you.

(6) If you are or become an employee of a Subsidiary, the Corporation's obligations hereunder shall be contingent on the approval of the Plan and this option by the Subsidiary and the Subsidiary's agreement that (a) the Corporation may administer the Plan on its behalf, and (b) upon the exercise of the option, it will purchase from the Corporation the shares subject to the exercise at their Fair Market Value on the date of exercise, such shares to be then transferred by the Subsidiary to the holder of this option upon payment by the holder of the purchase price to the Subsidiary. Where appropriate, such approval and agreement of the Subsidiary shall be indicated by its signature below. The obligation of the Subsidiary so undertaken may be waived by the Corporation.

(7) The Plan is hereby incorporated by reference. Each term which is defined in the Plan and used in this option shall have the same meaning in this option as it has in the Plan. This option is granted subject to the Plan and shall be construed to conform to the Plan.

Very truly yours,

ROTO-ROOTER, INC.

By: _____
Vice President and Secretary

Receipt Acknowledged:

- _____
Employee

EXHIBIT 12

CHEMED CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN THOUSANDS, EXCEPT RATIOS)

	2000	2001	2002	2003	2004
Pretax income/(loss) from continuing operations before equity in earnings/(loss) of affiliate	$ 27,358	$(15,478)	$ 17,140	$ 16,446	$ 37,087
Additions:					
Fixed charges	11,891	12,642	5,621	4,801	28,597
Amortization of capitalized interest	71	--	--	--	1
Deductions:					
Capitalized interest	(500)	--	--	--	(72)
Adjusted income/ (loss)	$ 38,820	$ (2,836)	$ 22,761	$ 21,247	$ 65,613
Fixed Charges:					
Interest expense	$ 7,933	$ 6,537	$ 4,007	$ 3,211	$ 21,167
Capitalized interest	500	--	--	--	72
Interest component of rental expense	3,458	3,488	1,614	1,590	4,028
Loss on extinguishment of debt (a), (b)	--	2,617	--	--	3,330
Fixed charges	$ 11,891	$ 12,642	$ 5,621	$ 4,801	$ 28,597
Ratio of earnings to fixed charges (c)	3.3 x	n.a.	4.0 x	4.4 x	2.3 x
Additional earnings needed to achieve 1:1 ratio coverage (d)	n.a.	15,478	n.a.	n.a.	n.a.

- ----------

(a) The year ended December 31, 2001 includes interest penalties related to the prepayment of the Company's 8.15% senior notes due 2002 through 2004 and its 10.67% senior notes due 2002 through 2003.

(b) The year ended December 31, 2004 includes interest penalties related to the retirement of the Company's 7.31% senior notes due 2005 through 2009. Refer to Note 12 in the Notes to Financial Statements for further discussion.

(c) For purposes of computing the ratio of earnings to fixed charges, pretax income/ (loss) from continuing operations before equity in earnings/ (loss) of affiliate has been added to fixed charges and adjusted for capitalized interest to derive adjusted income/ (loss). Fixed charges consist of interest expense on debt (including the amortization of deferred financing costs), capitalized interest, prepayment penalties on the early extinguishment of debt and one-third (the proportion deemed representative of the interest component) of rental expense. Fixed charge amounts include interest from both continuing and discontinued operations.

(d) In the year ended December 31, 2001 earnings were insufficient to cover fixed charges. Additional earnings of $15,478,000 must be generated to achieve a coverage ratio of 1:1.

[CHEMED CORPORATION LOGO]

CHEMED CORPORATION 2004 ANNUAL REPORT

[CHEMED LOGO]

PUBLICLY TRADED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL CHE, CHEMED CORPORATION OPERATES THROUGH TWO WHOLLY OWNED SUBSIDIARIES, VITAS HEALTHCARE CORPORATION AND ROTO-ROOTER. VITAS IS THE NATION'S LARGEST PROVIDER OF HOSPICE CARE, AND ROTO-ROOTER IS NORTH AMERICA'S LARGEST PROVIDER OF PLUMBING AND DRAIN CLEANING SERVICES.

[VITAS LOGO]

VITAS FOCUSES ON NONCURATIVE HOSPICE CARE THAT HELPS MAKE TERMINALLY ILL PATIENTS' FINAL DAYS AS COMFORTABLE AND PAIN-FREE AS POSSIBLE. THROUGH ITS TEAMS OF DOCTORS, NURSES, HOME HEALTH AIDES, SOCIAL WORKERS, CLERGY, AND VOLUNTEERS, VITAS PROVIDES DIRECT MEDICAL SERVICES TO PATIENTS, AS WELL AS SPIRITUAL AND EMOTIONAL COUNSELING TO BOTH PATIENTS AND THEIR FAMILIES. AT YEAR-END 2004, VITAS CARED FOR MORE THAN 9,300 PATIENTS DAILY IN 12 STATES, PRIMARILY IN THE PATIENTS' OWN HOMES, BUT ALSO IN VITAS' INPATIENT UNITS LOCATED IN HOSPITALS, NURSING HOMES, AND ASSISTED-LIVING/ RESIDENTIAL-CARE FACILITIES.

[ROTO-ROOTER LOGO]

ROTO-ROOTER OPERATES THROUGH MORE THAN 110 COMPANY-OWNED BRANCHES AND INDEPENDENT CONTRACTORS AND APPROXIMATELY 500 FRANCHISEES. THE TOTAL ROTO-ROOTER SYSTEM OFFERS SERVICES TO MORE THAN 91% OF THE U.S. POPULATION AND APPROXIMATELY 46% OF THE CANADIAN POPULATION. ROTO-ROOTER ALSO HAS LICENSED MASTER FRANCHISEES IN CHINA, INCLUDING HONG KONG; THE REPUBLICS OF INDONESIA AND SINGAPORE; JAPAN; MEXICO; THE PHILIPPINES; AND THE UNITED KINGDOM.

FOUNDED IN 1971, CHEMED IS HEADQUARTERED IN CINCINNATI, OHIO.

2004 BUSINESS HIGHLIGHTS

- - RAISED MORE THAN $435 MILLION IN CAPITAL

- - ACQUIRED REMAINING 63% OF VITAS HEALTHCARE CORPORATION

- - COMPLETED REENGINEERING OF ROTO-ROOTER'S INFRASTRUCTURE

- - DISCONTINUED SERVICE AMERICA NETWORK INC.

- - DELIVERED EXCEPTIONAL REVENUE, EARNINGS, AND CASH FLOW

CONTENTS

TO OUR FELLOW SHAREHOLDERS March 15, 2005

2004 certainly will be remembered as one of the most dynamic periods in Chemed's 33-year history. In the last twelve months, we raised over $435 million in capital, took our 37% ownership of VITAS to 100%, finalized the reengineering of Roto-Rooter's operational infrastructure and entered into an agreement to divest our Service America operation. The end result of these changes was to deliver exceptional revenue, earnings and cash flow growth in 2004. The outlook for Chemed in terms of future opportunity and financial performance has never looked better.

FINANCIAL RESULTS*

2004 net service revenue and sales from continuing operations, in accordance with Generally Accepted Accounting Principles (GAAP), increased 182% over the prior year, reaching $735 million. Income from continuing operations was $19 million in 2004, 71% higher than in 2003. Diluted earnings per share from continuing operations increased 39% to $1.56.

Our 2004 financial results were enhanced by the inclusion of 100% of VITAS since February 2004. Internally we evaluate operating results on an Adjusted Pro forma basis. This assumes Chemed owned VITAS effective January 1, 2003 and eliminates transaction expenses related to the merger as well as other specific items (Adjusted Pro forma). Although this perspective is on a non-GAAP basis, we believe this two-year comparison better reflects the fundamental performance of our operations. On an Adjusted Pro forma basis, service revenues and sales were $808 million, an increase of 15%. Adjusted Pro forma earnings before interest, taxes, depreciation and amortization (EBITDA) was $98 million, up 44% and Adjusted Pro forma income from continuing operations was $24 million, up 93%.

SEGMENT OPERATIONS

VITAS produced record revenue and operating results in 2004. Adjusted Pro forma revenue was $532 million, an increase of 21% over the equivalent prior-year period. Pro forma Adjusted EBITDA was $65 million, an increase of 53%, and Pro forma net income was $33 million, up 64%. Adjusted Pro forma EBITDA margins were 12.2% in 2004, up from 9.6% in the prior year. This increase in margin is the result of effectively managing general and administrative, or central support, costs at a slower growth rate than revenue. Although a constant challenge, our focus will continue to be on managing these support costs at a rate well below our revenue growth.

The growth in VITAS has been almost exclusively organic. Of the $91 million in revenue growth, $84 million came from established programs, $6 million was derived from our start-up programs and the remaining $1 million came from our Atlanta and Phoenix acquisitions.

The VITAS growth strategy is focused on a three-pronged approach. First and foremost is garnering increased market penetration in established programs. This is accomplished by providing quality hospice care to all of our patients and their families. Market recognition of VITAS' high level of care will continue to positively impact our ability to attract referrals and admissions earlier into a patient's terminal diagnosis.

Our second area of growth opportunity at VITAS is through our new-start programs. This strategy begins by identifying communities with unmet hospice needs. We enter the community with a hospice care team and commence the process of obtaining state and federal certification. In 2004, we established six new programs and incurred over $5 million in start-up losses. We view these start-up expenses as long-term investments that will become a significant source of future revenue and profitability growth.

A third area of growth is in acquisitions. VITAS continues to evaluate hospice programs that complement

*A reconciliation of GAAP earnings to Adjusted earnings can be found in Chemed's fourth-quarter 2004 earnings press release, dated March 8, 2005, which is available on the Chemed Web site at www.chemed.com.

[PHOTO OF CHEMED CORPORATE MANAGEMENT]

Chemed Corporate Management: (front, seated, l - r) Spencer S. Lee, Executive Vice President and Chairman & Chief Executive Officer, Roto-Rooter; Edward L. Hutton, Chairman of the Board; Kevin J. McNamara, President & Chief Executive Officer; Timothy S. O'Toole, Executive Vice President and Chief Executive Officer of VITAS Healthcare Corporation; (back, standing, l - r) David P. Williams, Vice President & Chief Financial Officer; Naomi C. Dallob, Vice President & Secretary; Thomas J. Reilly, Vice President; Lisa A. Dittman, Assistant Secretary; Arthur V. Tucker, Vice President & Controller; and (not pictured) Thomas C. Hutton, Vice President.

our culture of compassion and our deep commitment to end-of-life care. Ideally, these acquisitions will enable VITAS to enter new geographic regions that will provide a stable platform for future organic and new-start growth.

Roto-Rooter had an excellent year in terms of financial performance. Net income, excluding the LTIP and certain litigation costs, totaled $22 million, an increase of 64%. Aggregate EBITDA in 2004, excluding certain items, was $42 million, an increase of 37% over the prior year. This growth in profitability was accomplished primarily through cost-saving benefits derived from our reengineering of Roto-Rooter's infrastructure. Over the past two years, we have focused on streamlining expenses in such areas as hiring, training, call centers and dispatching. This resulted in significant cost savings compared to the prior year.

Roto-Rooter will continue its focus on providing a high level of service to both our residential and commercial customers in our existing territories. In addition, we will continue to evaluate opportunities to acquire franchise territories that are reasonably valued and can be leveraged into Roto-Rooter's existing infrastructure.

OUTLOOK

VITAS, with its strong revenue growth and expanding margin improvement, is well positioned to take advantage of the growing demand for quality hospice care. Roto-Rooter, with its preeminent name and brand recognition, has returned to historical profitability margins and free cash flow.

As a result, Chemed is well positioned to achieve sales and profitability growth over the long term.

/s/ Kevin J. McNamara	/s/ Edward L. Hutton
- ------------------------	----------------------
Kevin J. McNamara	Edward L. Hutton
President and	Chairman of the Board
Chief Executive Officer	

OPERATIONS REVIEW

VITAS HEALTHCARE CORPORATION

VITAS Healthcare Corporation is the nation's largest provider of end-of-life care. Hospice care is focused on quality of life for the terminally ill with the principal aim to control pain and other symptoms so the patient can remain as alert and as comfortable as possible. VITAS' brand of Innovative Hospice Care(R) is available to any person who can no longer benefit from curative treatment. VITAS operates 35 hospice programs in 12 states -- Arizona, California, Connecticut, Delaware, Florida, Georgia, Illinois, New Jersey, Ohio, Pennsylvania, Texas and Wisconsin.

VITAS has evolved from its founding in 1976 as an all-volunteer organization to a proven leader and innovator in the growth and development of hospice care in the United States. At December 31, 2004, VITAS had 7,200 professionals who serve over 9,300 hospice patients each day. Patients receive this care primarily in their homes. In addition, VITAS has established 24 inpatient hospice units located in hospitals, nursing homes, assisted living facilities and residential care facilities.

During 2004, VITAS experienced strong organic growth in its established programs. In addition, VITAS continues its aggressive development of new programs serving Sacramento, California; Sonoma and Napa counties in northern California; Waterbury, Connecticut; a six-county region in northeast New Jersey; and Delaware. During the year, VITAS also received a Certificate of Need to begin serving hospice patients in Volusia and Flagler counties on Florida's Atlantic coast immediately north of its fast-growing Brevard County program.

VITAS also successfully completed two significant acquisitions in major metropolitan markets in 2004, adding the former Haven House Hospice in Atlanta and the former Premier Hospice and Palliative Care in Phoenix to the company's growing roster of local hospice programs.

While the vast majority of hospice care is provided in the patient's home -- whether that is a private residence, a skilled nursing facility or an assisted living/residential care facility for the elderly -- inpatient hospice units are an integral part of the continuum of care in hospice. Building on the momentum gained from opening four new inpatient hospice units in 2003, VITAS opened three new inpatient hospice units in 2004 in Miami, Fort Lauderdale and Houston, while the

[PHOTO OF VITAS HEALTHCARE CORPORATE MANAGEMENT]

VITAS Healthcare Corporate Management: (seated, l - r) Peggy Pettit, Executive Vice President & Chief Operating Officer; David A. Wester, President; (standing, l - r) Deirdre Lawe, R.N., Executive Vice President of Development & Public Affairs; Timothy S. O'Toole, Chief Executive Officer; and Barry M. Kinzbrunner, M.D., F.A.C.P., Senior Vice President & Chief Medical Officer.

[PHOTO]

A pioneer and leader in the hospice movement in the United States, VITAS is a company defined by the needs of the patients and families it assists. For more than 25 years, VITAS has advocated for the rights of terminally ill patients and their families. Today, VITAS continues to lead the industry because of its commitment to its patients and to innovations in comfort management, care-management technology, and service quality. The name "VITAS" is derived from the Latin word for "lives." It symbolizes the VITAS mission to preserve the quality of life for those who have a limited time to live. VITAS continues to evolve to meet the changing needs of those with life-limiting illnesses and their loved ones, and VITAS employees serve with one thought in mind: patients and families come first.

Haven House acquisition in Atlanta added a fourth inpatient unit. In addition, work progressed on additional new units for Miami, Central Florida and Dallas, each of which opened in January 2005.

VITAS continues its concerted development efforts and investment in its central support systems and processes. The core of these systems is VITAS' proprietary IT products, including the Vx information management system and VxCarePlanIT, the hardware platform and innovative software that support a new, mobile electronic patient record. In addition, VITAS' growing corps of marketing representatives now utilizes wireless PC tablets and a web-based customer relationship management tool to better meet the information needs of referral sources and other healthcare professionals.

ROTO-ROOTER

Founded in 1935, Roto-Rooter is the leading provider of plumbing and drain cleaning services in the United States, consistently delivering exceptional value to its customers via its highly trained workforce. This extensive network of company-owned branches, independent contractors and franchisees offers plumbing and drain cleaning services to approximately 91% of the U.S. population.

Chemed acquired the Roto-Rooter operation in 1980. At that time, Roto-Rooter derived the majority of its revenue from franchisee fees and product sales. Since 1980, Roto-Rooter has methodically repurchased key franchise territories throughout the United States. Today, Roto-Rooter has 110 company-owned territories covering more than 46% of the U.S. population.

Approximately 95% of Roto-Rooter's revenue is derived from these company-owned territories, with the remainder coming from franchise fees and product sales to our 500 plus franchisees. In addition, master franchise operations have been established in Japan, Mexico, the Philippines, United Kingdom, Hong Kong/China, and Indonesia/ Singapore.

During 2004 Roto-Rooter completed a number of initiatives designed to improve the overall operating structure of the business. These infrastructure changes included centralizing call and dispatch locations, as well as instituting standardized procedures. This centralization provided the opportunity for the efficient monitoring of technician scheduling and job backlog, as well as removing significant non-value added administrative work from the branches.

Roto-Rooter's core services are focused on providing plumbing and drain cleaning services to both residential and commercial customers. The Roto-Rooter mission is to provide our customers with the best-trained, highest-quality plumbing and drain cleaning force in the industry, translating into significant repeat business and continuing the Roto-Rooter cycle of success.

[PHOTO OF ROTO-ROOTER CORPORATE MANAGEMENT]

Roto-Rooter Corporate Management: (l - r) Gary H. Sander, Executive Vice President; Spencer S. Lee, Chairman & Chief Executive Officer; Gary C. Burger, President, Roto-Rooter Corporation; Rick L. Arquilla, President & Chief Operating Officer, Roto-Rooter Services Company; and Robert P. Goldschmidt, Senior Vice President, Business Development.

[PHOTO]

Satisfying customers is what Roto-Rooter does best. That's why more people depend on Roto-Rooter than on any other company for plumbing and drain cleaning services. Whether the problem is a flooded basement or a clogged drain, from repairing a leaky faucet to replacing a water heater, homeowners and businesses alike know they can trust Roto-Rooter, America's Neighborhood Plumber(R).

FINANCIAL REVIEW

CONTENTS

PRICEWATERHOUSECOOPERS LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Chemed Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows, changes in stockholders' equity and comprehensive income/(loss) present fairly, in all material respects, the financial position of Chemed Corporation ("Company") and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Cincinnati, Ohio
March 22, 2005

CONSOLIDATED STATEMENT OF OPERATIONS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data) For the Years Ended December 31,	2004	2003	2002
CONTINUING OPERATIONS			
Service revenues and sales	$ 735,341	$ 260,776	$ 253,687
Cost of services provided and goods sold (excluding depreciation)	507,078	146,818	140,946
Selling, general and administrative expenses	138,285	95,363	85,024
Depreciation	14,542	9,519	10,424
Amortization	3,779	302	152
Other expenses (Note 5)	13,551	-	-
Total costs and expenses	677,235	252,002	236,546
Income from operations	58,106	8,774	17,141
Interest expense	(21,158)	(3,177)	(3,948)
Loss on extinguishment of debt (Note 12)	(3,330)	-	-
Other income--net (Note 8)	3,469	10,849	3,947
Income before income taxes	37,087	16,446	17,140
Income taxes (Note 9)	(13,796)	(6,180)	(6,033)
Equity in earnings/(loss) of affiliate (Note 3)	(4,105)	922	-
Income from continuing operations	19,186	11,188	11,107
DISCONTINUED OPERATIONS, NET OF INCOME TAXES (NOTE 6)	8,326	(14,623)	(13,652)
NET INCOME/(LOSS)	$ 27,512	$ (3,435)	$ (2,545)
EARNINGS/(LOSS) PER SHARE (NOTES 17 AND 24)			
Income from continuing operations	$ 1.59	$ 1.13	$ 1.13
Net Income/(Loss)	$ 2.28	$ (0.35)	$ (0.26)
DILUTED EARNINGS/(LOSS) PER SHARE (NOTES 17 AND 24)			
Income from continuing operations	$ 1.56	$ 1.12	$ 1.12
Net Income/(Loss)	$ 2.23	$ (0.35)	$ (0.26)
AVERAGE NUMBER OF SHARES OUTSTANDING (NOTES 17 AND 24)			
Earnings/(loss) per share	12,060	9,924	9,858
Diluted earnings/(loss) per share	12,318	9,954	9,885

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

CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except shares and per share data)

December 31,	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents (Note 10)	$ 71,448	$ 50,688
Accounts receivable less allowances of $7,544 (2003 - $2,646)	64,663	14,351
Inventories	7,019	6,011
Current deferred income taxes (Note 9)	31,250	8,430
Current assets of discontinued operations (Note 6)	13,397	15,583
Prepaid expenses and other current assets	9,842	6,411
Total current assets	197,619	101,474
Investments of deferred compensation plans held in trust (Note 14)	18,317	17,391
Other investments (Notes 6 and 16)	1,445	25,081
Note receivable (Notes 6 and 16)	12,500	12,500
Properties and equipment, at cost, less accumulated depreciation (Note 11)	55,796	31,440
Identifiable intangible assets less accumulated amortization of $5,174 (2003 - $1,704) (Notes 4 and 7)	76,924	592
Goodwill (Notes 4 and 7)	432,732	105,335
Noncurrent assets of discontinued operations (Note 6)	5,705	10,954
Other assets	24,528	23,691
Total Assets	$ 825,566	$ 328,458
LIABILITIES		
Current liabilities		
Accounts payable	$ 37,777	$ 6,081
Current portion of long-term debt (Note 12)	12,185	193
Income taxes (Note 9)	10,944	6,633
Accrued insurance	26,350	14,382
Accrued salaries and wages	17,030	1,210
Current liabilities of discontinued operations (Note 6)	22,117	21,131
Other current liabilities (Note 13)	42,777	19,066
Total current liabilities	169,180	68,696
Deferred income taxes (Note 9)	16,814	-
Long-term debt (Note 12)	279,510	25,931
Convertible junior subordinated debentures (Note 20)	-	14,126
Deferred compensation liabilities (Note 14)	18,311	17,380
Noncurrent liabilities of discontinued operations (Note 6)	811	417
Other liabilities (Note 13)	8,848	9,215
Commitments and contingencies (Notes 13, 15, 19, 22)		
Total Liabilities	493,474	135,765
STOCKHOLDERS' EQUITY		
Capital stock - authorized 40,000,000 shares $1 par; issued 13,491,341 shares (2003 - 13,452,907 shares)	13,491	13,453
Paid-in capital	212,691	170,501
Retained earnings	141,542	119,746
Treasury stock - 983,128 shares (2003 - 3,508,663 shares), at cost	(33,873)	(109,427)
Unearned compensation (Note 14)	(3,590)	(2,954)
Deferred compensation payable in Company stock (Note 14)	2,375	2,308
Notes receivable for shares sold (Note 18)	(544)	(934)
Total Stockholders' Equity	332,092	192,693
Total Liabilities and Stockholders' Equity	$ 825,566	$ 328,458

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

CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)	Capital Stock	Paid-in Capital
Balance at December 31, 2001	$ 13,438	$ 167,542
Net loss	-	-
Dividends paid ($.45 per share)	-	-
Decrease in unearned compensation (Note 14)	-	-
Stock awards and exercise of stock options (Note 18)	23	974
Other comprehensive loss	-	-
Decrease in notes receivable (Note 18)	-	-
Purchases of treasury stock	-	-
Distribution of assets to settle deferred compensation liabilities	-	-
Other	(13)	(217)
Balance at December 31, 2002	13,448	168,299
Net loss	-	-
Dividends paid ($.48 per share)	-	-
Decrease in unearned compensation (Note 14)	-	-
Stock awards and exercise of stock options (Note 18)	3	1,620
Other comprehensive loss	-	-
Decrease in notes receivable (Note 18)	-	-
Purchases of treasury stock	-	-
Distribution of assets to settle deferred compensation liabilities	-	-
Other	2	582
BALANCE AT DECEMBER 31, 2003	13,453	170,501
NET INCOME	-	-
DIVIDENDS PAID ($.48 PER SHARE)	-	-
STOCK AWARDS AND EXERCISE OF STOCK OPTIONS (NOTE 18)	130	10,650
RETIREMENT OF TREASURY SHARES	(400)	(12,076)
ISSUANCE OF COMMON SHARES (NOTE 7)	-	32,722
DECREASE IN NOTES RECEIVABLE (NOTE 18)	-	-
PURCHASES OF TREASURY STOCK	-	-
CONVERSION OF CONVERTIBLE PREFERRED SECURITIES	308	10,639
OTHER	-	255
BALANCE AT DECEMBER 31, 2004	$ 13,491	$ 212,691

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME/(LOSS)

Chemed Corporation and Subsidiary Companies

(in thousands) For the Years Ended December 31,	2004	2003	2002
Net income/(loss)	$27,512	$(3,435)	$(2,545)
Other comprehensive income/(loss), net of income tax:			
Unrealized holding gains/(losses) on available-for-sale investments arising during the period	-	(334)	246
Less: Reclassification adjustment for gains on available-for-sale investments arising during the period	-	(3,351)	(775)
Total	-	(3,685)	(529)
Comprehensive income/(loss)	$27,512	$(7,120)	$(3,074)

The Notes to Consolidated Financial Statements are integral parts of these statements.

Retained Earnings	Treasury Stock- at Cost	Unearned Compensation	Deferred Compensation Payable in Company Stock	Accumulated Other Comprehensive Income	Notes Receivable for Shares Sold	Total
$ 135,040	$ (110,424)	$ (7,436)	$ 3,288	$ 4,214	$ (1,502)	$ 204,160
(2,545)	-	-	-	-	-	(2,545)
(4,438)	-	-	-	-	-	(4,438)
-	-	2,742	-	-	-	2,742
-	(2,114)	-	-	-	-	(1,117)
-	-	-	-	(529)	-	(529)
-	(338)	-	-	-	550	212
-	(51)	-	-	-	-	(51)
-	1,066	-	(1,066)	-	-	-
(119)	279	-	58	-	-	(12)
127,938	(111,582)	(4,694)	2,280	3,685	(952)	198,422
(3,435)	-	-	-	-	-	(3,435)
(4,761)	-	-	-	-	-	(4,761)
-	-	1,740	-	-	-	1,740
-	2,216	-	-	-	-	3,839
-	-	-	-	(3,685)	-	(3,685)
-	(23)	-	-	-	18	(5)
-	(69)	-	-	-	-	(69)
-	31	-	(31)	-	-	-
4	-	-	59	-	-	647
119,746	(109,427)	(2,954)	2,308	-	(934)	192,693
27,512	-	-	-	-	-	27,512
(5,718)	-	-	-	-	-	(5,718)
-	771	(2,530)	-	-	-	9,021
-	12,476	-	-	-	-	-
-	62,380	-	-	-	-	95,102
-	(10)	-	-	-	390	380
-	(63)	1,894	-	-	-	1,831
-	-	-	-	-	-	10,947
2	-	-	67	-	-	324
$ 141,542	$ (33,873)	$ (3,590)	$ 2,375	$ -	$ (544)	$ 332,092

CONSOLIDATED STATEMENT OF CASH FLOWS

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income/(loss)	$ 27,512	$ (3,435)	$ (2,545)
Adjustments to reconcile net income/(loss) to net cash provided by operations:			
Depreciation and amortization	18,321	9,821	10,576
Discontinued operations (Note 6)	(8,326)	14,623	13,652
Provision for uncollectible accounts receivable	6,155	1,497	1,866
Noncash portion of long-term incentive compensation	5,808	-	-
Provision for deferred income taxes (Note 9)	5,002	1,214	766
Amortization of debt issuance costs	1,861	-	-
Equity in loss/(earnings) of affiliate (Note 3)	4,105	(922)	-
Gains on redemption and sales of available-for-sale investments	-	(5,390)	(1,141)
Asset impairment loss on available-for-sale investment	-	-	1,200
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Increase in accounts receivable	(6,534)	(1,843)	(2,215)
Decrease/(increase) in inventories	(986)	(618)	752
Decrease/(increase) in prepaid expenses and other current assets	11,659	(801)	(654)
Increase/(decrease) in accounts payable and other current liabilities	(2,052)	(423)	732
Increase in income taxes	21,374	2,972	3,354
Decrease/(increase) in other assets	5,607	(2,041)	(1,116)
Increase/(decrease) in other liabilities	(627)	2,842	(659)
Noncash expense of internally financed ESOPs	1,894	1,740	2,742
Other sources/(uses)	(1,044)	1,129	801
Net cash provided by continuing operations	89,729	20,365	28,111
Net cash provided by discontinued operations (Note 6)	4,426	2,487	1,628
Net cash provided by operating activities	94,155	22,852	29,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Business combinations, net of cash acquired (Note 7)	(344,727)	(3,850)	(1,236)
Capital expenditures	(18,290)	(10,381)	(8,440)
Deposit to secure merger offer	10,000	(10,000)	-
Proceeds from sales of property and equipment	772	555	2,056
Net proceeds/(uses) from sale of discontinued operations (Note 6)	(759)	1,091	50,676
Investing activities of discontinued operations (Note 6)	(98)	1,396	(3,460)
Proceeds from redemption of available-for-sale securities (Notes 3 and 16)	-	27,270	-
Purchase of equity investment in affiliate (VITAS) (Notes 3 and 16)	-	(17,999)	-
Proceeds from sales of investments	-	4,493	1,917
Other uses	(107)	(357)	(497)
Net cash provided/(used) by investing activities	(353,209)	(7,782)	41,016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt (Note 12)	295,000	-	5,000
Repayment of long-term debt (Note 12)	(96,940)	(92)	(40,085)
Issuance of capital stock, net of costs (Note 7)	95,102	-	-
Debt issuance costs	(14,447)	-	-
Collection of stock subscription note receivable	8,053	-	-
Dividends paid	(5,718)	(4,761)	(4,438)
Proceeds from exercise of stock options (Note 18)	3,721	3,287	1,547
Redemption of convertible junior subordinated securities (Note 20)	(2,735)	-	(42)
Purchases of treasury stock	(2,654)	(637)	(3,214)
Financing activities of discontinued operations (Note 6)	(255)	(317)	(293)
Other sources/(uses)	687	568	(8)
Net cash provided/(used) by financing activities	279,814	(1,952)	(41,533)
INCREASE IN CASH AND CASH EQUIVALENTS	20,760	13,118	29,222
Cash and cash equivalents at beginning of year	50,688	37,570	8,348
Cash and cash equivalents at end of year	$ 71,448	$ 50,688	$ 37,570

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chemed Corporation and Subsidiary Companies

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Long-term investments in affiliated companies representing ownership interests of 20% to 50% were accounted for using the equity method.

VARIABLE INTEREST ENTITIES

Effective January 1, 2004, we adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R "Consolidation of Variable Interest Entities -- an interpretation of Accounting Research Bulletin No. 51 (revised)" ("FIN 46R") relative to the Company's contractual relationships with its independent contractors. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated our relationships with our independent contractors based upon guidance provided in FIN 46R and have concluded that many of the independent contractors may be VIEs. Due to the limited financial data available from these independent entities we have not been able to perform the required analysis to determine which, if any, of these relationships are VIEs or who is the primary beneficiary of these potential VIE relationships. We have requested and will continue to request appropriate information to enable us to evaluate these potential VIE relationships. We believe consolidation, if required, of the accounts of any VIEs for which the Company might be the primary beneficiary would not materially impact the Company's financial position or results of operations.

CASH EQUIVALENTS

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

ACCOUNTS AND LOANS RECEIVABLE AND CONCENTRATION OF RISK

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

As of December 31, 2004, approximately 56% and 32% of VITAS' total accounts receivable balance were due from Medicare and various state Medicaid programs, respectively. VITAS closely monitors its programs to ensure compliance with Medicare and Medicaid regulations.

INVENTORIES

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

OTHER INVESTMENTS

At December 31, 2004, other investments, all of which are classified as available-for-sale, comprise a common stock purchase warrant in privately held Patient Care Inc. ("Patient Care"), a former subsidiary of the Company. At December 31, 2003, other investments included a 37% equity ownership interest in the common stock of VITAS, one common stock purchase warrant of VITAS, and the common stock purchase warrant in Patient Care.

Equity investments that are publicly traded are recorded at their fair value with unrealized gains and losses, net of income taxes, included in other comprehensive income on the balance sheet. The Company's investment in the Patient Care warrant is carried at cost, subject to write-down for impairment. Prior to acquiring 100% of VITAS, the Company's equity investment in VITAS was accounted for using the equity method of accounting.

All investments are reviewed periodically for impairment based on available market and financial data. If the market value or net realizable value of the investment is less than the Company's cost and this decline is determined to be other than temporary, a write-down to fair value is made, and a realized loss is recorded in the statement of operations.

In calculating realized gains and losses on the sales of investments, the specific-identification method is used to determine the cost of investments sold.

DEPRECIATION AND PROPERTIES AND EQUIPMENT

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

The weighted average lives of the Company's gross properties and equipment at December 31, 2004, were:

Buildings	18.5 years
Transportation equipment	5.4
Machinery and equipment	6.1
Computer software	6.4
Furniture and fixtures	6.0

GOODWILL AND INTANGIBLE ASSETS

Identifiable intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. Goodwill is tested at least annually for impairment. The VITAS trade name is considered to have an indefinite life and is tested at least annually for impairment. The weighted average lives of the Company's gross identifiable amortizable intangible assets at December 31, 2004, were:

Covenants not to compete	6.3 years
Referral network	10.0
Customer lists	13.3

LONG-LIVED ASSETS

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

OTHER ASSETS

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

REVENUE RECOGNITION

Service revenues and sales are recognized when the services are provided or the products are delivered. VITAS recognizes revenue at the estimated net realizable amounts due from third-party payers, which are primarily Medicare and Medicaid. Payers may deny payment for services in whole or in part on the basis that such services are not eligible for coverage and do not qualify for reimbursement. We estimate denials each period and make adequate provision in the financial statements.

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

VITAS is also subject to a Medicare annual per-beneficiary cap. Compliance with the Medicare cap is measured by comparing the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number between November 1 of each year and October 31 of the following year, and the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs during the relevant period. None of VITAS' hospice programs exceed the Medicare annual per-beneficiary cap in 2004.

GUARANTEES

In the normal course of business, the Company enters into various guarantees and indemnifications in its relationships with customers and others. Examples of these arrangements include guarantees of service and product performance. The Company's experience indicates guarantees and indemnifications do not materially impact the Company's financial condition or results of operations.

OPERATING EXPENSES

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

ADVERTISING

The Company expenses the production costs of advertising the first time the advertising takes place. Costs of yellow pages listings are expensed when the directories are placed in circulation. Other advertising costs are expensed as incurred. Advertising expense for continuing operations for the year ended December 31, 2004, was $19,950,000 (2003 -- $16,361,000; 2002 -- $16,698,000).

COMPUTATION OF EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per share reflect the dilutive impact of the Company's outstanding stock options and nonvested stock awards. Diluted earnings per share also assumed the conversion of the Convertible Junior Subordinated Debentures ("CJSD") into capital stock prior to the redemption of the CJSD in 2004, only when the impact was dilutive on earnings per share from continuing operations.

EMPLOYEE STOCK OWNERSHIP PLANS

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

STOCK-BASED COMPENSATION PLANS

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

The following table illustrates the effect on net income/(loss) and earnings/(loss) per share if the Company had applied the fair-value-recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" (in thousands, except per share data):

	For the Years Ended December 31,		
	2004	2003	2002
Net income/(loss), as reported	$ 27,512	$ (3,435)	$ (2,545)
Add: stock-based compensation expense included in the determination of net income/(loss), net of income taxes	3,940	95	120
Deduct: total stock-based employee compensation determined under a fair-value-based method for all stock options and awards, net of related income taxes	(8,259)	(952)	(767)
Pro forma net income/(loss)	$ 23,193	$ (4,292)	$ (3,192)
Earnings/(loss) per share			
As reported	$ 2.28	$ (0.35)	$ (0.26)
Pro forma	$ 1.92	$ (0.43)	$ (0.32)
Diluted earnings/(loss) per share			
As reported	$ 2.23	$ (0.35)	$ (0.26)
Pro forma	$ 1.88	$ (0.43)	$ (0.32)

The above pro forma data were calculated using the Black-Scholes option valuation method to value the Company's stock options granted in 2004 and prior years. Key assumptions include:

	For the Years Ended December 31,		
	2004	2003	2002
Weighted average grant-date fair value of options granted	$ 13.59	$ 10.14	$ 11.18
Risk-free interest rate	3.9%	3.2%	4.8%
Expected volatility	30.3%	27.8%	25.1%
Expected life of options	5 yrs.	6 yrs.	6 yrs.

For options granted in 2002 and 2003, it was assumed that the annual dividend would be increased $.01 per share per quarter biannually in the fourth quarter. For options granted in 2004, it was assumed that the annual dividend would remain at $.48 per share for the life of the options. These assumptions were based on the facts and circumstances that existed at the time options were granted and should not be construed to be an indication of future dividend amounts to be paid.

INSURANCE ACCRUALS

The Company is self-insured for casualty insurance claims, subject to a stop-loss policy with a maximum per-occurrence limit varying between $250,000 and $500,000, dependent upon policy year. Management consults with insurance professionals and closely monitors and evaluates its historical claims experience to estimate the appropriate level of accrual for claims. To calculate the claims accrual, management uses historical loss development factors ("LDF") that consider both reported losses and incurred but not reported ("IBNR") losses. LDFs are updated annually.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Disclosures of aftertax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

RECLASSIFICATIONS

The results of operations and the balance sheet of the Company's Service America segment were reclassified to discontinued operations in 2004 and prior years. In addition, certain other amounts in prior years' financial statements have been reclassified to conform to the 2004 presentation.

RECENT ACCOUNTING STATEMENTS

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004) "Share-Based Payment" ("FASB123R"), which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees and disallows the use of the intrinsic value method of accounting for stock options, but expresses no preference for a type of valuation model. This statement supersedes APB No. 25, but does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB 123 as originally issued. FASB123R is effective as of the beginning of the Company's third quarter of 2005. We are evaluating our stock incentive programs and most likely will significantly reduce the number of stock options granted after June 30, 2005. In March 2005, the Board of Directors approved immediate vesting of all unvested stock options to avoid recognizing approximately $1.6 million of pretax expense that would have been charged to income under FASB123R during the seven quarters beginning on July 1, 2005. We estimate that the pretax expense for continuing operations of accelerating the vesting of these stock options, which were scheduled to vest in November 2005 and November 2006, to be approximately $214,000 in the first quarter of 2005. As a result, we do not expect the implementation of FASB123R in the third quarter of 2005 to have a significant impact on our financial condition, results of operations or cash flows.

In December 2004, the FASB issued FASB Statement No. 151 "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" ("FASB No. 151"). FASB No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material and requires that these items be recognized as current period charges. FASB No. 151 applies to inventory costs incurred only during periods beginning after the effective date and also requires that the allocation of fixed production overhead to conversion costs be based on the normal capacity of the production facilities. FASB No. 151 is effective for the Company's fiscal year beginning January 1, 2005. We do not anticipate that implementation of this statement will have a material impact on our financial condition, results of operations or cash flows.

In December 2004, FASB issued FASB Statement No. 153 "Exchanges of Non-monetary Assets, An Amendment of APB Opinion No. 29" ("FASB No. 153"). FASB No. 153 eliminates the exception for exchange of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. FASB No. 153 is effective for nonmonetary assets and exchanges occurring in fiscal periods beginning after June 15, 2005. As we do not engage in exchanges of non-monetary assets, we do not anticipate implementation of this statement will have significant impact on our financial conditions, results of operations or cash flows.

2. SEGMENTS AND NATURE OF THE BUSINESS

Due to the significant impact of our acquisition of VITAS in February 2004, we reevaluated the Company's segment reporting of administrative expense of the Corporate Office headquarters. Previously, we included such expenses in the Plumbing and Drain Cleaning segment since it comprised in excess of 80% of our business. Currently, Roto-Rooter comprises 38% of Chemed's consolidated revenues from continuing operations and 36% of its income from operations. Accordingly, we now report corporate administrative expenses and unallocated investing and financing income and expense not directly related to any one segment as "Corporate." Corporate administrative expense includes the stewardship, accounting and reporting, legal, tax and other costs of operating a publicly held corporation. Corporate investing and financing income and expenses include the costs and income associated with corporate debt and investment arrangements. Also, in December 2004, the Board of Directors of the Company authorized the discontinuance of the Company's Service America segment, the disposal of which is expected to be completed in the first half of 2005.

The Company's segments now comprise the VITAS segment and the Roto-Rooter segment (formerly the Plumbing and Drain Cleaning segment). Service America has been reclassified to discontinued operations for all periods presented.

The VITAS segment provides palliative medical care and related services to terminally ill patients through state licensed and federally certified hospice programs, and the Roto-Rooter segment provides plumbing and drain cleaning services. Relative contributions of each segment to service revenues and sales were 62% and 38%, respectively, in 2004.

The reportable segments have been defined along service lines which is consistent with the way the businesses are managed. In determining reportable segments, the Roto-Rooter Services, Roto-Rooter Franchising and Products and Roto-Rooter Heating, Ventilating and Air Conditioning ("HVAC") and non-Roto-Rooter brand operating segments of the Roto-Rooter segment have been aggregated on the basis of possessing similar operating and financial characteristics. The characteristics of these operating segments and the basis for aggregation are reviewed annually. Accordingly, the reportable segments are defined as follows:

- The VITAS segment provides hospice services for patients with severe, life-limiting illnesses. This type of care is aimed at making the terminally ill patient's final days as comfortable and pain-free as possible. Hospice care is typically available to patients who have been initially certified as terminally ill (i.e., a prognosis of six months or less) by their attending physician, if any, and the hospice physician. VITAS offers all levels of hospice care in a given market, including routine home care, inpatient care and continuous care. Approximately 96% of VITAS' revenues are derived through Medicare and Medicaid reimbursement programs.

- The Roto-Rooter segment provides repair and maintenance services to residential and commercial accounts using the Roto-Rooter service mark. Such services include plumbing and sewer, drain and pipe cleaning. They are delivered through company-owned, independent-contractor-operated and franchised locations. This segment also manufactures and sells products and equipment used to provide such services.

Substantially all of the Company's service revenues and sales from continuing operations are generated from business within the United States. Management closely monitors accounts receivable balances and has established policies regarding the extension of credit and compliance therewith.

Segment data for the Company's continuing operations are set forth below (in thousands, except footnote data):

	For the Years Ended December 31,		
	2004	2003	2002
REVENUES BY TYPE OF SERVICE			
VITAS			
Routine homecare	$ 316,374	$ -	$ -
Continuous care	78,669	-	-
General inpatient	63,051	-	-
Other	636	-	-
Total segment	458,730	-	-
Roto-Rooter			
Sewer and drain cleaning	111,867	106,127	106,125
Plumbing repair and maintenance	107,642	101,590	98,812
Industrial and municipal sewer and drain cleaning	16,075	15,581	14,660
Contractors	16,360	14,125	12,350
HVAC repair and maintenance	3,111	3,044	3,746
Other products and services	21,556	20,309	17,994
Total segment	276,611	260,776	253,687
Total service revenues and sales	$ 735,341	$ 260,776	$ 253,687
AFTERTAX SEGMENT EARNINGS/ (LOSS) (A) (B)			
VITAS	$ 29,139	$ -	$ -
Roto-Rooter	18,795	13,176	14,108
Total segment earnings	47,934	13,176	14,108
Corporate	(24,643)	(2,910)	(3,001)
Equity in VITAS earnings/(loss)	(4,105)	922	-
Discontinued operations	8,326	(14,623)	(13,652)
Net income/(loss)	$ 27,512	$ (3,435)	$ (2,545)
INTEREST INCOME			
VITAS	$ 1,091	$ -	$ -
Roto-Rooter	1,180	863	621
Subtotal	2,271	863	621
Corporate	1,403	2,155	2,511
Intercompany eliminations	(1,800)	(595)	(237)
Total interest income	$ 1,874	$ 2,423	$ 2,895

(a) For 2004, includes payouts under the Company's 2002 Executive Long-term Incentive Plan of $4,455,000 aftertax (Corporate) and $982,000 aftertax (Roto-Rooter), the prepayment penalty incurred on the early extinguishment of the Company's debt of $2,030,000 aftertax (Corporate), the estimated cost for the anticipated settlement of a lawsuit of $1,897,000 aftertax (Roto-Rooter), expenses related to debt registration of $727,000 aftertax (Corporate), the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS amounting to $4,621,000 (Equity in VITAS earnings/(loss)), additional VITAS transaction costs and adjustments of a charge of $1,008,000 aftertax (VITAS) and a credit of $786,000 aftertax (Corporate), and favorable tax adjustments and settlements from prior year returns of $990,000 aftertax (Corporate) and $630,000 (Roto-Rooter).

(b) Includes severance charges of $2,358,000 aftertax (Corporate) in 2003, an investment impairment charge of $780,000 aftertax (Corporate) in 2002, and aftertax capital gains on the sales and redemption of investments (Corporate) for the years 2003 and 2002 amounting to $3,351,000 and $775,000, respectively.

	For the Years Ended December 31,		
	2004	2003	2002
INTEREST EXPENSE			
VITAS	$ 128	$ -	$ -
Roto-Rooter	206	170	101
Subtotal	334	170	101
Corporate	20,824	3,007	3,847
Total interest expense	$ 21,158	$ 3,177	$ 3,948
INCOME TAX PROVISION (A)			
VITAS	$ 20,030	$ -	$ -
Roto-Rooter	10,611	8,054	8,871
Subtotal	30,641	8,054	8,871
Corporate	(16,845)	(1,874)	(2,838
Total income tax provision	$ 13,796	$ 6,180	$ 6,033
IDENTIFIABLE ASSETS			
VITAS	$ 502,810	$ -	$ -
Roto-Rooter	174,310	172,257	165,503
Total identifiable assets	677,120	172,257	165,503
Corporate (b)	129,344	129,664	121,673
Discontinued operations	19,102	26,537	50,646
Total assets	$ 825,566	$ 328,458	$ 337,822
ADDITIONS TO LONG-LIVED ASSETS (C)			
VITAS	$ 434,509	$ -	$ -
Roto-Rooter	8,690	12,610	9,433
Subtotal	443,199	12,610	9,433
Corporate (b)	785	1,621	184
Total additions	$ 443,984	$ 14,231	$ 9,617
DEPRECIATION AND AMORTIZATION (D)			
VITAS	$ 9,061	$ -	$ -
Roto-Rooter	8,702	9,481	10,149
Subtotal	17,763	9,481	10,149'
Corporate	558	340	427
Total depreciation and amortization	$ 18,321	$ 9,821	$ 10,576

(a) For 2004, includes favorable tax adjustments and settlements from prior year returns of $990,000 (Corporate) and $630,000 (Roto-Rooter).

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

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

(d) Depreciation and amortization include amortization of identifiable intangible assets and stock awards.

3. EQUITY INTEREST IN AFFILIATE (VITAS)

Until February 23, 2004, the Company held a 37% interest in privately held VITAS. On August 18, 2003, VITAS retired the Company's investment in the 9% Redeemable Preferred Stock of VITAS. Cash proceeds to the Company totaled $27.3 million, and the Company realized a pretax gain of $1,846,000 ($1,200,000 aftertax or $.12 per share) on the redemption of preferred stock in the third quarter of 2003. During 2003, the dividends and amortization of preferred stock discount on this investment contributed $1,585,000 to the aftertax earnings of the Company. On October 14, 2003, the Company exercised two of its three warrants to purchase 4,158,000 common shares of VITAS, or 37%, for $18 million in cash. See Note 7 regarding the acquisition of the 63% of VITAS the Company did not own in 2003.

During the period January 1 through February 23, 2004, VITAS recognized a net loss of $18,335,000 due to the recognition of approximately $20.9 million of aftertax costs related to VITAS' sale of its business to the Company. Included in these costs are the following (in thousands):

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

The Company's aftertax share of VITAS' loss for this period was $4,105,000.

Summarized unaudited financial data for VITAS follow (in thousands):

	AS OF AND FOR THE PERIOD FROM JANUARY 1 TO FEBRUARY 23, 2004	As of and for the Three Months Ended December 31, 2003	As of and for the Years Ended September 30, 2003	2002
Statement of Operations				
Revenues	$ 72,870	$ 121,062	$ 420,074	$ 359,200
Gross profit	14,022	27,515	88,254	77,841
Income/(loss) from operations	(19,956)	10,727	32,022	28,019
Net income/(loss)	(18,335)	5,396	13,689	13,789
Net income/(loss) available for common stockholders	(18,335)	5,396	5,678	9,727
Financial Position				
Current assets	$ 101,394	$ 79,619	$ 69,891	$ 51,780
Noncurrent assets	63,844	63,746	62,660	59,687
Current liabilities	101,062	62,963	54,046	46,881
Noncurrent liabilities	60,310	68,553	90,053	59,006
Redeemable preferred stock	-	-	-	22,006
Stockholders' equity/(deficit)	3,866	11,849	(11,548)	(16,426)

4. GOODWILL AND INTANGIBLE ASSETS

Amortization of definite-lived intangible assets from continuing operations was (in thousands):

For the Years Ended December 31,		
2004	2003	2002
$ 3,468	$ 130	$ 152

The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2005	$ 4,021
2006	4,012
2007	3,978
2008	3,971
2009	3,963

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

DECEMBER 31, 2004	Gross Asset	Accumulated Amortization	Net Book Value
REFERRAL NETWORK	$ 20,900	$ (2,348)	$ 18,552
COVENANTS NOT TO COMPETE	8,676	(2,043)	6,633
CUSTOMER LISTS	1,222	(783)	439
SUBTOTAL	30,798	(5,174)	25,624
VITAS TRADE NAME	51,300	-	51,300
TOTAL	$ 82,098	$ (5,174)	$ 76,924

DECEMBER 31, 2003			
Covenants not to compete	$ 1,075	$ (999)	$ 76
Customer lists	1,221	(705)	516
Total	$ 2,296	$ (1,704)	$ 592

The changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2003, are as follows (in thousands):

	VITAS	Roto-Rooter	Total
December 31, 2002	$ -	$ 100,806	$ 100,806
Acquired in business combinations	-	4,246	4,246
Other adjustments	-	283	283
DECEMBER 31, 2003	-	105,335	105,335
ACQUIRED IN BUSINESS COMBINATIONS	324,330	2,918	327,248
OTHER ADJUSTMENTS	-	149	149
DECEMBER 31, 2004	$ 324,330	$ 108,402	$ 432,732

As required by FASB No. 142 "Goodwill and Intangible Assets" ("FASB No. 142"), the Company performed goodwill impairment tests for all of its reporting units as of December 31, 2004 and 2003, based on valuations prepared by professional valuation firms. For all reporting units included in continuing operations, these tests indicated that none of the Company's goodwill is impaired. Service America, which was reclassified to discontinued operations in 2004, recognized goodwill impairment losses of $10.0 million and $20.3 million in 2003 and 2002, respectively, largely due to declining revenues and poor operating results for several years. For the purpose of impairment testing, the Company considers the reporting components of its continuing operations to be VITAS, Roto-Rooter Services (plumbing and drain cleaning services) and Roto-Rooter Franchising and Products (franchising and manufacturing and sale of plumbing and drain cleaning products).

5. OTHER EXPENSES

Other expenses from continuing operations for 2004 include the following pretax charges (in thousands):

LONG-TERM INCENTIVE COMPENSATION	$ 8,783
ACCRUAL FOR LAWSUIT SETTLEMENT	3,135
VITAS TRANSACTION-RELATED COSTS AND ADJUSTMENTS	442
PROFESSIONAL FEES INCURRED TO REGISTER FLOATING RATE NOTES	1,191
TOTAL OTHER EXPENSES	$ 13,551

The long-term incentive compensation was awarded in the first quarter of 2004 under the 2002 Executive Long-Term Incentive Plan ("LTIP") because the price of the Company's stock exceeded $50 for 10 consecutive trading days, fulfilling one of the performance targets of the LTIP. The aftertax expense was $5,437,000. The LTIP has been amended to provide for additional targets as described in Note 19.

The charge for the lawsuit settlement represents Roto-Rooter's anticipated cost of settling a class-action lawsuit in Madison, IL. The proposed settlement has not yet been finalized by the parties nor approved by the court. The aftertax cost of this charge is $1,897,000.

VITAS' transaction-related costs and adjustments are expense adjustments related to the acquisition of VITAS and netted $222,000 aftertax expense.

The professional fees incurred to register the Company's Floating Rate Notes were expensed in 2004 and amounted to $727,000 aftertax. The Floating Rate Notes were called in February 2005 as discussed in Note 12.

The aggregate impact of these charges reduced income from continuing operations by $8,283,000.

6. DISCONTINUED OPERATIONS

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

	For the Years Ended December 31,		
	2004	2003	2002
Service America (2004):			
Loss before income taxes	$ (535)	$ (16,118)	$ (19,543)
Income taxes	222	1,431	(418)
Loss from operations, net of income taxes	(313)	(14,687)	(19,961)
Gain on disposal, net of income tax benefit of $14,230	8,872	-	-
Total Service America	8,559	(14,687)	(19,961)
Patient Care (2002):			
Income before income taxes	-	-	5,233
Income taxes	-	-	(2,142)
Income from operations, net of income taxes	-	-	3,091
Gain on disposal, net of income taxes of $594	-	-	304
Total Patient Care	-	-	3,395
Adjustment to accruals of operations discontinued in prior years:			
Environmental and sublease accruals (1991)	(700)	-	(1,145)
Allowance for uncollectible notes receivable (2001)	383	99	477
Severance and other accruals (1997)	-	-	180
Gain/(loss) before income taxes	(317)	99	(488)
Income tax refund (1997)	-	-	2,861
All other income taxes	84	(35)	541
Total adjustments	(233)	64	2,914
Total discontinued operations	$ 8,326	$ (14,623)	$ (13,652)
Earnings/(loss) per share	$ 0.69	$ (1.47)	$ (1.38)
Diluted earnings/(loss) per share	$ 0.68	$ (1.47)	$ (1.38)

In December 2004, the Board of Directors of the Company authorized the discontinuance of the Company's Service America segment through an asset sale to employees of Service America. The disposal is subject to certain regulatory and other approvals and is expected to be completed during the first half of 2005. Our decision to dispose of Service America, which provides major-appliance and heating/air conditioning repair, maintenance and replacement services, is based on declining operating results and projected operating losses. The acquiring corporation will purchase the substantial majority of Service America's assets in exchange for assuming substantially all of Service America's liabilities. Included in the assets to be acquired is a receivable from the Company for approximately $4.7 million. The Company will pay $1 million of this receivable upon closing and the remainder over the following year in 11 equal installments. We recognized a tax benefit of approximately $14.2 million on this disposal in 2004, primarily due to the recognition of non-deductible impairment losses in prior years. In addition, we project we will incur pretax losses of approximately $800,000 (unaudited) from Service America in 2005, prior to the date of disposal. These losses are largely related to the finalization of severance, lease and other arrangements and will be included in discontinued operations in 2005.

During 2004, we also increased our accrual for environmental liabilities related to the disposal of DuBois Chemicals, Inc. ("DuBois") in 1991 by $700,000. The adjustment is based on an assessment by the Company's environmental attorney and ongoing discussions with the U.S. Environmental Protection Agency.

The $383,000, $99,000 and $477,000 accrual adjustments and reductions to the allowance for uncollectible notes receivable from Cadre Computer Resources Co. ("Cadre Computer") (sold in 2001) are attributable to Cadre Computer's experiencing better-than-anticipated financial results and to the expiration and nonuse of $350,000 of Cadre Computer's line of credit with the Company. In anticipation that Cadre Computer would draw down the full $500,000 line of credit to finance operating losses, this line of credit had been fully reserved in 2001 when Cadre Computer was sold to its employees. The remainder of the adjustment in 2002 ($127,000) and 2003 ($99,000) was recorded because Cadre Computer began making payments on its existing notes that previously were fully reserved.

During 2002, the Company sold Patient Care to an investor group that included Schroder Ventures Life Sciences Group, Oak Investment Partners, Prospect Partners and Salix Ventures. Patient Care provides home-healthcare services primarily in the New York-New Jersey-Connecticut area. The proceeds to the Company from the sale of Patient Care comprised the following (in thousands):

Cash	$ 52,500
Note receivable	12,500
Cash placed in escrow	5,000
Common stock purchase warrants	1,445
Purchase price adjustment due to seller	1,251
Total	$ 72,696

The note receivable is a senior subordinated note ("Note") due October 11, 2007, that bears interest at the annual rate of 7.5% through September 30, 2004, 8.5% from October 1, 2004 through September 30, 2005, and 9.5% thereafter. The Note is presented on a separate line in the consolidated balance sheet. The $5,000,000 cash placed in escrow is subject to the collection of Patient Care's receivables with third-party payers. Of this amount, $2,500,000 was distributed as of October 2003 and $1,731,000 was distributed in 2004. The remaining $769,000 was withheld, pending settlement of a pre-acquisition receivable. Based on the previous collection experience of Patient Care, the Company expects to collect substantially all of the funds remaining in escrow. The common stock purchase warrant permits the Company to purchase up to 2% of Patient Care. The warrant was recorded at its estimated fair value on the date acquired and is included in other investments in the consolidated balance sheet. Patient Care has not provided the Company with financial statements since the first quarter of 2004. When, and if, the current Patient Care financial information is provided, it is possible that the Company may have to recognize an impairment loss on its investment in Patient Care for all or a portion of the carrying value of the warrant. The final value of the estimated balance sheet is expected to be determined in 2005, based on Patient Care's closing balance sheet, and could impact the amount of the gain recorded on the sale of Patient Care. The Company's current receivables from Patient Care (total of $2.8 million at December 31, 2004) are currently in litigation.

The adjustment to the sublease accrual in 2002 was made to cover rental charges for vacant space previously occupied by DuBois. Although the Company was able to sublease varying amounts of space during recent years, as of December 31, 2003, the Company was unable to sublease one of the floors covered under its lease. The adjustments made in 2002 decreased the amount of sublease rentals that were assumed to be received to include rentals only from current sublessees. As a result, the sublease accrual covers the cost of all unoccupied space and the shortfall of current subleased rentals versus lease rental rates and operating costs.

The $2,861,000 federal income tax refund received in 2002 related to the tax provision recorded as a part of the sale of The Omnia Group ("Omnia") in 1997. As a result of a tax case settled in 2001, the Company filed an amended

1997

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federal income tax return in August 2001 and claimed a tax benefit on its loss on the sale of Omnia, a loss previously treated as nondeductible.

During 2001, the Company discontinued its Cadre Computer segment, and on August 31, 2001, completed the sale of the business and assets of Cadre Computer to a company owned by the former Cadre Computer employees for a note receivable that was fully reserved on the date of sale. During 2002, Cadre Computer borrowed an additional $150,000 from the Company and made principal payments of $31,000 on the first note. During 2003, Cadre Computer made principal payments of $96,000 on the first note. As of December 31, 2004, the Company's notes receivable from Cadre Computer totaled $323,000. We consider the balances in the notes receivable from Cadre Computer to be fully collectible at December 31, 2004.

Revenues generated by discontinued operations comprise (in thousands):

	For the Years Ended December 31,		
	2004	2003	2002
Service America	$ 38,986	$ 48,095	$ 60,489
Patient Care	-	-	116,191
Total	$ 38,986	$ 48,095	$ 176,680

At December 31, 2004, other current liabilities include accruals of $6,425,000 and other liabilities include accruals of $5,028,000 for costs related to discontinued operations. The estimated timing of payments of these liabilities, relating primarily to sublease and environmental liabilities, follows (in thousands):

2005	$ 6,425
2006	1,702
2007	1,016
2008	822
2009	822
2010 AND LATER	666
TOTAL	$ 11,453

The Company's Chairman of the Board, President and Chief Executive Officer and the former Chief Administrative Officer (currently a director of the Company) are directors of Cadre Computer. In addition, our former Chief Administrative Officer holds a 41% equity ownership interest in Cadre Computer at December 31, 2004 and is Chairman and Chief Executive Officer of Cadre Computer.

7. BUSINESS COMBINATIONS

On February 24, 2004, we completed the acquisition of the 63% of VITAS common stock we did not previously own for cash consideration of $323.8 million. The total investment in VITAS, including $3.1 million of acquisition expenses and the Company's $18.0 million prior investment in VITAS, was $366.2 million. The Company has completed its purchase price allocation and the excess of the purchase price over the fair value of the net assets acquired in purchase business combinations is classified as goodwill. A summary of net assets acquired in the VITAS transaction follows (in thousands):

Cash and cash equivalents	$ 24,377
Accounts receivable, net	49,762
Current deferred income taxes	13,449
Prepaid income taxes	13,399
Other current assets	25,299
Property and equipment	19,073
VITAS trade name	51,300
Referral network	20,900
Covenants not to compete	7,600
Goodwill	306,298
Other assets	10,401
Accounts payable	(40,554)
Current portion of long-term debt	(7,940)
Accrued expenses	(43,169)
Long-term debt	(59,571)
Deferred income taxes	(21,171)
Other liabilities	(3,259)
Total net assets	366,194
Less: prior investment in VITAS	(18,032)
Less-cash and cash equivalents acquired	(24,377)
Net cash used	$ 323,785

We began including the consolidated VITAS results of operations in the Company's financial statements as of February 24, 2004. We recorded the acquisition of VITAS using the purchase method of accounting. The referral network and noncompetition agreement have a weighted average life of approximately 9.1 years. The referral network is being amortized on an accelerated basis that results in writing off 77% of the asset value during the first 58% of its life. The noncompetition agreement is being amortized on a straight-line basis, which reflects the basis on which the benefit is estimated to occur. The VITAS trade name and goodwill were determined to have indefinite lives and will be reviewed at least annually for impairment. The first such test was performed as of December 31, 2004 and indicated these assets are not impaired.

VITAS is the nation's largest provider of hospice services for patients with severe, life-limiting illnesses. This type of care is aimed at making the terminally ill patient's final days as comfortable and pain-free as possible. VITAS provides a comprehensive range of hospice services through 35 operating programs covering many of the large population areas in the U.S. including Florida, California, Texas and Illinois. To fund the acquisition and retire VITAS' and the Company's long- term debt, we completed the following transactions on February 24, 2004:

- We borrowed $75.0 million under a new $135 million revolving credit/term loan agreement at an initial weighted average interest rate of 4.5%.
- We sold 2 million shares of the Company's capital stock in a private placement at a price of $50 per share, before expenses.
- We issued $110 million principal amount of floating rate senior secured notes due February 2010 at an initial interest rate of 4.88%.
- We issued $150 million principal amount of 8.75% fixed rate senior notes due February 2011.
- We incurred estimated financing and transaction fees and expenses of approximately $19.3 million.

We acquired the 63% of VITAS not previously owned to enhance our minority investment in VITAS. We believe the investment will be financially advantageous to our shareholders because the hospice market is fragmented, and VITAS has the infrastructure to capitalize on the growing hospice services market.

Also during 2004, we completed two business combinations within the Roto-Rooter segment and two within the VITAS segment for an aggregate purchase price of $20.9 million in cash. The VITAS businesses acquired provide hospice services in the Phoenix, AZ and the Atlanta, GA areas, and the two Roto-Rooter businesses acquired provide drain cleaning and plumbing services using the Roto-Rooter name in Harrisburg, PA and Spokane, WA. The results of operations of all of these businesses are included in the Company's results of operations from the date of acquisition. The results of operations of these businesses for 2004 are not material to the Company's results of operations.

During 2003, six purchase business combinations were completed within the Roto-Rooter segment for a total of $3.9 million in cash. During 2002, one purchase business combination was completed within the Roto-Rooter segment for a purchase price of $1.2 million in cash. All of the 2003 and 2002 business combinations involved operations primarily in the business of providing plumbing repair and drain cleaning services.

The excess of the purchase price over the fair value of the net assets acquired in purchase business combinations is classified as goodwill. On a preliminary basis, the purchase price of all businesses (except VITAS) has been allocated as follows (in thousands):

	For the Years Ended December 31,		
	2004	2003	2002
Working capital	$ -	$ (114)	$ 60
Identifiable intangible assets	-	-	50
Goodwill	20,950	4,246	1,110
Other assets and liabilities-net	(8)	(282)	16
Total net assets	$20,942	$ 3,850	$ 1,236

Approximately $20,936,000 of the goodwill related to the VITAS acquisition and all of the goodwill related to business combinations completed in 2004, 2003 and 2002 is expected to be deductible for income tax purposes. Of the goodwill acquired in 2004, $15 million relates to the purchase of the hospice business in Phoenix, AZ, which was completed in December. This amount is based on a preliminary purchase price allocation that will be finalized during 2005. We will perform a thorough search for all potential intangible assets in 2005 and it is possible that other intangible assets may be identified.

The unaudited pro forma results of operations, assuming purchase business combinations completed in 2004 and 2003 were completed on January 1 of the preceding year, are presented below (in thousands, except per share data):

	For the Years Ended December 31,	
	2004	2003
Service revenues and sales	$ 816,173	$ 709,528
Net income/(loss)	34,199	(1,695)
Earnings/(loss) per share	2.77	(0.14)
Diluted earnings/(loss) per share	2.71	(0.14)

8. OTHER INCOME -- NET

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

	For the Years Ended December 31,		
	2004	2003	2002
Interest income	$ 1,874	$ 2,423	$ 2,895
Market value gains/(losses) on trading investments of employee benefit trusts	1,859	1,580	(1,189)
Loss on disposal of property and equipment	(350)	(253)	(583)
Dividend income	-	1,540	2,461
Gains on sales and redemption of investments	-	5,390	1,141
Investment impairment charge	-	-	(1,200)
Other - net	86	169	422
Total other income - net	$ 3,469	$ 10,849	$ 3,947

9. INCOME TAXES

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

	For the Years Ended December 31,		
	2004	2003	2002
Continuing Operations:			
Current			
U.S. federal	$ 7,065	$ 3,611	$ 3,316
U.S. state and local	1,214	1,102	1,810
Foreign	515	253	141
Deferred			
U.S. federal, state and local	5,093	1,230	782
Foreign	(91)	(16)	(16)
Total	$ 13,796	$ 6,180	$ 6,033
Discontinued Operations:			
Current U.S. federal	$ (2,373)	$ (442)	$ (2,332)
Current U.S. state and local	(60)	77	897
Deferred U.S. federal, state and local	(12,104)	(1,031)	1,187
Total	$ (14,537)	$ (1,396)	$ (248)

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

	December 31,	
	2004	2003
Accruals related to discontinued operations	$ 14,313	$ 2,872
Accrued insurance expense	9,090	4,735
Deferred compensation	7,594	6,891
Severance payments	2,995	1,779
Allowances for uncollectible accounts receivable	2,715	956
Lawsuit settlements	2,407	-
State net operating loss carry forwards	2,671	741
Deferred financing costs	1,225	-
Accrued state taxes	1,185	974
Employee benefit accruals	1,135	381
Market valuation of investments	772	510
Other	2,864	1,769
Deferred income tax assets	48,966	21,608
Valuation allowance	(1,403)	(741)
Deferred income tax assets, less allowance	47,563	20,867
Amortization of intangibles	(23,172)	(647)
Accelerated tax depreciation	(6,746)	(3,171)
Prepaid insurance	(1,459)	-
Investments basis difference	-	(2,050)
Other	(1,396)	(1,615)
Deferred income tax liabilities	(32,773)	(7,483)
Net deferred income tax assets	$ 14,790	$ 13,384

Included in other assets at December 31, 2004, are deferred income tax assets of $354,000 (December 31, 2003 -- $4,954,000). Based on the Company's history of prior operating earnings and its expectations for future growth, management has determined that the operating income of the Company will, more likely than not, be sufficient to ensure the full realization of the deferred income tax assets, less allowances. The valuation allowance has been provided to reduce the state net operating loss carry forwards to the value expected to be realized.

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

	For the Years Ended December 31,		
	2004	2003	2002
Income tax provision calculated using the statutory rate of 35%	$ 12,980	$ 5,756	$ 5,999
State and local income taxes, less federal income tax effect	2,253	717	1,212
Unfavorable/(favorable) adjustments related to prior year issues	(1,751)	102	(316)
Domestic dividend exclusion	-	(441)	(686)
Other-net	314	46	(176)
Income tax provision	$ 13,796	$ 6,180	$ 6,033
Effective tax rate	37.2%	37.6%	35.2%

Income tax benefits attributable to the exercise of non-qualified employee stock options were $1,871,000 during the year ended December 31, 2004 (2003 -- $960,000; 2002 - $122,000) and were credited directly to additional paid-in capital.

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

	For the Years Ended December 31,		
	2004	2003	2002
Unrealized holding gains/(losses)	$ -	$ (180)	$ 132
Reclassification adjustment	-	(2,039)	(366)

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

2004	$ (13,131)
2003	2,715
2002	(910)

Provision has not been made for additional taxes on $34,070,000 of undistributed earnings of the Company's domestic subsidiaries. Should the Company elect to sell its interest in all of these businesses rather than to effect a tax-free liquidation, additional taxes amounting to approximately $12,436,000 would be incurred based on current income tax rates.

At December 31, 2004, the Company has net operating loss ("NOL") carry forwards in the following states (in thousands):

	NOL	EXPIRATION DATES
STATE OF OHIO	$ 17,011	DECEMBER 2020 TO 2024
STATE OF MARYLAND	2,033	DECEMBER 2021 TO 2022
STATE OF FLORIDA	12,472	DECEMBER 2023
STATE OF PENNSYLVANIA	4,627	DECEMBER 2023

A valuation allowance for 100% of the potential deferred tax benefits on the NOL carry forwards relating to the State of Ohio has been established because we believe it is more likely than not that the benefit will expire unutilized. None of the NOL carry forwards will be lost due to the continuity of business requirement.

10. CASH EQUIVALENTS

Included in cash and cash equivalents at December 31, 2004, are cash equivalents in the amount of $62,997,000 (2003 -- $49,356,000). The cash equivalents at both dates consist of investments in various money market funds and repurchase agreements yielding interest at a weighted average rate of 2.0% in 2004 and 0.9% in 2003.

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

11. PROPERTIES AND EQUIPMENT

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

	December 31,	
	2004	2003
Land	$ 1,713	$ 1,390
Buildings	20,803	12,958
Transportation equipment	13,114	13,790
Machinery and equipment	36,290	33,266
Computer software	17,050	2,308
Furniture and fixtures	17,201	15,764
Projects under construction	3,122	-
Total properties and equipment	109,293	79,476
Less accumulated depreciation	(53,497)	(48,036)
Net properties and equipment	$ 55,796	$ 31,440

12. LONG-TERM DEBT AND LINES OF CREDIT

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

	December 31,	
	2004	2003
New Fixed rate notes due 2011	$ 150,000	$ -
Floating rate notes due 2010	110,000	-
Term loan due 2005 - 2009	30,487	-
Senior notes, due 2005-2009	-	25,000
Other	1,208	1,124
Subtotal	291,695	26,124
Less current portion	(12,185)	(193)
Long-term debt, less current portion	$ 279,510	$ 25,931

2004 CREDIT AGREEMENTS

On February 24, 2004, in conjunction with the Company's acquisition of the VITAS shares not previously owned, the Company retired its senior notes due 2005 through 2009 and canceled its revolving credit agreement with Bank One, N.A. ("Bank One"). To fund this acquisition and retire the Senior Notes, the Company issued 2 million shares of capital stock in a private placement and borrowed $335 million as follows:

- $150 million from the issuance of privately placed 8.75% senior notes ("Fixed Rate Notes") due 2011. Semiannual interest payments began in August 2004 and payment of unpaid principal and interest will be due February 2011. The Fixed Rate Notes are unsecured and are effectively subordinated to our secured indebtedness. In the second quarter of 2004, we filed a registration statement covering up to $150 million principal amount of new 8.75% senior notes due 2011 ("New Fixed Rate Notes"). Except for the lack of transfer restrictions, the terms of the New Fixed Rate Notes are substantially identical to those of the Fixed Rate Notes. Pursuant to the Company's exchange offer, all holders of the Fixed Rate Notes exchanged their notes for like principal amounts of the New Fixed Rate Notes.

  Prior to February 24, 2007 up to a maximum of 35% of the principal of the New Fixed Rate Notes may be redeemed under specified circumstances at a price of 108.75% plus accrued interest. After February 24, 2007, the New Fixed Rate Notes may be redeemed, in whole or in part, at redemption prices ranging from 104.375% (beginning on February 24, 2007) to 100% (beginning on February 24, 2010) plus accrued interest.

- $110 million from the issuance of privately placed floating rate senior secured notes ("Floating Rate Notes") due 2010. Quarterly interest payments (LIBOR + 3.75%) began in May 2004, and payment of unpaid principal and interest was due February 2010. At December 31, 2004, the rate of interest on the Floating Rate Notes was 6.04% per annum.

- $75 million drawn down under a $135 million secured revolving credit/term loan facility ("2004 Credit Facility") with JPMorgan Chase Bank (formerly Bank One). The facility comprised a $35 million term loan and $100 million revolving credit facility, including up to $40 million in letters of credit. For the term loan, quarterly principal payments of $1,250,000 plus interest (LIBOR + margin) began in June 2004. For the revolving line of credit, interest payments (LIBOR + margin) were due periodically beginning in March 2004. Payment of unpaid principal and interest was due February 2009. At December 31, 2004, the margin for the term loan was 3.25% resulting in an interest rate of 5.67% per annum.

The Company had approximately $72.1 million of unused lines of credit at December 31, 2004 under the 2004 Credit Facility.

SENIOR NOTES

In March 1997, the Company borrowed $25,000,000 in a private placement at an interest rate of 7.31% per annum. On February 24, 2004, in connection with entering into the 2004 Credit Agreements, the Company retired its Senior Notes and incurred a $3,330,000 prepayment penalty ($2,030,000 aftertax).

OTHER

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

The following is a schedule by year of required long-term debt payments as of December 31, 2004 (in thousands):

2005	$ 12,185
2006	5,203
2007	5,209
2008	5,162
2009	3,936
AFTER 2009	260,000
TOTAL LONG-TERM DEBT	$ 291,695

At December 31, 2004, the current portion of long-term debt includes $11.7 million due under terms of the Company's 2004 Credit Facility with JPMorgan Chase. This credit facility was amended in February 2005, and as result, the principal payment due in 2005 under the amended agreement has been reduced to $638,000.

Summarized below are the total amounts of interest paid during the years ended December 31 (in thousands):

2004	$ 17,255
2003	3,197
2002	3,979

During 2004, interest totaling $72,000 was capitalized. No interest was capitalized during the years ended December 31, 2003 and 2002.

2005 CREDIT FACILITY

In February 2005, the Company amended its bank credit facility with JPMorgan Chase Bank. The Amended and Restated Credit Agreement ("ARCA") provides for an increase in the term loan ("TL") from $35 million to $85 million at a current rate of LIBOR plus 2.0% and an increase of the revolving credit facility ("RCF") from $100 million to $175 million at a current rate of LIBOR plus 2.5%. The TL has 21 quarterly principal payments of $212,500, beginning on June 30, 2005, with the balance due August 24, 2010. The RCF has a termination date of February 24, 2010. Commitment fees include an annual fee of $100,000 plus a fee of .375% per annum of the unused RCF, payable quarterly.

Loans under the ARCA are secured by the assets of the Company and substantially all of its subsidiaries. In addition, the Company must comply with customary financial and other covenants as stipulated in the ARCA. Among these is an annual limitation on capital expenditures ($30 million), an annual limitation on acquisitions ($80 million in the aggregate and $50 million individually) and an annual limitation on payments under operating leases ($30 million). Should

the Company generate excess cash flow ("ECF") during a year, as defined in ARCA, an additional principal payment must be made. Generally, ECF represents the excess of EBITDA less net working capital requirements, less income taxes paid, less capital expenditures, less interest expense, less principal payments on the TL, less cash used for acquisitions and less cash dividends paid. Based on the Company's results as of and for the year ended December 31, 2004, no additional term loan payment would have been required in 2005, had the ARCA been in place during 2004.

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

DEBT COVENANTS

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

- use of proceeds of loans,
- restricted payments, including payments of dividends and retirement of stock (permitting $.48 per share dividends so long as the aggregate amount of dividends in any fiscal year does not exceed $7.0 million and providing for additional principal prepayments to the extent dividends exceed $5.0 million in any fiscal year), with exceptions for existing employee benefit plans and stock option plans,
- mergers and dissolutions,
- sales of assets,
- investments and acquisitions,
- liens,
- transactions with affiliates,
- hedging and other financial contracts,
- restrictions on subsidiaries,
- contingent obligations,
- operating leases,
- guarantors,
- collateral,
- sale and leaseback transactions,
- prepayments of indebtedness,
- maximum annual limit for acquisitions of $80 million (no single acquisition to exceed $50 million),
- maximum annual expenditures for operating leases of $30 million, and
- maximum annual capital expenditures of $30 million.

In addition, the credit agreements provide that the Company will be required to meet the following financial covenants, to be tested quarterly, beginning with the quarter ending March 31, 2005:

- a minimum net worth requirement, which requires a net worth of at least (i) 85% of consolidated net worth at December 31, 2004, plus (ii) 50% of consolidated net income (if positive) earned in each fiscal quarter beginning with the quarter ending March 31, 2005, plus (iii) the amount of all net cash proceeds resulting from issuances of capital stock of the Company or any subsidiary or other equity interest to a person other than the Company or a subsidiary. At December 31, 2004, our net worth was $332.1 million versus a requirement of $282.3 million;
- a maximum leverage ratio, calculated quarterly, based upon the ratio of consolidated funded debt to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), which requires maintenance of a ratio of 5.50 to 1.00 through December 31, 2004, a ratio of 4.00 to 1.00 from January 1, 2005, through December 31, 2006, a ratio of 3.75 to 1.00 from January 1, 2007, through December 31, 2008, and 3.50 to 1.00 thereafter. At February 28, 2005, our leverage ratio was 2.78 to 1.00;
- a maximum senior leverage ratio, calculated quarterly, based upon the ratio of senior consolidated funded debt to consolidated EBITDA (which ratio excludes indebtedness in respect of the Fixed Rate Notes), which requires maintenance of a ratio of 3.375 to 1.00 through December 31, 2004, a ratio of 3.00 to 1.00 from January 1 through December 31, 2005, and 2.75 to 1.00 thereafter. At February 28, 2005, our senior leverage ratio was 1.21 to 1.00; and

- a minimum fixed charge coverage ratio, based upon the ratio of consolidated EBITDA minus capital expenditures to consolidated interest expense plus consolidated current maturities (including capitalized lease obligations) plus cash dividends paid on equity securities plus expenses for taxes, which requires maintenance of a ratio of 1.15 to 1.00 through December 31, 2004, 1.25 to 1.00 from January 1 through December 31, 2005, 1.375 to 1.00 from January 1 through December 31, 2006, and 1.50 to 1.00 thereafter. For 2004, our fixed charge coverage ratio was 1.44 to 1.00.

The Company is in compliance with all debt covenants as of December 31, 2004 and projects that it will remain in compliance during 2005. As of February 28, 2005, the Company has approximately $147.6 million (unaudited) of unused lines of credit available and eligible to be drawn down under the RCF.

The following is a schedule by year of required long-term debt payments as of February 28, 2005 (in thousands) (unaudited):

2005	$ 1,103
2006	1,053
2007	1,059
2008	1,012
2009	1,019
AFTER 2009	234,462
TOTAL LONG-TERM DEBT	$ 239,708

13. OTHER LIABILITIES

At December 31, 2004 and 2003, other current liabilities comprised the following (in thousands):

	December 31, 2004	December 31, 2003
Accrued incentive compensation	$ 8,115	$ 4,063
Accrued divestiture expenses	4,232	3,731
Accrued savings and retirement contribution	2,639	4,012
Other	27,791	7,260
Total other current liabilities	$ 42,777	$ 19,066

At December 31, 2004, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the sale of DuBois amounted to $2,951,000. Of this balance, $1,051,000 is included in other liabilities and $1,900,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $15,999,000. On the basis of a continuing evaluation of the Company's potential liability, management believes it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. The potential liability is not insured, and the recorded liability does not assume the recovery of insurance proceeds. Also, the environmental liability has not been discounted because it is not possible to reliably project the timing of payments. It is currently expected that approximately $1,900,000 of the liability will be paid out in 2005; the timing of the remainder of the payments is not currently estimable. Management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

At December 31, 2004, the Company's accrual for losses on subleases of office space formerly occupied by DuBois amounted to $1,575,000 (2003 -- $2,847,000), of which $1,200,000 (2003 -- $1,200,000) is included in other current liabilities. The accrual is based on the expectation that space currently unoccupied will not be sublet during the remainder of the lease term, which ends April 2006.

14. 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 employee stock ownership plans ("ESOPs") that purchased a total of $56,000,000 of the Company's capital stock. In December 1997, the Company restructured the ESOP loans and internally financed $16,201,000 of the $21,766,000 ESOP loans outstanding at December 31, 1997.

Substantially all eligible employees of the Roto-Rooter segment and the Corporate Office participate in the ESOPs. Eligible employees of the Company are also covered by other defined contribution plans.

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

	For the Years Ended December 31,		
	2004	2003	2002
Compensation cost of ESOPs	$ 1,811	$ 1,138	$ 1,746
Pension, profit-sharing and other similar plans	5,639	3,674	3,015
Total	$ 7,450	$ 4,812	$ 4,761
Dividends on ESOP shares used for debt service	$ 129	$ 138	$ 197

At December 31, 2004, there were 243,717 allocated shares (2003 -- 227,346 shares) and 18,608 unallocated shares (2003 - 52,212 shares) in the ESOP trusts.

The Company has excess benefit plans for key employees whose participation in the qualified plans is limited by ERISA rules. Benefits are determined based on theoretical participation in the qualified ESOPs. Prior to September 1, 1998, the value of these benefits was invested in shares of the Company's stock and in mutual funds, which were held by grantor trusts. Currently, benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits invested in shares of the Company's stock. Trust assets invested in shares of the Company's capital stock are included in treasury stock, and the corresponding liability is included in a separate component of shareholders' equity. At December 31, 2004, these trusts held 68,313 shares or $2,390,000 of the Company's stock (December 31, 2003 -- 67,174 shares or $2,328,000). The diversified assets of the Company's excess benefit and deferred compensation plans, all of which are invested in various mutual funds, totaled $18,317,000 at December 31, 2004 (December 31, 2003 -- $17,391,000), and are included in other assets. The corresponding liabilities are included in other liabilities.

15. LEASE ARRANGEMENTS

The Company, as lessee, has operating leases that cover its corporate office headquarters, various warehouse and office facilities, office equipment and transportation equipment. The remaining terms of these leases range from one year to 14 years, and in most cases, management expects that these leases will be renewed or replaced by other leases in the normal course of business. Substantially all equipment is 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, 2004 (in thousands):

2005	$ 17,169
2006	12,707
2007	8,880
2008	6,367
2009	5,248
AFTER 2009	10,016
TOTAL MINIMUM RENTAL PAYMENTS	60,387
LESS: MINIMUM SUBLEASE RENTALS	(2,394)
NET MINIMUM RENTAL PAYMENTS	$ 57,993

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

	For the Years Ended December 31,		
	2004	2003	2002
Total rental payments	$ 13,569	$ 5,776	$ 5,489
Less: sublease rentals	(1,640)	(1,603)	(1,195)
Net rental expense	$ 11,929	$ 4,173	$ 4,294

16. 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, 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 at December 31, 2003, was the Company's investment in VITAS.

- The carrying values of the Company's investment in the Patient Care warrant and the Note receivable due from Patient Care ($12,500,000) are considered to be the best indicator of fair value available at the present time. Patient Care is privately held and the Company has been unable to obtain current financial data since February 2004. In addition, the Company and Patient Care are currently in litigation over the collection of other amounts due the Company. Patient Care is current on its payments of interest on its note payable to the Company. Nonetheless, when additional information becomes available it is possible that such data would indicate the fair value of these investments is less than their respective carrying values. It is also possible that such decline could be considered other than temporary. In those circumstances, a write down to fair value would be required.

- The fair value of the Company's CJSDs is based on the quoted market value at the end of the period.

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

	December 31,			
	2004		2003	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
Available-for-sale investments:				
Other investments--				
Equity investment in VITAS	$ -	$ -	$ 21,035	$ 124,747
Investment in VITAS warrants	-	-	2,601	40,091
Investment in Patient Care warrant	1,445	1,445	1,445	1,445
Subtotal	1,445	1,445	25,081	166,283
Note receivable	12,500	12,500	12,500	12,500
Total available-for-sale investments	$ 13,945	$ 13,945	$ 37,581	$ 178,783
Long-term debt	$ 291,695	$ 306,328	$ 26,124	$ 28,045
CJSD	-	-	14,126	17,657

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

	December 31,	
	2004	2003
Aggregate fair value	$ 1,445	$ 166,283
Gross unrealized holding gains	-	-
Gross unrealized holding losses	-	-
Amortized cost	1,445	25,081

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

	For the Years Ended December 31,	
	2003	2002
Proceeds from redemption and sales	$ 31,763	$ 1,917
Gross realized gains	7,157	1,223
Gross realized losses	1,767	82

17. EARNINGS/(LOSS) PER SHARE

The computation of earnings/(loss) per share follows:

	Income from Continuing Operations			Net Income/(Loss)		
	Income (Numerator)	Shares (Denominator)	Income Per Share	Income (Numerator)	Shares (Denominator)	Income Per Share
2004						
Earnings	$ 19,186	12,060	$ 1.59	$ 27,512	12,060	$ 2.28
Dilutive stock options	-	251		-	251	
Nonvested stock awards	-	7		-	7	
Diluted earnings	$ 19,186	12,318	$ 1.56	$ 27,512	12,318	$ 2.23
2003						
Earnings/(loss)	$ 11,188	9,924	$ 1.13	$ (3,435)	9,924	$ (0.35)
Dilutive stock options	-	30		-	30	
Diluted earnings/(loss)	$ 11,188	9,954	$ 1.12	$ (3,435)	9,954	$ (0.35)
2002						
Earnings/(loss)	$ 11,107	9,858	$ 1.13	$ (2,545)	9,858	$ (0.26)
Dilutive stock options	-	27		-	27	
Diluted earnings/(loss)	$ 11,107	9,885	$ 1.12	$ (2,545)	9,885	$ (0.26)

The impact of the CJSDs was excluded from the above computations because it was antidilutive to earnings per share for all periods. All of the remaining CJSDs were either converted or retired as of May 18, 2004. The debentures were convertible into an average of 137,000 shares for the year ended December 31, 2004 (2003 -- 383,000; 2002 -- 384,000).

During 2003 and 2002, certain stock options, whose exercise prices were greater than the average market price during most of the year, were excluded from the computation of diluted earnings per share. Those options comprise the following:

		Number of Options Outstanding at December 31,	
Grant Date	Exercise Price	2003	2002
May 2002	$ 36.90	256,800	265,600
March 1998	39.13	130,700	153,250
May 1996	38.75	117,625	159,275
April 1998	40.53	12,000	12,000
May 1997	35.94	-	152,600
Total		517,125	742,725

During 2004, there were no options outstanding whose exercise prices exceeded the market price for any significant period of time.

18. STOCK INCENTIVE PLANS

The Company has nine Stock Incentive Plans under which 3,850,000 shares of Chemed Corporation 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 a total of 700,000 shares, was adopted in May 2004.

The stock option plans are not qualified, restricted or incentive stock option plans under the Internal Revenue Code. Options granted under these plans prior to 2004 generally become exercisable in four annual installments commencing six months after the date of grant. Options granted in 2004 generally become exercisable in full six months after the date of grant. Under the Long-Term Incentive Plan, adopted in 1999, up to 250,000 shares may be issued to employees who are not officers or directors of the Company or its subsidiaries.

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

	2004		2003		2002	
	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Stock options:						
Outstanding at January 1	1,172,865	$ 35.92	1,243,600	$ 35.50	1,059,088	$ 34.91
Granted	401,534	44.63	241,100	35.85	268,600	36.90
Exercised	(231,997)	35.25	(245,184)	33.10	(66,738)	31.87
Forfeited	(11,000)	35.51	(300)	28.56	(17,350)	34.76
Expired	-	-	(66,351)	38.23	-	-
Outstanding at December 31	1,331,402	38.67	1,172,865	35.92	1,243,600	35.50
Exercisable at December 31	1,147,661	39.06	860,187	35.79	1,037,771	35.23
Stock awards issued	148,356	52.76	4,606	34.72	9,034	37.51

Options outstanding at December 31, 2004, comprise the following:

	Range of Exercise Prices	
	$32.19 to $40.53	$43.36 to $56.16
Options outstanding	945,789	385,613
Average exercise price of options outstanding	$ 36.25	$ 44.62
Average contractual life	5.3 yrs.	9.4 yrs.
Options exercisable	762,048	385,613
Average exercise price of options exercisable	$ 36.25	$ 44.62

There were 303,921 shares available for granting of stock options and awards at December 31, 2004.

Total compensation cost recognized for stock awards for continuing operations was $6,018,000 in 2004 (2003 -- $147,000; 2002 -- $184,000). 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.

During 1999, the Company purchased 101,500 shares of its capital stock in open-market transactions and sold these shares to certain employees at fair market value in exchange for interest-bearing notes secured by the shares. Interest rates on these notes are set at the beginning of each year based on rates used by the Internal Revenue Service for demand loans (1.70% for 2004; 1.80% for 2003; 2.73% for 2002).

The notes receivable have no maturity date but become immediately due and payable at the option of the Company upon the occurrence of any of the following: (a) the Company, as noteholder, deems itself not adequately secured, (b) the death, insolvency, assignment for the benefit of creditors, or the commencement of any bankruptcy or insolvency proceedings of, or against, the employee, (c) any attempted transfer by the employee of the shares of capital stock purchased by the employee with the notes, or (d) termination of employment. The terms of the notes receivable place restrictions upon the sale of the underlying shares of stock, but the shares of stock are not physically restricted from sale. Should the Company demand payment of the notes and the value of the underlying shares be insufficient to satisfy the remaining note liability, the employee would be required to pay the Company the difference in cash.

Activity in the notes receivable accounts, which are presented as a reduction of stockholders' equity in the consolidated balance sheet, is summarized below (in thousands):

Balance at December 31, 2001	$ 1,502
Accrual of interest	26
Cash payments	(239)
Value of shares surrendered	(337)
Balance at December 31, 2002	952
Accrual of interest	16
Cash payments	(11)
Value of shares surrendered	(23)
BALANCE AT DECEMBER 31, 2003	934
ACCRUAL OF INTEREST	10
CASH PAYMENTS	(391)
VALUE OF SHARES SURRENDERED	(9)
BALANCE AT DECEMBER 31, 2004	$ 544

Shares surrendered in payment of notes receivable are valued at their fair market value on the date of surrender.

19. EXECUTIVE LONG-TERM INCENTIVE PLAN

In May 2002, the shareholders of the Company approved the adoption of the 2002 Executive Long-Term Incentive Plan ("LTIP") covering officers and key employees of the Company. The LTIP is administered by the Compensation/Incentive Committee ("CIC") of the Board of Directors and was adopted to replace the restricted stock program, which was terminated at the end of 2001. Based on guidelines established by the CIC, the LTIP covers the granting of cash awards based on two independent elements: 1) a totally discretionary award based on operating performance of the Company covering a period greater than one year and less than four years and 2) an award based on the attainment of a target stock price of $50 per share during 10 consecutive trading days prior to the fourth anniversary of the plan.

As of December 31, 2003, no accrual for awards under the LTIP was made since it was not possible to estimate the amount of such awards, if any, which was earned.

During January 2004, the price of the Company's stock exceeded $50 per share for more than 10 consecutive trading days. In February 2004, the CIC approved a payout under the LTIP in the aggregate amount of $7.8 million ($2.8 million in cash and 84,633 shares of capital stock). The pretax expense of this award, including payroll taxes and benefit costs, totaled $9.1 million. Of this amount, $8,783,000 relates to continuing operations and is included in other expenses for 2004 ($5,437,000 aftertax).

During June 2004, the CIC approved guidelines covering the establishment of a pool of 125,000 capital shares ("2004 LTIP Pool") to be distributed to eligible members of management upon attainment of the following hurdles during the period January 1, 2004, through December 31, 2007:

- 44,000 shares will be awarded if Chemed's cumulative pro forma adjusted EBITDA (including the results of VITAS beginning January 1, 2004) reaches $365 million within the four-year period.
- 44,000 shares will be awarded if Chemed's stock price reaches the following hurdles during any 30 trading days out of any 60-trading-day period during the four-year period:
  - 11,000 shares for a stock price of $70.00.
  - an additional 16,500 shares for a stock price of $77.50.
  - an additional 16,500 shares for a stock price of $85.00.
- 22,000 shares represent a retention element, subject to a four-year, time-based vesting.
- 15,000 shares may be awarded at the discretion of the CIC.

On June 22, 2004, the CIC awarded 22,000 restricted shares of stock to key employees of management under the retention component of the 2004 LTIP Pool. These shares vest on December 31, 2007, for all participants still employed by the Company. The total cost of these awards is $1,071,000, based on the fair value of the stock on June 22, 2004. Of this amount, $1,037,000 relates to continuing operations and is being amortized on a straight-line basis over the 42-month period ending December 31, 2007.

As of December 31, 2004, no accrual for the cost of possible awards under the remaining components of the 2004 LTIP Pool was made since it was not probable at that time any of the awards would be earned and paid. On March 11, 2005, the CIC approved the grant of 12,500 shares of capital stock to key employees. The award was based on the attainment of a $70.00 per share stock price for 30 trading days in 2005 and includes 1,500 shares awarded from the discretionary portion of the 2004 LTIP Pool. The approximate pretax cost of this award, including payroll taxes and benefit costs, is $1,144,000 ($709,000 aftertax). This expense will be recorded in the first quarter of 2005.

20. CONVERTIBLE JUNIOR SUBORDINATED DEBENTURES

Effective February 1, 2000, the Company completed an Exchange Offer whereby stockholders exchanged 575,503 shares of capital stock for shares of Preferred Securities of the wholly owned Chemed Capital Trust ("CCT") on a one-for-one basis. The Preferred Securities, which carried a redemption value of $27.00 per security, paid an annual cash distribution of $2.00 per security (payable at the quarterly rate of $.50 per security commencing March 2000) and were convertible into capital stock at a price of $37.00 per security. The Preferred Securities had a maturity of 30 years from date of issuance and were callable beginning March 15, 2003, at a price of $27.27 for each $27.00 principal amount. On March 15, 2004, and later, the Preferred Securities were callable without premium.

Prior to redemption in 2004, the sole assets of the CCT were CJSDs of the Company in the principal amount of $27 per security. The CJSDs were scheduled to mature March 15, 2030, and the interest rate of the CJSDs was $2.00 per annum per $27.00 principal amount.

Effective January 1, 2004, we adopted the provisions of FIN 46R. Under FIN 46R, the Company is not the primary beneficiary of the CCT and is not permitted to consolidate the accounts of the CCT. As a result, we deconsolidated the Preferred Securities of the CCT and replaced them in the Company's consolidated balance sheet with the CJSDs, the sole assets of the CCT. Distributions on the CJSDs are now classified as interest expense for all periods presented.

On April 7, 2004, we announced the call of all Preferred Securities outstanding as of May 18, 2004, at face value ($27.00 per security) plus accrued dividends ($.35 per security). As a result, during the second quarter of 2004, 417,256 Preferred Securities were redeemed for 304,597 shares of capital stock and 101,282 Preferred Securities were redeemed for $2,735,000 in cash. As a result, at December 31, 2004, there are no CJSDs or Preferred Securities outstanding.

The number of Preferred Securities purchased and converted and shares of capital stock issued upon conversion are summarized below:

	For the Years Ended December 31,		
	2004	2003	2002
Preferred Securities purchased	101,282	-	1,533
Preferred Securities converted	422,002	2,229	432
Shares of Capital Stock issued upon conversion of Preferred Securities	307,979	1,626	315

21. LOANS RECEIVABLE FROM INDEPENDENT CONTRACTORS

At December 31, 2004, the Company has contractual arrangements with 59 small businesses ("Independent Contractors") to provide plumbing repair and drain cleaning services under sublicensing agreements using the Roto-Rooter name in lesser-populated areas of the United States and Canada. The arrangements give the Independent Contractors the right to conduct a plumbing and drain cleaning business using the Roto-Rooter name in a specified territory in exchange for a royalty based on a percentage of cash labor sales, generally approximately 40%. The Company also pays for yellow pages advertising in these areas and provides operating manuals to be used as guidelines for operating a plumbing and drain cleaning business. The contracts are generally cancelable upon 90 days' written notice (without cause) or upon a few days' notice (with cause). The Independent Contractors are responsible for running the businesses as they believe best.

Effective January 1, 2004, we adopted the provisions of FIN 46R relative to the Company's contractual relationships with its Independent Contractors. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated our relationships with our Independent Contractors based upon guidance provided in FIN 46R and have concluded that many of the Independent Contractors may be VIEs. Due to the limited financial data available from these Independent Contractors we have not been able to perform the required analysis to determine which, if any, of these relationships are VIEs or if the Company is the primary beneficiary of these potential VIE relationships. We are continuing to request appropriate information to enable us to evaluate these potential VIE relationships. We believe consolidation, if required, of the accounts of any VIEs for which the Company might be the primary beneficiary would not materially impact the Company's financial position or results of operations. Instead, consolidation of some, if any, of these arrangements is more likely to result in a "grossing up" of amounts such as revenues and expenses with no net change to the Company's net income or cash flows.

The Company's maximum exposure to loss from its arrangements with its Independent Contractors at December 31, 2004, is approximately $2.8 million ($2.6 million at December 31, 2003). At December 31, 2004, the Company has notes receivable from its Independent Contractors totaling $2,781,000 (December 31, 2003 - $2,599,000). In most cases, these loans are partially secured by equipment owned by the contractor. The interest rates on the loans range from 5% to 9% per annum, and the remaining terms of the loans range from one month to six years at December 31, 2004. During 2004, the Company recorded revenues of $16,360,000 (2003 - $14,125,000; 2002 - $12,350,000) and pretax profits of $5,130,000 (2003 - $4,356,000; 2002 - $4,866,000) from all of its Independent Contractors.

The Company has 13 contractors that entered into independent contractor agreements with the Company during 2004 ("2004 Contractors"). The Company has loans totaling $933,000 receivable from the 2004 Contractors that are secured by equipment with an estimated value of $281,000. Information to determine whether the Company's contractual interests, including the loans receivable, are variable interests that are required to be consolidated under FIN 46R is not available. Based on an analysis of Roto-Rooter's operating results relative to these operations, management believes that consolidation of these 13 businesses would not yield materially different results for the Company. During 2004, the Company recorded $2,898,000 of service revenues and combined operating income of $331,000 related to the 2004 Contractors.

22. LITIGATION

The Company is party to a class action lawsuit filed in the Third Judicial Circuit Court of Madison County, Illinois in June of 2000 by Robert Harris, alleging certain Roto-Rooter plumbing was performed by unlicensed employees. The Company contests these allegations and believes them without merit. Plaintiff moved for certification of a class of customers in 32 states who allegedly paid for plumbing work performed by unlicensed employees. Plaintiff also moved for partial summary judgment on grounds the licensed apprentice plumber who installed his faucet did not work under the direct personal supervision of a licensed master plumber. On June 19, 2002, the trial judge certified an Illinois-only plaintiffs class and granted summary judgment for the named party Plaintiff on the issue of liability, finding violation of the Illinois Plumbing License Act and the Illinois Consumer Fraud Act through Roto-Rooter's representation of the licensed apprentice as a plumber. The court has not yet ruled on certification of a class in the remaining 31 states. In December 2004, the Company reached a tentative resolution of this matter with the plaintiff. This proposed settlement has not yet been finalized by the parties nor approved by the court. Nonetheless, the Company, in anticipation of such approval, accrued $3.1 million as the anticipated cost of settling this litigation.

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson alleging failure to pay overtime wages and to provide meal and break periods to California nurses, home health aides and licensed clinical social workers. The Company contests these allegations and believes them without merit. Due to the complex legal and other issues involved, it is not presently possible to estimate the amount of liability, if any, related to this case. Management cannot provide assurance the Company will ultimately prevail in it. Regardless of outcome, such litigation can adversely affect the Company through defense costs, diversion of management's time, and related publicity.

On April 5, 2002, Michael Linn, an attorney, filed a class action complaint against the Company in the Court of Common Pleas, Cuyahoga County, Ohio. He alleged Roto-Rooter Services Company's miscellaneous parts charge, ranging from $4.95 to $12.95 per job, violated the Ohio Consumer Sales Practices Act. The Company contended that the charge, which is included within the estimate approved by its customers, is a fully disclosed component of its pricing. Plaintiff dismissed the case without payment and with prejudice following the Ohio Supreme Court's denial of review of the Eighth District Court of Appeals decertification of this class action.

23. RELATED PARTY TRANSACTIONS

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR will provide specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically thereafter for one-year terms. Either party may cancel the Agreement at the end of said term. Under the Agreement, VITAS made purchases of $344,000 from OCR during 2004.

Mr. E. L. Hutton is nonexecutive Chairman of the Board and a director of the Company and of OCR. Also, Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, and Ms. Sandra E. Laney are directors of both OCR and the Company. Nonetheless, we believe that the terms of the Agreement are no less favorable to VITAS than we could negotiate with an unrelated party.

24. CAPITAL STOCK SPLIT (UNAUDITED)

On March 11, 2005, the Board of Directors of the Company approved a 2-for-1 stock split in the form of a 100% stock dividend to shareholders of record at the close of business on April 22, 2005. This stock split is not reflected in these financial statements.

When the stock split becomes effective in April 2005, there will be twice as many shares of capital stock outstanding as there were prior to the split. Had the stock split occurred on December 31, 2004, the value of capital stock would have increased $13,491,000 and the value of paid in capital would have declined by the same amount, with no net effect on shareholders' equity. Under Delaware law, the par value of the capital stock remains $1 per share.

Once the stock split is effective in 2005, all prior earnings per share data will be restated to retroactively reflect the impact of the stock split on the average number of shares outstanding (i.e. a doubling of the average number of shares outstanding). Accordingly, the share and earnings/(loss) per share data for 2004, 2003 and 2002 will be restated as follows (in thousands, except per share data):

	For the Years Ended December 31,		
	2004	2003	2002
Earnings/(Loss) Per Share			
Income from continuing operations	$ 0.80	$ 0.56	$ 0.56
Net Income/(Loss)	$ 1.14	$ (0.17)	$ (0.13)
Diluted Earnings/(Loss) Per Share			
Income from continuing operations	$ 0.78	$ 0.56	$ 0.56
Net Income/(Loss)	$ 1.12	$ (0.17)	$ (0.13)
Average Number of Shares Outstanding			
Earnings/(loss) per share	24,120	19,848	19,716
Diluted earnings/(loss) per share	24,636	19,908	19,770

SELECTED FINANCIAL DATA

Chemed Corporation and Subsidiary Companies
(in thousands, except per share and footnote data, ratios, percentages and personnel)

	2004(e)	2003	2002	2001	2000
SUMMARY OF OPERATIONS					
Continuing operations (a)					
Service revenues and sales	$ 735,341	$ 260,776	$ 253,687	$ 269,353	$ 281,077
Gross profit (excluding depreciation)	228,263	113,958	112,741	117,800	131,758
Depreciation	14,542	9,519	10,424	10,750	10,469
Amortization	3,779	302	152	3,737	3,664
Income/(loss) from operations (b)	58,106	8,774	17,141	(10,609)	27,152
Income/(loss) from continuing operations (c)	19,186	11,188	11,107	(10,052)	16,972
Net income/(loss) (c)	27,512	(3,435)	(2,545)	(12,185)	19,971
Earnings/(loss) per share					
Income/(loss) from continuing operations	$ 1.59	$ 1.13	$ 1.13	$ (1.03)	$ 1.73
Net income/(loss)	2.28	(0.35)	(0.26)	(1.25)	2.03
Average number of shares outstanding	12,060	9,924	9,858	9,714	9,833
Diluted earnings/ (loss) per share					
Income/ (loss) from continuing operations	$ 1.56	$ 1.12	$ 1.12	$ (1.03)	$ 1.71
Net income/ (loss)	2.23	(0.35)	(0.26)	(1.25)	2.01
Average number of shares outstanding	12,318	9,954	9,885	9,714	9,927
Cash dividends per share	$ 0.48	$ 0.48	$ 0.45	$ 0.44	$ 0.40
Net income/(loss) excluding goodwill amortization (d)					
Net income/(loss)	$ 27,512	$ (3,435)	$ (2,545)	$ (7,564)	$ 24,579
Earnings/(loss) per share	2.28	(0.35)	(0.26)	(0.78)	2.50
Diluted earnings/(loss) per share	2.23	(0.35)	(0.26)	(0.78)	2.48
FINANCIAL POSITION--YEAR-END					
Cash and cash equivalents	$ 71,448	$ 50,688	$ 37,570	$ 8,348	$ 10,080
Working capital/(deficit)	28,439	32,778	20,075	9,732	(3,792)
Current ratio	1.17	1.48	1.28	1.11	0.96
Properties and equipment, at cost less accumulated depreciation	$ 55,796	$ 31,440	$ 30,912	$ 36,728	$ 43,204
Total assets	825,566	328,458	337,822	399,560	421,171
Long-term debt	279,510	25,931	25,348	60,439	57,526
Convertible junior subordinated debentures	-	14,126	14,186	14,239	14,641
Stockholders' equity	332,092	192,693	198,422	204,160	211,451
OTHER STATISTICS--CONTINUING OPERATIONS					
Capital expenditures	$ 18,290	$ 10,381	$ 8,440	$ 9,761	$ 9,838
Number of employees	9,822	2,894	2,736	3,035	2,997

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(a) Continuing operations exclude Service America, discontinued in 2004, Patient Care, discontinued in 2002, and Cadre Computer Resources, discontinued in 2001.

(b) Income/(loss) from operations includes payouts under the Company's 2002 Executive Long-term Incentive Plan of $8,783,000, the estimated cost for the anticipated settlement of a lawsuit of $3,135,000, expenses related to debt registration of $1,191,000, and additional VITAS transaction costs and adjustments of $442,000 in 2004, severance charges of $3,627,000 in 2003, and restructuring and similar expenses and other charges of $24,448,000 in 2001.

(c) Income/(loss) from continuing operations and net income/(loss) includes payouts under the Company's 2002 Executive Long-term Incentive Plan of $5,437,000 aftertax, the prepayment penalty incurred on the early extinguishment of the Company's debt of $2,030,000 aftertax, the estimated cost for the anticipated settlement of a lawsuit of $1,897,000 aftertax, expenses related to debt registration of $727,000 aftertax, the Company's aftertax share of VITAS' charges related to the Company's acquisition of VITAS amounting to $4,621,000, additional VITAS transaction costs and adjustments of $222,000 aftertax, and favorable tax adjustments and settlements from prior year returns of $1,620,000 aftertax in 2004, severance charges of $2,358,000 aftertax in 2003, and the prepayment penalty incurred on the early extinguishment of the Company's debt of $1,701,000 aftertax and restructuring and similar expenses and other charges of $15,271,000 aftertax in 2001. Aftertax capital gains on the sales and redemption of investments for the years 2003 through 2000 amounted to $3,351,000, $775,000, $703,000, and $2,261,000, respectively. In accordance with FASB Statement No. 142, amortization of goodwill ceased December 31, 2001. Aftertax amortization of goodwill for continuing operations for the years 2001 and 2000 was $3,081,000 and $3,063,000, respectively.

(d) In accordance with FASB Statement No. 142, amortization of goodwill ceased December 31, 2001. Aftertax amortization of goodwill for all operations for the years 2001 and 2000 was $4,621,000 and $4,608,000, respectively.

(e) The financial results of VITAS are included in the consolidated results of the Company beginning on February 24, 2004, the date the Company acquired the remaining 63% of VITAS it did not over, bringing its ownership in VITAS to 100%.

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies
(in thousands, except per share and footnote data)

FOR THE YEAR ENDED DECEMBER 31, 2004	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL YEAR
CONTINUING OPERATIONS					
TOTAL SERVICE REVENUES AND SALES	$ 120,340	$ 199,135	$ 201,885	$ 213,981	$ 735,341
GROSS PROFIT	$ 41,491	$ 59,065	$ 59,755	$ 67,952	$ 228,263
INCOME FROM OPERATIONS (a,b,c,d)	$ 974	$ 20,763	$ 20,289	$ 16,080	$ 58,106
INTEREST EXPENSE	(2,900)	(6,204)	(6,083)	(5,971)	(21,158)
LOSS ON EXTINGUISHMENT OF DEBT	(3,330)	-	-		(3,330)
OTHER INCOME-NET	1,479	149	336	1,505	3,469
INCOME/(LOSS) BEFORE INCOME TAXES (a,b,c,d)	(3,777)	14,708	14,542	11,614	37,087
INCOME TAXES (e)	626	(6,381)	(3,805)	(4,236)	(13,796)
EQUITY IN LOSS OF AFFILIATE (f)	(4,105)	-	-	-	(4,105)
INCOME/(LOSS) FROM CONTINUING OPERATIONS (a,b,c,d,e,f)	(7,256)	8,327	10,737	7,378	19,186
DISCONTINUED OPERATIONS	146	(9)	(125)	8,314	8,326
NET INCOME/(LOSS) (a,b,c,d,e,f)	$ (7,110)	$ 8,318	$ 10,612	$ 15,692	$ 27,512
EARNINGS/(LOSS) PER SHARE (a,b,c,d,e,f)					
INCOME/(LOSS) FROM CONTINUING OPERATIONS	$ (0.66)	$ 0.68	$ 0.86	$ 0.59	$ 1.59
NET INCOME/(LOSS)	$ (0.65)	$ 0.67	$ 0.85	$ 1.26	$ 2.28
DILUTED EARNINGS/(LOSS) PER SHARE (a,b,c,d,e,f)					
INCOME/(LOSS) FROM CONTINUING OPERATIONS	$ (0.66)	$ 0.66	$ 0.85	$ 0.57	$ 1.56
NET INCOME/(LOSS)	$ (0.65)	$ 0.66	$ 0.84	$ 1.22	$ 2.23
AVERAGE NUMBER OF SHARES OUTSTANDING					
EARNINGS/(LOSS) PER SHARE	10,912	12,325	12,470	12,497	12,060
DILUTED EARNINGS/(LOSS) PER SHARE	10,912	12,677	12,701	12,836	12,318

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(a) Amounts include a pretax charge of $8,783,000 ($5,723,000 aftertax) from payouts under the Company's 2002 Executive Long-term Incentive Plan in the first quarter and for the year except as follows: during the third quarter, the Company adjusted its effective tax rate resulting in a reduction in the aftertax amount to $5,437,000 for the year.

(b) Amounts include a pretax charge of $3,135,000 ($1,897,000 aftertax) from the proposed settlement of a lawsuit in the fourth quarter and for the year.

(c) Amounts include a pretax charge of $1,191,000 ($727,000 aftertax) for expenses related to debt registration in the fourth quarter and for the year.

(d) Amounts include VITAS transaction costs and adjustments as follows: second quarter - a credit of $1,368,000 ($821,000 aftertax); third quarter- a credit of $219,000 ($131,000 aftertax); fourth quarter - a charge of $2,029,000 ($1,174,000 aftertax); for the year - a charge of $442,000 ($222,000 aftertax).

(e) Amounts include favorable prior-period tax adjustments and settlements as follows: third quarter - $2,118,000; fourth quarter - $600,000; for the year - $1,620,000.

(f) Amount includes equity in the loss of VITAS prior to the Company's acquiring control of 100% of VITAS.

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies
(in thousands, except per share and footnote data)

For the Year Ended December 31, 2003	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Continuing Operations					
Total service revenues and sales	$ 64,725	$ 64,592	$ 63,342	$ 68,117	$ 260,776
Gross profit	$ 28,286	$ 28,434	$ 27,759	$ 29,479	$ 113,958
Income from operations (a)	$ 2,327	$ 3,578	$ 2,270	$ 599	$ 8,774
Interest expense	(796)	(858)	(747)	(776)	(3,177)
Other income--net (b,c)	4,177	2,334	2,983	1,355	10,849
Income before income taxes (a,b,c)	5,708	5,054	4,506	1,178	16,446
Income taxes	(2,190)	(1,789)	(1,644)	(557)	(6,180)
Equity in earnings of affiliate (d)	-	-	-	922	922
Income from continuing operations (a,b,c,d)	3,518	3,265	2,862	1,543	11,188
Discontinued Operations	39	35	51	(14,748)	(14,623)
Net Income/(Loss) (a,b,c,d)	$ 3,557	$ 3,300	$ 2,913	$ (13,205)	$ (3,435)
Earnings/(Loss) Per Share (a,b,c,d)					
Income from continuing operations	$ 0.36	$ 0.33	$ 0.29	$ 0.16	$ 1.13
Net income/(loss)	$ 0.36	$ 0.33	$ 0.29	$ (1.33)	$ (0.35)
Diluted Earnings/(Loss) Per Share (a,b,c,d)					
Income from continuing operations	$ 0.36	$ 0.33	$ 0.29	$ 0.15	$ 1.12
Net income/(loss)	$ 0.36	$ 0.33	$ 0.29	$ (1.32)	$ (0.35)
Average number of shares outstanding					
Earnings/(loss) per share	9,890	9,908	9,941	9,954	9,924
Diluted earnings/(loss) per share	9,903	9,942	9,988	10,000	9,954

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(a) Amounts include a pretax charge of $3,627,000 ($2,358,000 aftertax or $.24 per share) from severance charges in the first quarter and for the year.

(b) Amounts include a pretax gain of $1,846,000 ($1,200,000 aftertax or $.12 per share) from the redemption of VITAS preferred stock in the third quarter and for the year.

(c) Amounts include a pretax capital gain of $3,544,000 ($2,151,000 aftertax or $.22 per share) from the sales of investments in the third quarter and for the year.

(d) Amount includes equity in the earnings of VITAS prior to the Company's acquiring control of 100% of VITAS.

LIQUIDITY AND CAPITAL RESOURCES

Significant factors affecting our cash flows during 2004 and financial position at December 31, 2004, include the following:

- Our continuing operations generated cash of $89.7 million, including income tax refunds totaling $14.6 million relating to the VITAS pre-acquisition expenses;
- We spent net cash of $344.7 million on business combinations, including $323.8 million for the 63% of VITAS we did not previously own;
- We received $280.6 million of net proceeds from the issuance of long-term debt (net of issuance costs) and issued two million shares of capital stock for $95.1 million, net of costs;
- We repaid $96.9 million of long-term debt, including $67.0 million of VITAS' debt; and,
- We spent $18.3 million on capital expenditures.

The ratio of total debt to total capital was 46.8% at December 31, 2004, as compared with 17.3% at December 31, 2003. The Company's current ratio at December 31, 2004, was 1.2 as compared with 1.5 at December 31, 2003.

We had $72.1 million of unused lines of credit at December 31, 2004. After the February 2005 modification of our debt agreements, we have $147.6 million of unused lines of credit eligible to be drawn down.

CASH FLOW

The Company's cash flows for 2004, 2003 and 2002 are summarized as follows (in millions):

	For the Years Ended December 31,		
	2004	2003	2002
Net cash provided by operating activities	$ 94.20	$ 22.90	$ 29.70
Capital expenditures	(18.3)	(10.4)	(8.4)
Operating cash excess after capital expenditures	75.9	12.5	21.3
Business combinations	(344.7)	(3.9)	(1.2)
Proceeds from issuance of long-term debt, net of costs	280.6	-	5
Repayment of long-term debt	(96.9)	-	(40.1)
Issuance of capital stock, net of costs	95.1	-	-
Return/(payment) of VITAS merger deposit	10	(10)	-
Net proceeds/(uses) from sale of discontinued operations	(0.8)	1.1	50.7
Proceeds from redemption of available-for-sale securities	-	27.3	-
Investment in VITAS equity interest	-	(18)	-
Other--net	1.6	4.1	(6.5)
Increase in cash and cash equivalents	$ 20.80	$ 13.10	$ 29.20

For 2004, the operating cash excess after capital expenditures was $75.9 million as compared with $12.5 million in 2003 and $21.3 million in 2002. This excess was used to reduce long-term debt in 2004. In 2003, this excess, along with the proceeds from the redemption of VITAS preferred stock, was used to purchase 37% of VITAS common stock, to place a deposit of $10.0 million to secure the Company's merger offer for VITAS' remaining common stock, to pay cash dividends and to increase the Company's available cash and cash equivalents. For 2002, the operating excess after capital expenditures and the proceeds from the sale of Patient Care were used to retire funded debt, to pay cash dividends and to increase the Company's available cash and cash equivalents.

COMMITMENTS AND CONTINGENCIES

In connection with the sale of DuBois Chemicals, Inc. ("DuBois") in 1991, the Company provided allowances and accruals relating to several long-term costs, including income tax matters, lease commitments and environmental costs. Also, in conjunction with the sales of The Omnia Group ("Omnia") and National Sanitary Supply Company in 1997, the sale of Cadre Computer Resources, Inc. ("Cadre Computer") in 2001 and the discontinuance of Service America Network Inc. ("Service America") in 2004, the Company provided long-term allowances and accruals relating to costs of severance arrangements, lease commitments and income tax matters. Additionally, we will retain liability for Service America's casualty insurance claims that were incurred prior to the disposal date. At December 31, 2004 Service America's accrued insurance liability is approximately $3.7 million. In the aggregate, the Company believes these allowances and accruals are adequate as of December 31, 2004. We anticipate incurring additional losses of approximately $800,000 in 2005 related largely to finalizing severance, lease and other arrangements when the disposal of Service America is completed in 2005. When the disposal of Service America closes, we will contribute cash of approximately $4.7 million to the purchasing company ($1.0 million payable at closing, the remainder payable in 11 equal monthly payments during the year following closing). Based on reviews of its environmental-related liabilities under the DuBois sale agreement, the Company has estimated its remaining liability to be $3.0 million. As of December 31, 2004, the Company is contingently liable for additional cleanup and related costs up to a maximum of $16.0 million, for which no provision has been recorded in accordance with the applicable accounting guidance.

In connection with the sale of Patient Care in 2002, $5.0 million of the cash purchase price was placed in escrow pending collection of third-party payer receivables on Patient Care's balance sheet at the sale date. To date, $4.2 million has been returned and the remainder is being withheld pending the settlement of certain third-party payer claims. Based on Patient Care's collection history, we believe that the significant majority of the disputed amounts will be resolved in Patient Care's favor and most of the withheld escrow will be returned to the Company. We also have accounts receivable from Patient Care for the post-closing balance sheet valuation ($1,251,000) and for expenses paid by us after closing on Patient Care's behalf. The Company is in litigation with Patient Care over various issues, including the collection of these amounts. We believe these balances represent valid claims, are fairly stated and are fully collectible; nonetheless, an unfavorable determination by the courts could result in the write-off of all or a portion of these balances.

The Company's various loan agreements and guarantees of indebtedness as of December 31, 2004, contained certain restrictive covenants. The Company was in compliance with all of the covenants at that time. In February 2005, the Company called all $110 million of its Floating Rate Notes due 2010 and amended and restated its credit agreement with JPMorgan Chase Bank ("ARCA"). We borrowed $88.5 million under ARCA and used $54.4 million of our cash to retire the Floating Rate Notes and our previous term loan ($30.5 million). As a result of prepaying the Floating Rate Notes, we incurred a prepayment penalty of $1.1 million and wrote off $2.3 million of deferred issuance costs in the first quarter of 2005. The interest rates under ARCA are tied to LIBOR and are lower than rates under the Floating Rate Notes and our previous credit agreement with JPMorgan Chase. We anticipate realizing annual interest savings of $3.3 million beginning in March 2005.

LIQUIDITY AND COMMITMENTS AFTER DEBT REFINANCING IN 2005

The table below summarizes the Company's debt and contractual obligations, giving effect to the 2005 debt refinancing and modifications (in thousands):

	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt obligations	$ 239,708	$ 1,103	$ 2,112	$ 2,031	$ 234,462
Operating lease obligations	60,387	17,169	21,587	11,615	10,016
Severance obligations	4,785	2,200	2,231	354	-
Purchase obligations (a)	37,777	37,777	-	-	-
Other current obligations (b)	17,030	17,030	-	-	-
Other long-term obligations (c)	25,385	1,253	3,317	2,504	18,311
Total contractual cash obligations	$ 385,072	$ 76,532	$ 29,247	$ 16,504	$ 262,789

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(a) Purchase obligations primarily consist of accounts payable at December 31, 2004.

(b) Other current obligations consist of accrued salaries and wages at December 31, 2004.

(c) Other long-term obligations comprises largely pension and excess benefit obligations.

Collectively, our debt agreements provide that the Company will be required to meet the following financial covenants, to be tested quarterly, beginning with the quarter ending March 31, 2005:

- a minimum net worth requirement, which requires a net worth of at least (i) 85% of consolidated net worth at December 31, 2004, plus (ii) 50% of consolidated net income (if positive) earned in each fiscal quarter beginning with the quarter ending March 31, 2005, plus (iii) the amount of all net cash proceeds resulting from issuances of capital stock of the Company or any subsidiary or other equity interest to a person other than the Company or a subsidiary. At December 31, 2004, our net worth was $332.1 million versus a requirement of $282.3 million;

- a maximum leverage ratio, calculated quarterly, based upon the ratio of consolidated funded debt to consolidated EBITDA, which requires maintenance of a ratio of 5.5 to 1.00 through December 31, 2004, a ratio of 4.00 to 1.00 from January 1, 2005 through December 31, 2006, a ratio of 3.75 to 1.00 from January 1, 2007 through December 31, 2008, and 3.50 to 1.00 thereafter. At February 28, 2005, our leverage ratio was 2.78 to 1.00;

- a maximum senior leverage ratio, calculated quarterly, based upon the ratio of senior consolidated funded debt to consolidated EBITDA (which ratio excludes indebtedness in respect of the Fixed Rate Notes), which requires maintenance of a ratio of 3.375 to 1.00 through December 31, 2004, a ratio of 3.00 to 1.00 from January 1 through December 31, 2005, and 2.75 to 1.00 thereafter. At February 28, 2005, our senior leverage ratio was 1.21 to 1.00; and

- a minimum fixed charge coverage ratio, based upon the ratio of consolidated EBITDA minus capital expenditures to consolidated interest expense plus consolidated current maturities (including capitalized lease obligations) plus cash dividends paid on equity securities plus expenses for taxes, which requires maintenance of a ratio of 1.15 to 1.00 through December 31, 2004, 1.25 to 1.00 from January 1 through December 31, 2005, 1.375 to 1.00 from January 1 through December 31, 2006, and 1.50 to 1.00 thereafter. For 2004, our fixed charge coverage ratio was 1.44 to 1.00.

Among other provisions, the debt agreements provide for the following:

- a maximum annual limit for acquisitions of $80 million (no single acquisition to exceed $50 million),

- a maximum annual limit for operating lease payments of $30 million, and

- a maximum annual capital expenditure limit of $30 million.

We are in compliance with all of our debt covenants as of December 31, 2004 and project that we will remain in compliance during 2005. It is our opinion that the Company has no long-range commitments that will have a significant impact on its liquidity, financial condition or the results of its operations in the foreseeable future. Due to the nature of the environmental liabilities, we are not able to forecast the timing of the cash payments for these potential liabilities. Based on the Company's available credit lines, sources of borrowing and cash and cash equivalents, management believes its sources of capital and liquidity are satisfactory for the Company's needs for the foreseeable future.

The debt refinancing in 2005 has reduced the Company's variable interest rate debt from $140.5 million at December 31, 2004 to $88.5 million at February 28, 2005. Nonetheless, our annual interest expense will increase or decrease $885,000 for each percentage point increase or decrease in LIBOR during the period.

RESULTS OF OPERATIONS
2004 VERSUS 2003-CONSOLIDATED RESULTS

Set forth below are the year-to-year changes in the components of the statement of operations relating to continuing operations for 2004 versus 2003 (in thousands, except percentages):

	Increase/(Decrease)	
	Amount	Percent
Service revenues and sales		
VITAS	$ 458,730	n.a.%
Roto-Rooter	15,835	6
Total	474,565	182
Cost of services provided and goods sold	360,260	245
Selling, general and administrative expenses	42,922	45
Depreciation	5,023	53
Amortization	3,477	1,151
Other expenses	13,551	n.a.
Income from operations	49,332	562
Interest expense	17,981	566
Loss on extinguishment of debt	3,330	n.a.
Other income--net	(7,380)	(68)
Income before income taxes	20,641	126
Income taxes	7,616	123
Equity in loss of affiliate	(5,027)	n.a.
Income from continuing operations	$ 7,998	71%

The Company's service revenues and sales for the year ended December 31, 2004 increased $474.6 million, or 182%, versus revenues for the year ended December 31, 2003. The VITAS segment, acquired in February 2004, accounted for $458.7 million of this increase and Roto-Rooter accounted for the remaining $15.8 million of the increase. VITAS' revenues for 2004 comprised the following (in thousands):

Routine homecare	$ 316,374
Continuous care	78,669
General inpatient	63,051
Other	636
Total revenues	$ 458,730

The increase in Roto-Rooter's service revenues and sales for 2004 versus 2003 is attributable to the following (in thousands):

Plumbing	$ 6,052
Sewer and drain cleaning	5,740
Other	4,043
Total increase	$ 15,835

Plumbing revenues for 2004 increased $6,052,000, or 6.0%, versus revenues for 2003 due to a 4.4% increase in the number of jobs performed and a 1.6% increase in the average price per job. Sewer and drain cleaning revenues increased $5,740,000 or 5.4%, versus revenues for 2003 due to a .5% decline in the number of jobs which was more than offset by a 5.9% increase in the average price per job. On a same-store basis, the number of plumbing jobs increased 4.9% and the number of sewer and drain cleaning jobs declined .7%. The increase in other revenues is attributable primarily to increases in independent contractor operations and other services.

The consolidated gross margin was 31.0% in 2004 as compared with 43.7% in 2003 largely due to the acquisition of VITAS in 2004. On a segment basis, VITAS' gross margin was 22.2% and Roto-Rooter's gross margin increased from

43.7% in 2003 to 45.7% in 2004. This increase is largely due to lower training wages as a percent of revenues in 2004 versus 2003 and lower health insurance costs as a percent of revenues in 2004.

Selling, general and administrative expenses ("SG&A") for 2004 increased $42,922,000 versus 2003 as summarized below (in thousands):

VITAS SG&A for 2004	$ 42,946
Corporate severance in 2003	(3,627)
Professional fees at the Corporate Office related to complying with the internal controls provisions of the Sarbanes-Oxley Act	2,301
Higher Roto-Rooter advertising costs in 2004	2,226
Other	(924)
Total increase	$ 42,922

Depreciation for 2004 increased $5,023,000, or 53%, versus 2003 primarily as a result of the VITAS acquisition. Similarly, most of the increase in amortization is attributable to the amortization of VITAS' intangible assets, including the referral network and the covenant not to compete.

Income from operations for 2004 increased $49,332,000 versus 2003 as summarized below (in thousands):

VITAS income from operations for 2004	$ 48,242
Higher gross profit of the Roto-Rooter segment in 2004	12,377
Long-term incentive compensation in 2004	(8,783)
Corporate Office severance in 2003	3,627
Anticipated cost in 2004 of settling Roto-Rooter litigation	(3,135)
Professional fees at the Corporate Office related to complying with the internal controls provisions of the Sarbanes-Oxley Act	(2,301)
Other	(695)
Total increase	$ 49,332

Our effective income tax rate was 37.2% in 2004 versus 37.6% in 2003. Favorable income tax adjustments in 2004 related to prior-period tax issues reduced our effective rate by 4.7 percentage points. Our effective state and local income tax rate for 2004 was 6.1% as compared with 4.4% for 2003. This increase is due largely to the higher effective state and local tax rate of VITAS. We anticipate that future tax planning in 2005 will yield an overall effective income tax rate between 39% and 40% of income before income taxes.

Income from continuing operations for 2004 increased $7,998,000 versus 2003 as summarized below (in thousands):

Net income of VITAS in 2004	$ 29,139
Higher net income of Roto-Rooter	5,619
Higher interest costs in 2004 related to debt incurred to fund the acquisition of VITAS	(11,314)
Long-term incentive compensation for the Corporate Office in 2004	(4,455)
Equity in the loss of VITAS prior to the merger in 2004	(4,105)
Capital gains on the sales and redemption of available-for-sale investments in 2003	(3,351)
Income from VITAS' preferred dividend and equity earnings in 2003	(2,507)
Corporate severance in 2003	2,358
Loss on extinguishment of debt in 2004	(2,030)
Professional fees at the Corporate Office related to complying with the internal controls provisions of the Sarbanes-Oxley Act	(1,461)
Favorable income tax adjustments in 2004 for the Corporate Office related to prior years' issues	990
Professional fees related to registering debt in 2004	(727)
Other	(158)
Total increase	$ 7,998

Income/(loss) from discontinued operations for 2004 and 2003 follows (in thousands):

	For the Years Ended December 31,	
	2004	2003
Service America	8,559	(14,687)
Adjustment to accruals of operations discontinued in prior years	(233)	64
Income/(loss) from discontinued operations	$ 8,326	$ (14,623)

For 2004, the gain for Service America includes an estimated tax benefit on the disposal of approximately $14.2 million, primarily due to the recognition of non-deductible goodwill impairment losses in prior years. We anticipate the disposal will be completed in the first half of 2005 and that during 2005 we will incur pretax losses from Service America of approximately $800,000. These adjustments are primarily related to employee severance, legal and other issues arising during 2005 and to the recognition of other costs and adjustments not incurred as of December 31, 2004. For 2003, the loss from Service America includes aftertax impairment charges of $14,363,000. Of this amount, $10,037,000 was for goodwill impairment and the remainder was for impairment of computer software and identifiable intangible assets.

The adjustments to accruals related to operations discontinued in prior years primarily include favorable adjustments to accruals for note receivable losses on the sale of Cadre Computer (discontinued in 2001) and unfavorable adjustments to accruals related to the sale of DuBois in 1991. Cadre Computer has been operating profitably since 2001 and is current on all amounts due the Company. As a result, we reduced our allowances for losses on these notes receivable from $422,000 at December 31, 2002 to $323,000 at December 31, 2003 and to nil at December 31, 2004. Adjustments to the DuBois accruals relate to environmental liabilities we retained upon the sale of DuBois in 1991. We believe amounts accrued are reasonable under the circumstances, but due to the nature of the liabilities, we could be required to increase the accrual in future years to cover additional charges.

2004 VERSUS 2003 - SEGMENT RESULTS

During 2004, VITAS generated net income of $29,139,000. These earnings included aftertax transaction expenses totaling $1,008,000 related to the Company's acquisition of VITAS in 2004. VITAS' average daily census ("ADC") during 2004 increased from 7,979 during the fourth quarter of 2003 to 9,134 during the fourth quarter of 2004. During that same period, the quarterly average length of stay increased from 59.0 days to 64.1 days, and the median length of stay was 12.0 days during the fourth quarters of both 2004 and 2003.

Roto-Rooter's net income increased $5,619,000 (42.6%) from $13,176,000 during 2003 to $18,795,000 during 2004 as summarized below (in thousands):

Aftertax impact of higher gross profit in 2004	$ 7,649
Anticipated cost in 2004 of settling litigation	(1,897)
Roto-Rooter's share of long-term compensation in 2004	(982)
Favorable income tax adjustments in 2004 related to prior years' issues	630
Other	219
Total increase	$ 5,619

Net Corporate aftertax expenses increased $21,733,000 from $2,910,000 in 2003 to $24,643,000 in 2004 as summarized below (in thousands):

Higher interest costs in 2004 related to debt incurred to fund the acquisition of VITAS	$ 11,314
Corporate Office share of long-term compensation in 2004	4,455
Capital gains on the sales and redemption of available-for-sale investments in 2003	3,351
Corporate severance in 2003	(2,358)
Loss on extinguishment of debt in 2004	2,030
Income from VITAS preferred dividend in 2003	1,585
Professional fees at the Corporate Office related to complying with the internal controls provisions of the Sarbanes-Oxley Act	1,461
Favorable income tax adjustments in 2004 for the Corporate Office related to prior years' issues	(990)
Professional fees related to registering debt in 2004	727
Other	158
Total increase	$ 21,733

2003 VERSUS 2002 - CONSOLIDATED RESULTS

Set forth below are the year-to-year changes in the components of the statement of operations relating to continuing operations for 2003 versus 2002 (in thousands, except percentages):

	Increase/(Decrease)	
	Amount	Percent
Service revenues and sales	$ 7,089	3%
Cost of services provided and goods sold	5,872	4
Selling, general and administrative expenses	10,339	12
Depreciation	(905)	(9)
Amortization	150	99
Income from operations	(8,367)	(49)
Interest expense	(771)	(20)
Other income--net	6,902	175
Income before income taxes	(694)	(4)
Income taxes	147	2
Equity in earnings/(loss) of affiliate	922	n.a.
Income from continuing operations	$ 81	1%

For 2003 and prior years, the Roto-Rooter segment was the only operating segment in the Company's continuing operations. Within this segment, plumbing repair and maintenance revenues increased $2,778,000, or 2.8%, drain cleaning revenues were even with the prior year, contractor revenues increased $1,775,000, or 14.4%, and other revenues increased $2,534,000, or 7.0%.

Of the increase in plumbing revenues, 2.4 percentage points are attributable to an increase in the number of jobs completed during the year. The remainder is attributable to an increase in the average price per job. The drain cleaning business experienced a 2.8% decline in the number of jobs completed during 2003 and a 2.8% increase in the average price per job. On a same-store basis, the number of plumbing jobs increased 3.0% and the number of sewer and drain cleaning jobs declined 2.9%. Of the 14.4% increase in contractor revenues, 5 percentage points are attributable to locations acquired in 2003. The gross margin of the Roto-Rooter segment declined from 44.4% in 2002 to 43.7% in 2003, primarily as a result of higher training wages in 2003. The increase in training wages was directly attributable to hiring more service technicians in 2003.

Selling, general and administrative expenses for 2003 increased $10,339,000, or 12%, versus 2002 as summarized below (in thousands):

Corporate severance in 2003	$ 3,627
Expense charges from market-value adjustments to the deferred compensation liabilities in 2003 versus expense credits from such adjustments in 2002	2,769
Higher employee recruiting costs in 2003 as the result of hiring more service technicians	542
Higher legal fees in 2003 related to the costs of defending class action litigation	485
Other	2,916
Total increase	$ 10,339

Depreciation expense for 2003 declined $905,000, or 9%, versus 2002. This decline is attributable to reduced capital expenditures over the past several years, largely related to service vans.

The Company's income from operations declined $8,367,000 (49%) from $17,141,000 in 2002 to $8,774,000 in 2003 as summarized below (in thousands):

Corporate severance in 2003	$(3,627)
Expense charges from market-value adjustments to the deferred compensation liability in 2003 versus expense credits from such adjustments in 2002	(2,769)
Other increases in operating expenses	(1,971)
Total decline	$(8,367)

The $771,000 decline in interest expense from 2002 to 2003 is attributable to lower debt levels and lower interest rates in 2003.

Other income--net increased $6,902,000 from $3,947,000 in 2002 to $10,849,000 in 2003, primarily as a result of the following (in thousands):

Higher capital gains on the sales and redemption of available-for-sale investments in 2003	$ 4,249
Gainson market-value adjustments to the deferred compensation investments in 2003 versus losses on such adjustments in 2002	2,769
Impairment loss on available-for-sale investment in 2002	1,200
Eight months' dividend income on VITAS preferred stock in 2003 versus 12 months in 2002	(898)
Other	(418)
Total increase	$ 6,902

The Company's effective income tax rate for continuing operations was 37.6% in 2003 as compared with 35.2% in 2002. The higher effective rate in 2003 is due primarily to unfavorable adjustments related to prior years issues in 2003 versus favorable adjustments in 2002.

Income from continuing operations increased $81,000 from $11,107,000 in 2002 to $11,188,000 in 2003 as summarized below (in thousands):

Higher capital gains on the sales and redemption of available-for-sale investments in 2003 ($3,351 in 2003 versus $775 in 2002)	$ 2,576
Corporate severance in 2003	(2,358)
Impairment loss on available-for-sale investment in 2002	780
Other	(917)
Total increase	$ 81

The loss from discontinued operations for 2003 and 2002 follows (in thousands):

	For the Years Ended December 31,	
	2003	2002
Service America	$(14,687)	$(19,961)
Patient Care	-	3,395
Adjustment to accruals of operations discontinued in prior years	64	2,914
Loss from discontinued operations	$(14,623)	$(13,652)

For 2003, the loss from Service America includes aftertax impairment charges of $14,363,000. Of this amount, $10,037,000 was for goodwill impairment and the remainder was for impairment of computer software and identifiable intangible assets. For 2002, the loss from Service America includes an aftertax charge of $20,342,000 for the impairment of goodwill.

For 2002, income from Patient Care includes an aftertax gain of $304,000 from the disposal of Patient Care and aftertax income from Patient Care operations of $3,091,000.

For 2002, the adjustments to accruals related to operations discontinued in prior years primarily include favorable adjustments to accruals for note receivable losses on the sale of Cadre Computer Resources (discontinued in 2001), unfavorable adjustments to accruals related to the sale of DuBois in 1991 and a federal income tax refund of $2,861,000 related to the sale of Omnia in 1997. The allowances for losses on the Cadre Computer notes receivable were reduced from $899,000 at December 31, 2001 to $422,000 at December 31, 2002 and to $323,000 at December 31, 2003. These reductions were based on Cadre Computer's improved financial condition. Adjustments to the DuBois accruals in 2002 relate primarily to lease liabilities we retained upon the sale of DuBois in 1991.

2003 VERSUS 2002 - SEGMENT RESULTS

Net income of the Roto-Rooter segment declined $932,000, or 6.6%, from $14,108,000 in 2002 to $13,176,000 in 2003. This decline is attributable largely to higher training and recruiting costs and higher legal costs in 2003.

Net Corporate aftertax expenses declined $91,000 from $3,001,000 in 2002 to $2,910,000 in 2003 as summarized below (in thousands):

Higher capital gains on the sales and redemption of available-for-sale investments in 2003 ($3,351 in 2003 versus $775 in 2002)	$ 2,576
Corporate severance in 2003	(2,358)
Impairment loss on available-for-sale investment in 2002	780
Other	(907)
Total	$ 91

CRITICAL ACCOUNTING POLICIES

INSURANCE ACCRUALS

For the Roto-Rooter segment, Chemed's Corporate Office and Chemed's discontinued Service America segment, the Company self-insures for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, management closely monitors and frequently evaluates its historical claims experience to estimate the appropriate level of accrual for insured claims. The Company's third-party administrator ("TPA") processes claims on behalf of the Company and reviews claims on a monthly basis. Currently, the Company's exposure on any single claim is capped at $500,000. For most of the prior years the caps for general liability and workers compensation were between $250,000 and $500,000 per claim. In developing its estimates the Company accumulates historical claims data for the previous 10 years to calculate loss development factors ("LDF") by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are generally updated every three years and reviewed by the Company's outside professional actuaries for reasonableness in view of the Company's claims experience and insurance industry trends. The current LDFs were last updated as of March 2003. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, the Company, in conjunction with its TPA, closely monitors claims to ensure timely accumulation of data and compares its claims trends with the industry experience of its TPA.

For the VITAS segment, the Company self insures for workers' compensation exposures. Currently, VITAS' exposure on any single claim is capped at $500,000. For most of the prior years the caps for workers' compensation were

between $250,000 and $500,000 per claim. For VITAS' self-insurance accruals for workers' compensation, we obtained an actuarial valuation of the liability as of the date of acquisition by Chemed and as of November 30, 2004. The valuation methods used by the actuary are similar to those used internally for the other Chemed business units

As an indication of the sensitivity of the accrued liability to reported claims, the Company's analysis indicates that a 1% across-the-board increase or decrease in the amount of projected losses for all of its continuing operations would increase or decrease the accrued insurance liability at December 31, 2004, by $1,040,000 or 4%.

INVESTMENTS

Equity investments with readily determinable fair values are recorded at their fair values. Other equity investments are recorded at cost, subject to write-down for impairment. The Company regularly reviews its investments for impairment. As a result of this review, in the fourth quarter of 2002, the Company reduced the carrying value of its investment in the redeemable preferred stock of Medic One from its original cost of $1,200,000 to nil. Medic One, a privately held provider of ambulance and wheelchair transportation services, is in violation of certain covenants under a line of credit that expired in November 2002. The lender has not waived such violations and has the right to call the debt. If the debt were called, Medic One could be forced into bankruptcy.

The Company also has a Patient Care common stock purchase warrant ("PC Warrant") for the purchase of up to 2% of privately held Patient Care. The PC Warrant has a carrying value of $1,445,000, which was its estimated fair value on the date of issuance in October 2002. Patient Care's operating results for 2003 declined from 2002 levels and Patient Care experienced losses in early 2004. The Company is currently in litigation with Patient Care over the collection of amounts the Company believes Patient Care owes to the Company. These amounts include a receivable for the post-closing balance sheet adjustment due the Company ($1,251,000) and the accounts receivable balance from Patient Care for expenses paid by the Company on behalf of Patient Care since 2002 ($1,512,000). Patient Care is current in its quarterly interest payments on its $12.5 million note due to the Company (maturing in October 2007). Patient Care has not provided the Company with any financial information since February 2004. When such financial information becomes available it is possible that the Company may have to take an impairment charge on the PC Warrant and/or provide a valuation allowance for the accounts receivable balances. Also, the outcome of the litigation could impact the realizable value of the accounts receivable balances included in the Company's balance sheet at December 31, 2004.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

The Company annually tests the goodwill balances and indefinite-lived intangible assets of its reporting units for impairment using appraisals performed by an independent valuation firm. The valuation of each reporting unit is dependent upon many factors, some of which are market-driven and beyond the Company's control. The valuations of goodwill for the Company's VITAS, Roto-Rooter Services and Roto-Rooter Franchising and Products reporting units indicate that the fair value of goodwill for each of these units exceeds its respective book value by a significant amount. The recent valuation of the VITAS trade name indicates that its fair value exceeds its carrying value at December 31, 2004. The valuations of Service America, which is now included in discontinued operations, in 2003 and 2002 reduced goodwill for this reporting unit to nil.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Amounts due from third-party payers, primarily Medicare and Medicaid, is reported at the estimated net realizable amounts. VITAS' management estimates denials each period and makes adequate provision for them in its financial statements. Due to the complexity of the laws and regulations affecting the Medicare and Medicaid programs, estimates may change by material amounts in future periods.

VITAS receives biweekly payments for patient services from the Medicare program under the Prospective Interim Payment ("PIP") System. These payments are subsequently applied against specific Medicare accounts as claims are processed by the fiscal intermediary. The unapplied portion of these biweekly PIP payments is recorded as a reduction to patient accounts receivable.

VITAS maintains a policy of providing an allowance for uncollectible accounts based on a formula tied to the aging of accounts receivable by payer class and historical write-off rates. VITAS provides allowances for specific accounts determined to be uncollectible when such determinations are made. Accounts are written off when all collection efforts are exhausted.

INCOME TAXES

The Company estimates its tax assets and liabilities based on current tax laws in the statutory jurisdictions in which it operates. These estimates include judgments about deferred tax assets and liabilities resulting from temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities, as well as the realization of deferred tax assets (including those relating to net operating losses). The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be

settled or realized. The Company periodically reviews its deferred tax assets for recoverability and establishes a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on the Company's expected results and assumptions as to the jurisdiction in which the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and the Company's tax methods of accounting. The Company also reviews its liabilities under FASB Statement No. 5, "Accounting for Contingencies" which requires an accrual for estimated losses when it is probable that a liability has been incurred and the amount can be reasonably estimated. These projections may change in the future as actual results become known.

If the Company is unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, or if the tax laws change unfavorably, then the Company could be required to increase its valuation allowance against its deferred tax assets, resulting in an increase in the effective tax rate.

The Company operates in multiple states with varying tax laws. The Company is subject to both federal and state audits of tax returns. While the Company believes it has provided adequately for income tax liabilities in its consolidated financial statements, adverse determinations by these taxing authorities could have a material adverse effect on the Company's financial position, results of operations or cash flows. If the provisions for current or deferred taxes are not adequate, if the Company is unable to realize certain deferred tax assets or if the tax laws change unfavorably, the Company could experience potential losses. Likewise, if provisions for current and deferred taxes are in excess of those eventually needed, if the Company is able to realize additional deferred tax assets or if tax laws change favorably, the Company could experience potential gains. A one percentage point change in the Company's overall 2004 effective tax rates for continuing operations would impact income tax expense, income from continuing operations and net income by $371,000 in 2004 ($0.03 per share).

RECENT ACCOUNTING STATEMENTS

FASB NO. 123R

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004) "Share-Based Payment" ("FASB123R"), which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees and disallows the use of the intrinsic value method of accounting for stock options, but expresses no preference for a type of valuation model. This statement supersedes APB No. 25, but does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB 123 as originally issued. FASB123R is effective as of the beginning of the Company's third quarter of 2005. We are evaluating our stock incentive programs and most likely will significantly reduce the number of stock options granted after June 30, 2005. In March 2005, the Board of Directors approved the immediate vesting of all unvested stock options to avoid recognizing approximately $1.6 million of pretax expense that would have been charged to income under FASB123R during the seven quarters beginning on July 1, 2005. We estimate that the pretax expense for continuing operations of accelerating the vesting of these stock options, which were scheduled to vest in November 2005 and November 2006, to be approximately $214,000 in the first quarter of 2005. As a result, we do not expect the implementation of FASB123R in the third quarter of 2005 to have a significant impact on our financial condition, results of operations or cash flows.

FASB NO. 151

In December 2004, the FASB issued FASB Statement No. 151 "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" ("FASB No. 151"). FASB No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material and requires that these items be recognized as current period charges. FASB No. 151 applies to inventory costs incurred only during periods beginning after the effective date and also requires that the allocation of fixed production overhead to conversion costs be based on the normal capacity of the production facilities. FASB No. 151 is effective for the Company's fiscal year beginning January 1, 2005. We do not anticipate that implementation of this statement will have a material impact on our financial condition, results of operations or cash flows.

FASB NO. 153

In December 2004, the FASB issued FASB Statement No. 153 "Exchanges of Non-monetary Assets, An Amendment of APB Opinion No. 29" ("FASB No. 153"). FASB No. 153 eliminates the exception for exchange of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. FASB 153 is effective for nonmonetary assets and exchanges occurring in fiscal periods beginning after June 15, 2005. As we do not engage in exchanges of non-monetary assets, we do not anticipate implementation of this statement will have significant impact on our financial conditions, results of operations or cash flows.

Chemed Corporation and Subsidiary Companies

SUPPLEMENTARY FINANCIAL DATA (VITAS)

To provide background in analyzing the quarterly operations of the Vitas segment during 2004, we are providing the following financial and operating data for Vitas, prepared from Vitas' historical financial records (in thousands, except percentages, days and dollars per day):

	2003		2004		
	Fourth Quarter	Year-to-Date December	January 1 to February 23	February 24 to September 30 (a)	Fourth Quarter
STATEMENT OF OPERATIONS					
Service revenues and sales	$ 121,062	$ 441,017	$ 72,870	$ 316,453	$ 142,277
Cost of services provided (excluding depreciation)	93,214	345,190	58,848	247,971	108,830
Selling, general and administrative expenses	13,987	53,004	8,182	29,940	13,006
Depreciation	1,385	5,540	836	3,078	2,634
Amortization	7	26	4	2,995	354
Costs related to sale of business	1,541 (b)	1,541 (b)	24,956 (d)	-	1,680 (d)
Total costs and expenses	110,134	405,301	92,826	283,984	126,504
Income/(loss) from operations	10,928	35,716	(19,956)	32,469	15,773
Interest expense	(1,744)	(6,253)	(919)	(90)	(38)
Loss on extinguishment of debt	-	(4,117)(c)	(4,497)(d)	-	-
Other income--net	162	683	41	589	466
Income/(loss) before income taxes	9,346	26,029	(25,331)	32,968	16,201
Income taxes	(3,833)	(10,455)	6,996	(13,489)	(6,541)
Net income/(loss)	$ 5,513	$ 15,574	$ (18,335)	$ 19,479	$ 9,660
EBITDA (e)					
Net income/(loss)	$ 5,513	$ 15,574	$ (18,335)	$ 19,479	$ 9,660
Add/(deduct)					
Interest expense	1,744	6,253	919	90	38
Income taxes	3,833	10,455	(6,996)	13,489	6,541
Depreciation	1,385	5,540	836	3,078	2,634
Amortization	7	26	4	2,995	354
EBITDA	$ 12,482	$ 37,848	$ (23,572)	$ 39,131	$ 19,227

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(a) We acquired Vitas on February 24, 2004 and recorded estimated purchase accounting adjustments to the value of Vitas' assets as of that date.

(b) Costs related to sale of business incurred in 2003 include legal and other professional fees amounting to $1,541,000 pretax (or $925,000 aftertax).

(c) Loss on extinguishment of debt totaled $4,117,000 ($2,470,000 aftertax) and represents the cost of writing off deferred issuance costs at the time Vitas refinanced its debt in the third quarter of 2003.

(d) Costs related to the sale of Vitas totaled $29,453,000 pretax ($20,930,000 aftertax) for January 1 through February 23, 2004. Additional transaction costs totaled $1,680,000 pretax ($1,008,000 aftertax) in the fourth quarter of 2004. Such costs include legal and professional fees, severance costs and a loss on writing off deferred debt issuance costs.

(e) EBITDA is income before interest expense, income taxes, depreciation and amortization. We use EBITDA, in addition to net income, income/(loss) from operations and cash flow from operating activities, to assess our performance and believe it is important for investors to be able to evaluate us using the same measures used by management. We believe that EBITDA is an important supplemental measure of operating performance because it provides investors with an indication of our ability to fund our operating capital expenditures and debt service requirements through earnings. We also believe that EBITDA is a supplemental measurement tool used by analysts and investors to help evaluate a company's overall operating performance by including only transactions related to core cash operating business activities. EBITDA as calculated by us is not necessarily comparable to similarly titled measures reported by other companies. In addition, EBITDA is not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), and should not be considered an alternative for net income, income from operations, net cash provided by operating activities or other financial information determined under GAAP, and should not be considered as measure of profitability or liquidity. We believe the line on the consolidated statement of operations entitled net income/(loss) is the most directly comparable GAAP measure to EBITDA. EBITDA, as calculated above, includes interest income, loss on extinguishment of debt and costs related to the sale of Vitas to the Company as follows (in thousands):

	Fourth Quarter	Year-to-Date December	January 1 to February 23	February 24 to September 30	Fourth Quarter
Interest income	$ 162	$ 683	$ 41	$ 190	142
Loss on extinguishment of debt	-	4,117	4,497	-	-
Costs related to sale of business	1,541	1,541	24,956	-	1,680

	2003		2004	
	Fourth Quarter	Year-to-Date December	Fourth Quarter	Year-to-Date December
OPERATING STATISTICS				
Net revenue				
Homecare	$ 83,313	$ 301,066	$ 98,746	$ 364,962
Inpatient	17,343	68,608	19,131	74,905
Continuous care	20,406	71,343	24,400	91,733
Total	$ 121,062	$ 441,017	$ 142,277	$ 531,600
Net revenue as a percent of total				
Homecare	68.8 %	68.3 %	69.4 %	68.7 %
Inpatient	14.3	15.6	13.4	14.1
Continuous care	16.9	16.1	17.2	17.2
Total	100.0 %	100.0 %	100.0 %	100.0 %
Average daily census ("ADC") (days)				
Homecare	4,194	3,873	5,053	4,763
Nursing home	3,046	2,849	3,241	3,107
Routine homecare	7,240	6,722	8,294	7,870
Inpatient	341	345	366	367
Continuous care	398	361	474	457
Total	7,979	7,428	9,134	8,694
Total Admissions	10,979	43,652	11,558	46,537
Average length of stay (days)	59.0	55.8	64.1 (a)	60.0
Median length of stay (days)	12.0	12.0	12.0	12.0
ADC by major diagnosis				
Neurological	29.9 %	29.2%	31.4 %	31.2 %
Cancer	24.5	25.5	21.9	22.7
Cardio	13.8	14.0	15.0	14.6
Respiratory	7.3	7.3	7.1	7.3
Other	24.5	24.0	24.6	24.2
Total	100.0 %	100.0 %	100.0 %	100.0 %
Direct patient care margins (b)				
Routine homecare	49.8 %	49.5 %	51.2 %	50.0 %
Inpatient	22.3	22.6	23.9	24.4
Continuous care	23.1	22.3	18.6	18.8
Homecare margin drivers (dollars per patient day)				
Labor costs	$ 42.71	$ 41.47	$ 44.08	$ 42.96
Drug costs	8.74	8.81	7.63	8.48
Home medical equipment	5.75	5.69	5.56	5.71
Medical supplies	1.72	1.77	1.98	1.98
Inpatient margin drivers (dollars per patient day)				
Labor costs	$ 209.54	$ 195.89	$ 235.01	$ 213.28
Continuous care margin drivers (dollars per patient day)				
Labor costs	$ 410.49	$ 401.14	$ 437.43	$ 426.46
Bad debt expense as a percent of revenues	1.2 %	1.3 %	0.9 %	1.0 %
Accounts receivable -- days of revenue outstanding	36.8	36.8	38.1	38.1

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(a) VITAS has six large (greater than 450 ADC), twelve medium (greater than 200 but less than 450 ADC) and fourteen small (less than 200 ADC) hospice programs. The average length of stay for all programs, in the aggregate, ranged from a low of 11.0 days to a high of 112.6 days for the fourth quarter of 2004.

(b) Amounts exclude indirect patient care costs.

CORPORATE GOVERNANCE

The Company submitted its Annual Certification of the Chief Executive Officer to the New York Stock Exchange ("NYSE") regarding the NYSE corporate governance listing standards on May 20, 2004. The Company also filed its Certifications of the President and Chief Executive Officer, the Vice President and Chief Financial Officer and the Vice President and Controller pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1, 31.2 and 31.3, respectively, to its Annual Report on Form 10-K for the year ended December 31, 2004.

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

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Such forward-looking statements and trends include, but are not limited to, the impact of laws and regulations on Company operations, the Company's estimate of future effective income tax rates and the recoverability of deferred tax assets. Variances in any or all of the risks, uncertainties, contingencies, and other factors from the Company's assumptions could cause actual results to differ materially from these forward-looking statements and trends. The Company's ability to deal with the unknown outcomes of these events, many of which are beyond the control of the Company, may affect the reliability of its projections and other financial matters.

CORPORATE OFFICERS AND DIRECTORS

CORPORATE OFFICERS

EDWARD L. HUTTON
Chairman of the Board

KEVIN J. MCNAMARA
President & Chief Executive Officer

DAVID P. WILLIAMS
Vice President & Chief Financial Officer

TIMOTHY S. O'TOOLE
Executive Vice President

SPENCER S. LEE
Executive Vice President

ARTHUR V. TUCKER, JR.
Vice President & Controller

NAOMI C. DALLOB
Vice President & Secretary

THOMAS C. HUTTON
Vice President

THOMAS J. REILLY
Vice President

LISA A. DITTMAN
Assistant Secretary

DIRECTORS

EDWARD L. HUTTON
Chairman of the Board, Chemed Corporation

KEVIN J. MCNAMARA
President & Chief Executive Officer,
Chemed Corporation

DONALD BREEN, JR. (2)
Senior Vice President, John Morrell & Co.

CHARLES H. ERHART, JR. (1, 2*, 3*)
Former President, W.R. Grace & Co. (retired)

JOEL F. GEMUNDER (3)
President & Chief Executive Officer, Omnicare Inc.

PATRICK P. GRACE (1, 3)
President, MLP Capital Inc. (real estate and mining)

THOMAS C. HUTTON
Vice President, Chemed Corporation

SANDRA E. LANEY
Chairman & Chief Executive Officer,
Cadre Computer Resources Co.

TIMOTHY S. O'TOOLE
Executive Vice President, Chemed Corporation;
Chief Executive Officer,
VITAS Healthcare Corporation

DONALD E. SAUNDERS (1*)
Markley Visiting Professor,
Farmer School of Business Administration,
Miami University (Ohio)

GEORGE J. WALSH III
Partner, Thompson Hine LLP
(law firm, New York, New York)

FRANK E. WOOD (2)
President and Chief Executive Officer,
Secret Communications LLC (radio stations);
Principal, The Darwin Group (venture capital);
and Chairman, 8e6 Technologies Corporation
(software development)

1) Audit Committee

2) Compensation/Incentive Committee

3) Nominating Committee

* Committee Chairman

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

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

TRANSFER AGENT & REGISTRAR

Shareholders of record needing address changes, account balances, account consolidations, replacement of lost certificates or lost checks, dividend reinvestment plan statements or cost-basis data, 1099s, or assistance with other administrative matters relating to their Chemed Capital Stock should direct their inquiries to:

Wells Fargo Bank, N.A., Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
Telephone: 800-468-9716 (TOLL-FREE)
Web site: www.wellsfargo.com/shareownerservices

All questions relating to administration of Chemed stock must be handled by Wells Fargo.

CORPORATE INQUIRIES

Annual reports, press releases, corporate governance guidelines, Board committee charters, Policies on Business Ethics, the Annual Report on Form 10-K, and other printed materials may be obtained from Chemed Investor Relations without charge by writing or by calling 800-2CHEMED or 800-224-3633. Printed materials may also be viewed and downloaded from Chemed's Web site at www.chemed.com.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
Cincinnati, Ohio 45202

DIVIDEND REINVESTMENT PLAN FOR HOLDERS OF 25 OR MORE SHARES

The Chemed Automatic Dividend Reinvestment Plan is available to shareholders of record owning a minimum of 25 shares of Chemed Capital Stock. A plan brochure, including fee schedule, and enrollment information are available from the Dividend Reinvestment Agent, Wells Fargo Bank, N.A., at the address listed at left.

ANNUAL MEETING

The Annual Meeting of Shareholders of Chemed Corporation will be held on Monday, May 16, 2005, at 11 a.m. in the Lower Level Conference Center of The Queen City Club, 331 East Fourth Street, Cincinnati, Ohio.

NUMBER OF SHAREHOLDERS

The approximate number of shareholders of record of Chemed Capital Stock was 3,385 on December 31, 2004. (This number does not include shareholders with shares held under beneficial ownership or within clearinghouse positions of brokerage firms and banks.)

STOCK EXCHANGE LISTING

Chemed Capital Stock is listed on the New York Stock Exchange under the ticker symbol CHE.

CAPITAL STOCK & DIVIDEND DATA

The high and low closing prices for Chemed Capital Stock, as obtained from the New York Stock Exchange NYSEnet Web site, and dividends per share paid by quarter follow:

	Closing		Dividends
	High	Low	Paid
2004			
FIRST QUARTER	$ 66.95	$ 48.95	$ 0.12
SECOND QUARTER	55.30	43.10	0.12
THIRD QUARTER	56.25	42.71	0.12
FOURTH QUARTER	67.44	55.11	0.12
2003			
First Quarter	$ 36.51	$ 31.55	$ 0.12
Second Quarter	40.20	32.98	0.12
Third Quarter	40.35	34.42	0.12
Fourth Quarter	51.78	33.69	0.12

CHEMED CORPORATION
2600 CHEMED CENTER
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Visit our Web sites at www.chemed.com, www.rotorooter.com, and www.vitas.com.

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EXHIBIT 21
SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 2004: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 of December 31, 2004.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 2004.

CCR of Ohio, Inc. (Delaware, 100%)
Comfort Care Holdings Co. (Nevada, 100%)
Complete Plumbing Services, Inc. (New York, 49% by Roto-Rooter Services Company; included within the consolidated financial statements as a consolidated subsidiary)
Consolidated HVAC, Inc. (Ohio, 100% by Roto-Rooter Services Company)
Jet Resource, Inc. (Delaware, 100%)
Nurotoco of Massachusetts, Inc. (Massachusetts, 100% by Roto-Rooter Services Company)
Nurotoco of New Jersey, Inc. (Delaware, 80% by Roto-Rooter Services Company)
Roto-Rooter Canada, Ltd. (British Columbia, 100% by Roto-Rooter Services Company)
Roto-Rooter Corporation (Iowa, 100% by Roto-Rooter Group, Inc.)
Roto-Rooter Development Company (Delaware, 100% by Roto-Rooter Corporation)
Roto-Rooter Group, Inc. (Delaware, 100%)
Roto-Rooter Services Company (Iowa, 100% by Roto-Rooter Group, Inc.)
RR Plumbing Services Corporation (New York, 49% by Roto-Rooter Group, Inc.; included within the consolidated financial statements as a consolidated subsidiary)
R.R. UK, Inc. (Delaware, 100% by Roto-Rooter Group, Inc.)
Service America Network, Inc. (Florida, 100%)
VITAS Healthcare Corporation (Delaware, 100% by Comfort Care Holdings Co.)
VITAS Hospice Services, L.L.C. (Delaware, 100% by VITAS Healthcare Corporation)
VITAS Healthcare Corporation of Arizona (Delaware, 100% by Vitas Hospice Services, L.L.C.)
VITAS Healthcare Corporation of California (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of Illinois (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of Central Florida (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of Florida (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of Ohio (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Pennsylvania (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare of Texas, L.P. (Texas, 99% by VITAS Holdings Corporation, the limited partner, 1% by VITAS Hospice Services, L.L.C., the general partner)
VITAS Healthcare Corporation of Wisconsin (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of Georgia (Delaware, 100% by VITAS Hospice Services, L.L.C.)
VITAS Healthcare Corporation of North Florida, Inc. (Florida, 100% by VITAS Hospice Services, L.L.C.)
VITAS HME Solutions, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)
Hospice Care Incorporated (Delaware, 100% by VITAS Hospice Services, L.L.C.)
Hospice, Inc. (Florida, 100% by VITAS Hospice Services, L.L.C.)
VITAS Holdings Corporation (Delaware, 100% by VITAS Hospice Services, L.L.C.)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-115270) and Form S-8 (Nos. 33-9549, 2-87202, 2-80712, 33-65244, 33-61063, 333-109104, 333-118714, 333-34525, 333-87071 and 333-87073) of Chemed Corporation of our report dated March 22, 2005 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated March 22, 2005 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
- ----------------------------------
PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 28, 2005

EXHIBIT 24

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, 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 11, 2005

/s/ Donald Breen, Jr.

Donald Breen, Jr.

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 9, 2005

/s/ Charles H. Erhart, Jr.

Charles H. Erhart, Jr.

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, 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 11, 2005

/s/ Joel F. Gemunder

Joel F. Gemunder

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 10, 2005

/s/ Patrick P. Grace

Patrick P. Grace

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 10, 2005

/s/ Edward L. Hutton

Edward L. Hutton

POWER OF ATTORNEY

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Dated: March 10, 2005

/s/ Thomas C. Hutton

Thomas C. Hutton

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as her true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 8, 2005

/s/ Sandra E. Laney

Sandra E. Laney

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, 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 11, 2005

/s/ Timothy S. O'Toole

Timothy S. O'Toole

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 10, 2005

/s/ Donald E. Saunders

Donald E. Saunders

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints EDWARD L. HUTTON, KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 9, 2005

/s/ George J. Walsh III

George J. Walsh III

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, 2004, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: March 10, 2005

/s/ Frank E. Wood

Frank E. Wood

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13A-14(a)/15D-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth quarter in 2004 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

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

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

Date: March 23, 2005

/s/ Kevin J. McNamara

Kevin J. McNamara
(President & Chief Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULES 13A-14(a)/15D-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth quarter in 2004 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

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

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

Date: March 23, 2005

/s/ David P. Williams

David P. Williams
(Vice President and Chief Financial Officer)

EXHIBIT 31.3

CERTIFICATION PURSUANT TO RULES 13A-14(a)/15D-14(a) OF THE EXCHANGE ACT OF 1934

I, Arthur V. Tucker, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth quarter in 2004 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

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

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

Date: March 23, 2005

/s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and Controller)

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Annual Report on Form 10-K for the year ending December 31, 2004 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: March 23, 2005

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 32.2

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Annual Report on Form 10-K for the year ending December 31, 2004 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: March 23, 2005

/s/ David P. Williams

David P. Williams
(Vice President and
Chief Financial Officer)

EXHIBIT 32.3

CERTIFICATION BY ARHTUR V. TUCKER, JR.
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Annual Report on Form 10-K for the year ending December 31, 2004 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: March 23, 2005

/s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and Controller)