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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

[X] For the Quarterly Period Ended March 31, 2007

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

Commission File Number: 1-8351

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

Delaware 31-0791746
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip code)

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

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 periods 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 whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer [X] Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Table with 3 columns: Class, Amount, Date. Row: Capital Stock \$1 Par Value, 25,300,310 Shares, March 31, 2007

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

Index

Page No.

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Unaudited Consolidated Balance Sheet - March 31, 2007 and December 31, 2006 3

Unaudited Consolidated Statement of Income - Three months ended March 31, 2007 and 2006 4

Unaudited Consolidated Statement of Cash Flows - 5
Three months ended March 31, 2007 and 2006

Notes to Unaudited Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations 12

Item 3. Quantitative and Qualitative Disclosures about Market Risk 17

Item 4. Controls and Procedures 17

PART II. OTHER INFORMATION

Item 2(c). Purchases of Equity Securities by Issuer and Affiliated
Purchasers 18

Item 6. Exhibits 18

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEET
(in thousands except share and per share data)

| | March 31, 2007 | December 31, 2006 |
|--|-------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 30,137 | \$ 29,274 |
| Accounts receivable less allowances of \$ 10,392 (2006 - \$ 10,180) | 85,211 | 93,086 |
| Inventories | 6,752 | 6,578 |
| Current deferred income taxes | 21,595 | 17,789 |
| Current assets of discontinued operations | - | 5,418 |
| Prepaid expenses and other current assets | 9,110 | 9,968 |
| | ----- | ----- |
| Total current assets | 152,805 | 162,113 |
| Investments of deferred compensation plans held in trust | 27,736 | 25,713 |
| Note receivable | 14,701 | 14,701 |
| Properties and equipment, at cost, less accumulated depreciation of \$ 80,233 (2006 - \$ 77,107) | 69,295 | 70,140 |
| Identifiable intangible assets less accumulated amortization of \$ 14,211 (2006 - \$ 13,201) | 68,205 | 69,215 |
| Goodwill | 435,040 | 435,050 |
| Noncurrent assets of discontinued operations | - | 287 |
| Other assets | 16,194 | 16,068 |
| | ----- | ----- |
| Total Assets | \$ 783,976 | \$ 793,287 |
| | ===== | ===== |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 55,272 | \$ 49,744 |
| Current portion of long-term debt | 164 | 209 |
| Income taxes | 9,410 | 6,765 |
| Accrued insurance | 39,889 | 38,457 |
| Accrued compensation | 29,110 | 35,990 |
| Current liabilities of discontinued operations | - | 12,215 |
| Other current liabilities | 26,653 | 22,684 |
| | ----- | ----- |
| Total current liabilities | 160,498 | 166,064 |
| Deferred income taxes | 24,970 | 26,301 |
| Long-term debt | 150,235 | 150,331 |
| Deferred compensation liabilities | 27,157 | 25,514 |
| Other liabilities | 5,382 | 3,716 |
| | ----- | ----- |
| Total liabilities | 368,242 | 371,926 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY | | |
| Capital stock - authorized 80,000,000 shares \$1 par; issued 29,035,918 shares (2006 - 28,849,918 shares) | 29,036 | 28,850 |
| Paid-in capital | 260,641 | 252,639 |
| Retained earnings | 234,914 | 215,517 |
| Treasury stock - 3,735,608 shares (2006 - 3,023,635 shares), at cost | (111,293) | (78,064) |
| Deferred compensation payable in Company stock | 2,436 | 2,419 |
| | ----- | ----- |
| Total Stockholders' Equity | 415,734 | 421,361 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 783,976 | \$ 793,287 |
| | ===== | ===== |

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
 UNAUDITED CONSOLIDATED STATEMENT OF INCOME
 (in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2007 | 2006 |
| Continuing operations | | |
| Service revenues and sales | \$ 270,439 | \$ 243,921 |
| Cost of services provided and goods sold (excluding depreciation) | 188,247 | 176,035 |
| Selling, general and administrative expenses | 48,070 | 38,454 |
| Depreciation | 4,715 | 4,132 |
| Amortization | 1,315 | 1,296 |
| Other operating income | (1,138) | - |
| Total costs and expenses | 241,209 | 219,917 |
| Income from operations | 29,230 | 24,004 |
| Interest expense | (3,742) | (5,345) |
| Loss on extinguishment of debt | - | (430) |
| Other income--net | 869 | 1,495 |
| Income before income taxes | 26,357 | 19,724 |
| Income taxes | (10,136) | (7,686) |
| Income from continuing operations | 16,221 | 12,038 |
| Discontinued operations, net of income taxes | - | 177 |
| Net income | \$ 16,221 | \$ 12,215 |
| Earnings Per Share | | |
| Income from continuing operations | \$ 0.63 | \$ 0.46 |
| Net income | \$ 0.63 | \$ 0.47 |
| Average number of shares outstanding | 25,716 | 26,044 |
| Diluted Earnings Per Share | | |
| Income from continuing operations | \$ 0.62 | \$ 0.45 |
| Net income | \$ 0.62 | \$ 0.46 |
| Average number of shares outstanding | 26,162 | 26,723 |
| Cash Dividends Per Share | \$ 0.06 | \$ 0.06 |

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 (in thousands)

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2007 | 2006 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 16,221 | \$ 12,215 |
| Adjustments to reconcile net income to net cash provided/(used) by operating activities: | | |
| Depreciation and amortization | 6,030 | 5,428 |
| Noncash long-term incentive compensation | 4,719 | - |
| Provision for uncollectible accounts receivable | 2,084 | 2,012 |
| Amortization of debt issuance costs | 455 | 444 |
| Provision for deferred income taxes | (345) | (1,292) |
| Write off of unamortized debt issuance costs | - | 430 |
| Discontinued operations | - | (177) |
| Changes in operating assets and liabilities, excluding amounts acquired in business combinations | | |
| Decrease in accounts receivable | 5,275 | 19,638 |
| Increase in inventories | (174) | (225) |
| Decrease in prepaid expenses and other current assets | 858 | 901 |
| Decrease in accounts payable and other current liabilities | (9,091) | (13,460) |
| Increase in income taxes | 9,538 | 8,704 |
| Increase in other assets | (2,102) | (1,917) |
| Increase in other liabilities | 2,218 | 1,051 |
| Excess tax benefit on share-based compensation | (611) | (3,289) |
| Other uses | (375) | (49) |
| Net cash provided by continuing operations | 34,700 | 30,414 |
| Net cash provided by discontinued operations | - | 2,326 |
| Net cash provided by operating activities | 34,700 | 32,740 |
| Cash Flows from Investing Activities | | |
| Capital expenditures | (5,764) | (3,852) |
| Net uses from the sale of discontinued operations | (3,876) | (1,684) |
| Proceeds from sales of property and equipment | 2,975 | 65 |
| Business combinations, net of cash acquired | (62) | (384) |
| Other uses | (299) | (305) |
| Net cash used by investing activities | (7,026) | (6,160) |
| Cash Flows from Financing Activities | | |
| Purchases of treasury stock | (24,199) | (2,318) |
| Increase in cash overdrafts payable | (1,608) | 786 |
| Dividends paid | (1,555) | (1,572) |
| Excess tax benefit on share-based compensation | 611 | 3,289 |
| Repayment of long-term debt | (141) | (84,497) |
| Issuance of capital stock, net of costs | 130 | 2,360 |
| Net increase in revolving line of credit | - | 44,000 |
| Debt issuance costs | - | (150) |
| Other sources/(uses) | (49) | 57 |
| Net cash used by financing activities | (26,811) | (38,045) |
| Increase/(Decrease) in Cash and Cash Equivalents | 863 | (11,465) |
| Cash and cash equivalents at beginning of year | 29,274 | 57,133 |
| Cash and cash equivalents at end of period | \$ 30,137 | \$ 45,668 |

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
Notes to Unaudited Financial Statements

1. Basis of Presentation

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States for complete financial statements. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2006. Certain 2006 amounts have been reclassified to conform with current period presentation in the balance sheet and statement of income primarily related to the presentation of the discontinued operations of our Phoenix hospice program.

2. Capital Stock Transactions

In July 2006, we announced a \$50 million on-going stock repurchase program. Our previous stock repurchase program, approved in February 2000, had remaining authorization of \$8 million. For the three months ended March 31, 2007 we repurchased 626,079 shares at a weighted average cost of \$46.76 per share. There were no shares repurchased during the three months ended March 31, 2006.

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

3. Revenue Recognition

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

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether they are likely to exceed the annual per-beneficiary Medicare cap ("Medicare cap"). Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare cap and record the amount as a reduction to patient revenue. The Medicare cap measurement period is from September 29 through September 28 of the following year for admissions and from November 1 through October 31 of the following year for revenue. As of the date of this filing for the 2007 measurement period, no programs have a required Medicare billing reduction. Our current estimates for the projected full year 2007 measurement period anticipate no programs with a Medicare cap billing limitation. Therefore, no revenue reduction for Medicare cap has been recorded for the quarter ended March 31, 2007. Additionally, we recorded approximately \$472,000 in November and December 2006 related to estimated billing limitations for the 2007 measurement period. That amount was reversed during the first quarter of 2007.

4. Segments

Service revenues and sales and aftertax earnings by business segment are as follows (in thousands):

| | Three months ended March 31, | |
|----------------------------|---------------------------------|------------|
| | 2007 | 2006 |
| Service Revenues and Sales | | |
| VITAS | \$ 184,049 | \$ 166,057 |
| Roto-Rooter | 86,390 | 77,864 |
| Total | \$ 270,439 | \$ 243,921 |
| Aftertax Earnings | | |
| VITAS | \$ 14,987 | \$ 10,680 |
| Roto-Rooter | 9,486 | 7,201 |
| Total | 24,473 | 17,881 |
| Corporate | (8,252) | (5,843) |
| Discontinued operations | - | 177 |
| Net income | \$ 16,221 | \$ 12,215 |

5. Patient Care Notes Receivable

We have notes receivable of \$14.7 million from Patient Care, Inc. related to our sale of this subsidiary in 2002. In February 2007, the parties amended the terms of the promissory notes receivable. The amended notes are due October 2009. The interest on the notes receivable is the higher of Patient Care's current floating rate plus 2% or 11.5% per year. Interest payments are due quarterly. As of March 31, 2007, Patient Care is current on all interest payments related to these notes.

6. Earnings per Share

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share for 2007 and 2006 are computed as follows (in thousands, except per share data):

| For the Three Months Ended March 31, | Income from Continuing Operations | | | Net Income | | |
|---|--------------------------------------|--------|--------------------------|------------|--------|--------------------------|
| | Income | Shares | Earnings per Share | Income | Shares | Earnings per Share |
| 2007 | | | | | | |
| Earnings | \$ 16,221 | 25,716 | \$ 0.63 | \$ 16,221 | 25,716 | \$ 0.63 |
| Dilutive stock options | - | 386 | | - | 386 | |
| Nonvested stock awards | - | 60 | | - | 60 | |
| Diluted earnings | \$ 16,221 | 26,162 | \$ 0.62 | \$ 16,221 | 26,162 | \$ 0.62 |
| 2006 | | | | | | |
| Earnings | \$ 12,038 | 26,044 | \$ 0.46 | \$ 12,215 | 26,044 | \$ 0.47 |
| Dilutive stock options | - | 590 | | - | 590 | |
| Nonvested stock awards | - | 89 | | - | 89 | |
| Diluted earnings | \$ 12,038 | 26,723 | \$ 0.45 | \$ 12,215 | 26,723 | \$ 0.46 |

7. Other Operating Income

During the first quarter of 2007, we completed the sale of Roto-Rooter's call center in Florida. The proceeds from the sale were approximately \$3.0 million, which resulted in a pretax gain of \$1.1 million. The gain was recorded in other income from operations in the accompanying consolidated statement of income.

8. Other Income -- Net

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

| | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | 2007 | 2006 |
| Interest income | \$ 767 | \$ 973 |
| (Loss)/gain on trading investments of employee benefit trust | 212 | 493 |
| Other - net | (110) | 29 |
| Total other income | \$ 869 | \$ 1,495 |

9. Other Current Liabilities

Other current liabilities as of March 31, 2007 and December 31, 2006 consist of the following (in thousands):

| | 2007 | 2006 |
|---------------------------------|-----------|-----------|
| Accrued legal settlements | \$ 1,859 | \$ 1,889 |
| Accrued divestiture expenses | 2,618 | 2,612 |
| Accrued Medicare cap estimate | 9,503 | 3,373 |
| Other | 12,673 | 14,810 |
| Total other current liabilities | \$ 26,653 | \$ 22,684 |

Accrued Medicare cap as of March 31, 2007 includes \$6.6 million related to our Phoenix program that was sold in November 2006. This amount was recorded in current liabilities from discontinued operations as of December 31, 2006.

10. 2002 Executive Long-Term Incentive Plan

In February 2007, we met the cumulative earnings target specified in the 2002 Long-Term Incentive Plan (LTIP) and on March 9, 2007, the Compensation/Incentive Committee of the Board of Directors approved a stock grant of 100,000 shares and the related allocation to participants. The pre-tax cost of the stock grant was \$5.4 million and is included in selling, general and administrative expenses in the accompanying consolidated statement of income. No market price components of the LTIP were reached during the three months ended March 31, 2007 or 2006.

11. Long-term Debt and Extinguishment of Debt

On March 31, 2006, we repaid in full our \$84.4 million term loan with JPMorgan Chase Bank. The term loan was paid with \$40.4 million of cash on hand and the remainder with a draw on our revolving credit facility. At that time, we also amended the \$175 million revolving credit facility with JPMorgan Chase Bank to reduce the commitment and annual fees and to reduce the floating interest rate by approximately 50 basis points. The interest rate of the amended revolving credit agreement is LIBOR plus 1.25%. The amended revolving credit facility also includes an "accordion" feature that allows us the opportunity to expand the facility by \$50 million. In connection with the repayment of the term loan, we recorded a write-off of unamortized debt issuance costs of \$430,000.

We are in compliance with all debt covenants as of March 31, 2007. We have issued \$33.3 million in standby letters of credit as of March 31, 2007 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of March 31, 2007, the Company has approximately \$141.7 million of unused lines of credit available and eligible to be drawn down under its revolving credit facility, excluding the accordion feature.

See Note 19 for discussion of significant changes to our capitalization structure subsequent to March 31, 2007.

12. Loans Receivable from Independent Contractors

The Roto-Rooter segment sublicenses with approximately sixty-one independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. As of

March 31, 2007, we had notes receivable from its independent contractors totaling \$1.8 million (December 31, 2006-\$1.9 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 5% to 8% per annum and the remaining terms of the loans range from two months to 5.4 years at March 31, 2007. During the quarter ended March 31, 2007, we recorded revenues of \$5.4 million (2006-\$5.0 million) and pretax profits of \$2.5 million (2006-\$2.0 million) from our independent contractors.

We have 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 our contractual relationships with the 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 some of the contractors who have loans payable to us may be VIE's. We believe consolidation, if required, of the accounts of any VIE's for which we might be the primary beneficiary would not materially impact our financial position, results of operations or cash flows.

13. Pension and Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. Expenses for the Company's pension and profit-sharing plans, ESOP's, excess benefit plans and other similar plans were \$3.6 million and \$2.4 million for the three months ended March 31, 2007 and 2006, respectively.

14. Litigation

Like other large California employers, our VITAS subsidiary faces allegations of purported class-wide wage and hour violations. It was party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson ("Costa"). This case alleged failure to pay overtime wages for hours worked "off the clock" on administrative tasks, including voicemail retrieval, time entry, travel to and from work, and pager response. This case also alleged VITAS failed to provide meal and break periods to a purported class of California nurses, home health aides and licensed clinical social workers. The case also sought payment of penalties, interest, and Plaintiffs' attorney fees. VITAS contested these allegations. During 2006, we reached a tentative settlement and on June 26, 2006, the court granted final approval of the settlement (\$19.9 million).

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

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

15. OIG Investigation

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. A qui tam complaint has been filed in U.S. District Court for the Southern District of Florida. We are conferring with the U.S. Attorney regarding our defenses to the complaint allegations. The U.S. Attorney has not decided whether to intervene in the qui tam action. We have incurred pretax expense related to complying with OIG requests and defending the litigation of \$66,000 and \$132,000 for the three months ended March 31, 2007 and 2006, respectively.

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

16. Related Party Agreement

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR will provide specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically thereafter for one-year terms. Either party may cancel the Agreement at the end of any term by giving written notice at least 90 days prior to the end of said term. In June 2004, VITAS entered into a pharmacy services agreement with excelleRx. The agreement has a one-year term and automatically renews unless either party provides a 90-day written termination notice. Subsequent to June 2004, OCR acquired excelleRx. Under both agreements, VITAS made purchases of \$8.2 million and \$6.7 for three months ended March 31, 2007 and 2006, respectively and has accounts payable of \$3.6 million at March 31, 2007. Mr. E. L. Hutton is non-executive Chairman of the Board and a director of the Company and OCR. Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, Mr. Charles H. Erhart, Jr. and Ms. Sandra Laney are directors of both OCR and the Company. Mr. Kevin J. McNamara, President, Chief Executive Officer and a director of the Company, is a director emeritus of OCR. We believe that the terms of these agreements are no less favorable to VITAS than we could negotiate with an unrelated party.

17. Cash Overdrafts Payable

Included in accounts payable at March 31, 2007 are cash overdrafts payable of \$9.0 million (December 31, 2006 - \$10.6 million).

18. Uncertain Tax Positions

On January 1, 2007, we adopted FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109", which prescribes a comprehensive model for how to recognize, measure, present and disclose in financial statements uncertain tax positions taken or expected to be taken on a tax return. Upon adoption of FIN 48, the financial statements reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts. FIN 48 also revises disclosure requirements and introduces an annual, tabular roll-forward of the unrecognized tax benefits.

The cumulative effect upon adoption of FIN 48 was to reduce our accrual for uncertain tax positions by approximately \$4.7 million, which has been recorded in retained earnings as of January 1, 2007 in the accompanying consolidated balance sheet. After adoption, we had approximately \$1.2 million in unrecognized tax benefits. The majority of this amount would affect our effective tax rate, if recognized in a future period. The years ended December 31, 2003 and forward remain open for review for Federal income tax purposes at Chemed and Roto-Rooter. For VITAS, fiscal years beginning after February 24, 2004 (the date of acquisition) remain open for review for Federal income tax purposes. The earliest open year relating to any of our material state jurisdictions is the fiscal year ended December 31, 2002. During the next twelve months, we anticipate that the amount of unrecognized tax benefits will decrease by approximately \$150,000 to \$200,000 in total due to normal quarterly provisions and releases upon expiration of certain statutes of limitation.

As permitted by FIN 48, we reclassified interest related to our accrual for uncertain tax positions to separate interest accounts. We believe this change in accounting method is preferable as it more accurately classifies the impact of interest in our consolidated balance sheet and consolidated statement of income. As of March 31, 2007, we have approximately \$166,000 accrued in interest related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. For the three months ended March 31, 2007, we have recorded approximately \$14,000 for interest related to uncertain tax positions in interest expense in the accompanying consolidated statement of income.

19. Subsequent Events

On April 4, 2007, we issued a contingent bond redemption notice regarding the \$150 million, 8 3/4% senior notes due in 2011. The redemption is being made pursuant to the terms of the indenture dated February 24, 2004 at a redemption price of 104.375% of the principal amount plus accrued but unpaid interest. This redemption notice was contingent upon the completion of the new credit facility discussed in the next paragraph. The senior notes are redeemable on or after May 4, 2007. We expect to write-off approximately \$4.8 million in deferred debt costs related to the senior notes. We will also incur a \$6.5 million charge related to the 4.375% premium to be paid upon redemption. These amounts will be

recorded in the second quarter of 2007.

On May 2, 2007, we entered into a new senior secured credit facility with JPMorgan Chase Bank (the "2007 Facility") to replace our existing credit facility. The 2007 Facility includes a \$100 million term loan, a \$175 million revolving credit facility and a \$100 million expansion feature. The facility has a 5-year maturity with principal payments on the term loan due quarterly and on the revolving credit facility due at maturity. Interest is payable quarterly at a floating rate equal to our choice of various indexes plus a specified margin based on our leverage ratio. The interest rate at the inception of the agreement is LIBOR plus 0.875%. In connection with replacing our existing credit facility, we will write-off approximately \$2.3 million in the second quarter of 2007 related to deferred debt costs.

On April 26, 2007, our Board of Directors authorized a \$150 million stock repurchase program. Our \$50 million stock repurchase program, authorized in July 2006, has approximately \$13.6 million remaining as of March 31, 2007.

20. Recent Accounting Statements

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits an entity to measure certain financial assets and financial liabilities at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions, as long as it is applied to the entire instrument. The fair value election is irrevocable unless a new election date occurs. SFAS 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. We are currently evaluating the impact SFAS 159 will have on our financial condition and results of operations, if any.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

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

The following is a summary of the key operating results for the three months ended March 31, 2007 and 2006 (in thousands except per share amounts):

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2007 | 2006 |
| Consolidated service revenues and sales | \$ 270,439 | \$ 243,921 |
| Consolidated income from continuing operations | \$ 16,221 | \$ 12,038 |
| Diluted EPS from continuing operations | \$ 0.62 | \$ 0.45 |

The increase in consolidated service revenues and sales was driven by an 11% increase at both VITAS and Roto-Rooter. The increase at VITAS was primarily the result of a 10% increase in average daily census (ADC) from the first quarter of 2006 and the October 1, 2006 Medicare reimbursement rate increase. The increase at Roto-Rooter was driven primarily by a 2% increase in job count combined with an approximate 9% price increase. Consolidated income from continuing operations and diluted EPS from continuing operations increased as a result of the higher service revenues and sales, which allowed us to further leverage our current cost structure.

Starting in 2006, we merged several hospice programs and eliminated the corresponding Medicare provider numbers in three states. We are in the process of eliminating one additional Medicare provider number that does not currently have an estimated Medicare cap liability. Due to these combinations, coupled with improving admission and median length of stay metrics, no revenue reduction for Medicare cap billing limitations has been recorded for the quarter ended March 31, 2007. Additionally, we recorded approximately \$472,000 in November and December 2006 related to estimated billing limitations for the 2007 measurement period. That amount was reversed during the first quarter of 2007. Therefore, as of March 31, 2007, we have no estimated liability for Medicare cap related to our programs for the 2007 measurement period.

Financial Condition

Liquidity and Capital Resources

Significant changes in the balance sheet accounts from December 31, 2006 to March 31, 2007 include the following:

- o The decrease in accounts receivable from \$93.1 million at December 31, 2006 to \$85.2 million at March 31, 2007 is due mainly to the timing of payments received from Medicare.
- o The increase in treasury stock of \$33.2 million relates mainly to our share repurchase program.

Net cash provided by continuing operations increased \$4.3 million from a source of cash by continuing operations of \$30.4 million for the first three months of 2006, to a source of cash of \$34.7 million for the first three months of 2007, due primarily to the increase in net income.

We have issued \$33.3 million in standby letters of credit as of March 31, 2007 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. At March 31, 2007, we had approximately \$141.7 million available lines of credit eligible to be drawn down under our amended credit agreement with JPMorgan Chase, excluding the \$50

million accordion feature. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

On April 4, 2007, we issued a contingent bond redemption notice regarding the \$150 million, 8 3/4% senior notes due in 2011. The redemption is being made pursuant to the terms of the indenture dated February 24, 2004 at a redemption price of 104.375% of the principal amount plus accrued but unpaid interest. This redemption notice was contingent upon the completion of the new credit facility discussed in the next paragraph. The senior notes are redeemable on or after May 4, 2007. We expect to write-off approximately \$4.8 million in deferred debt costs related to the senior notes. We will also incur a \$6.5 million charge related to the 4.375% premium to be paid upon redemption. These amounts will be recorded in the second quarter of 2007.

On May 2, 2007, we entered into a new senior secured credit facility with JPMorgan Chase Bank (the "2007 Facility") to replace our existing credit facility. The 2007 Facility includes a \$100 million term loan, a \$175 million revolving credit facility and a \$100 million expansion feature. The facility has a 5-year maturity with principal payments on the term loan due quarterly and on the revolving credit facility due at maturity. Interest is payable quarterly at a floating rate equal to our choice of various indexes plus a specified margin based on our leverage ratio. The interest rate at the inception of the agreement is LIBOR plus 0.875%. In connection with replacing our existing credit facility, we will write-off approximately \$2.3 million in the second quarter of 2007 related to deferred debt costs.

On April 26, 2007, our Board of Directors authorized a \$150 million stock repurchase program. Our \$50 million stock repurchase program, authorized in July 2006, has approximately \$13.6 million remaining as of March 31, 2007.

Commitments and Contingencies

Collectively, the terms of our credit agreements provide that we are required to meet various financial covenants, to be tested quarterly. In connection therewith, we are in compliance with all financial and other debt covenants as of March 31, 2007 and anticipate remaining in compliance throughout 2007.

Like other large California employers, our VITAS subsidiary faces allegations of purported class-wide wage and hour violations. It was party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in April of 2004 by Ann Marie Costa, Ana Jimenez, Mariea Ruteaya and Gracetta Wilson ("Costa"). This case alleged failure to pay overtime wages for hours worked "off the clock" on administrative tasks, including voicemail retrieval, time entry, travel to and from work, and pager response. This case also alleged VITAS failed to provide meal and break periods to a purported class of California nurses, home health aides and licensed clinical social workers. The case also sought payment of penalties, interest, and Plaintiffs' attorney fees. VITAS contested these allegations. During 2006 we reached a tentative settlement and on June 26, 2006, the court granted final approval of the settlement (\$19.9 million).

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

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

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. A qui tam complaint has been filed in U.S. District Court for the Southern District of Florida. We are conferring with the U.S. Attorney regarding our defenses to the complaint allegations. The U.S. Attorney has not decided whether to intervene in the qui tam action. We have incurred pretax expense related to complying with OIG requests and defending the litigation of \$66,000 and \$132,000 for the three months ended March 31, 2007 and 2006, respectively.

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

Results of Operations
 First Quarter 2007 versus First Quarter 2006-Consolidated Results

Our service revenues and sales for the first quarter of 2007 increased 10.9% versus revenues for the first quarter of 2006. Of this increase, \$18.0 million was attributable to VITAS and \$8.5 million was attributable to Roto-Rooter (dollar amounts in thousands):

| | Increase/(Decrease) | |
|-------------------|---------------------|---------|
| | Amount | Percent |
| VITAS | | |
| Routine homecare | \$ 18,316 | 16.2% |
| Continuous care | (1,242) | -4.2% |
| General inpatient | 446 | 1.9% |
| Medicare cap | 472 | - |
| Roto-Rooter | | |
| Plumbing | 5,543 | 18.9% |
| Drain cleaning | 2,335 | 6.4% |
| Other | 648 | 5.5% |
| | ----- | ----- |
| Total | \$ 26,518 | 10.9% |
| | ===== | |

The increase in VITAS' revenues for the first quarter of 2007 versus the first quarter of 2006 is attributable to an increase in ADC of 11.5% for routine homecare offset by a 8.4% and 1.0% decline in continuous care and general inpatient, respectively. ADC is a key measure we use to monitor volume growth in our hospice business. Changes in total program admissions and average length of stay for our patients are the main drivers of changes in ADC. The remainder of the revenue increases is due primarily to the annual increase in Medicare reimbursement rates in the fourth quarter of 2006. In excess of 90% of VITAS' revenues for the period were from Medicare and Medicaid.

The increase in the plumbing revenues for the first quarter of 2007 versus 2006 comprises a 9.9% increase in the number of jobs performed and a 9.0% increase in the average price per job. The increase in drain cleaning revenues for the first quarter of 2007 versus 2006 comprised a 0.8% decline in the number of jobs offset by a 7.2% increase in the average price per job. The increase in other revenues is attributable primarily to increased revenue from the independent contractor operations.

The consolidated gross margin was 30.4% in the first quarter of 2007 as compared with 27.8% in the first quarter of 2006. On a segment basis, VITAS' gross margin was 22.8% in the first quarter of 2007 and 19.5% in the first quarter of 2006. The increase in VITAS' gross margin in 2007 is primarily attributable to an unusual increase in seasonal discharge rates in January and February 2006 coupled with excess patient care capacity during the same period. We corrected our excess staffing capacity during the second and third quarter of 2006. The unusually high seasonal variance experienced in 2006 was not repeated in 2007. These factors combined to increase VITAS' gross margin during the first quarter of 2007. The Roto-Rooter segment's gross margin was 46.6% in the first quarter of 2007 and 45.5% in the first quarter of 2006. The increase in Roto-Rooter's gross margin in 2007 is primarily attributable to better retention of service technicians, which enhances overall productivity of our workforce.

Selling, general and administrative expenses ("SG&A") for the first quarter of 2007 were \$48.1 million, an increase of \$9.6 million (25.0%) versus the first quarter of 2006. The increase is largely due to 2007 stock-based compensation expense of \$6.0 million comprised of \$5.4 million related to the LTIP and \$600,000 related to stock option grants made in June 2006. There was no such stock-based compensation expense in the first quarter of 2006. The remaining increase relates to increased variable expenses due to increases in revenues.

Income from operations increased \$5.2 million from \$24.0 million in the first quarter of 2006 to \$29.2 million in the first quarter of 2007. The increase is primarily the result of the increase in gross margin discussed above.

Interest expense, substantially all of which is incurred at Corporate, declined from \$5.3 million in the first quarter of 2006 to \$3.7 million in the first quarter of 2007. This decline is due primarily to the reduction in debt outstanding that occurred in February 2006 when we refinanced and repaid a significant portion of our debt.

Other income-net decreased from \$1.5 million in the first quarter of 2006 to \$869,000 in the first quarter of 2007. The decrease is attributable mainly to the fact that we have used excess cash during the first quarter of 2007 to repurchase our common stock. This has led to lower cash balances and thus, lower interest income during the first quarter of 2007.

Our effective income tax rate decreased from 39.0% in the first quarter of 2006 to 38.5% in the first quarter of 2007. The decrease in our effective tax rate relates mainly to the implementation of FIN 48.

Income from continuing operations increased \$4.2 million or 34.7% in the first quarter of 2007 as compared to the first quarter of 2006. Net income increased \$4.0 million or 32.8% in the first quarter of 2007 as compared to the first quarter of 2006. The \$177,000 income from discontinued operations in the first quarter of 2006 relates to VITAS' Phoenix, AZ program that was sold in November 2006. Income from continuing operations and net income for both periods included the following aftertax special items/adjustments that increased/(reduced) aftertax earnings (in thousands):

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2007 | 2006 |
| Long-term incentive compensation award | \$ (3,414) | \$ - |
| Stock-option expense | (371) | - |
| Gain on sale of Florida call center | 724 | - |
| Loss on extinguishment of debt | - | (273) |
| Legal expenses of OIG investigation | (41) | (82) |
| Other | 296 | - |
| | ----- | ----- |
| | \$ (2,806) | \$ (355) |
| | ===== | ===== |

First quarter 2007 versus First quarter 2006-Segment Results

The change in aftertax earnings for the first quarter of 2007 versus the first quarter of 2006 is due to (in thousands):

| | Net Income Increase/(Decrease) | |
|-------------------------|-----------------------------------|---------|
| | Amount | Percent |
| VITAS | \$ 4,307 | 40.3% |
| Roto-Rooter | 2,285 | 31.7% |
| Corporate | (2,409) | -41.2% |
| Discontinued operations | (177) | -100.0% |
| | ----- | ----- |
| | \$ 4,006 | 32.8% |
| | ===== | |

The following chart updates historical unaudited financial and operating data of VITAS, acquired in February 2004 (dollars in thousands, except dollars per patient day):

| | First Quarter | |
|---|---------------|------------|
| | 2007 | 2006 (c) |
| OPERATING STATISTICS | | |
| Net revenue (\$000)(a) | | |
| Homecare | \$ 131,548 | \$ 113,232 |
| Inpatient | 23,462 | 23,016 |
| Continuous care | 28,567 | 29,809 |
| Total before Medicare cap allowance | \$ 183,577 | \$ 166,057 |
| Medicare cap allowance | 472 | - |
| Total | \$ 184,049 | \$ 166,057 |
| Net revenue as a percent of total before Medicare cap allowance | | |
| Homecare | 71.6% | 68.1% |
| Inpatient | 12.8 | 13.9 |
| Continuous care | 15.6 | 18.0 |
| Total before Medicare cap allowance | 100.0 | 100.0 |
| Medicare cap allowance | 0.3 | - |
| Total | 100.3% | 100.0% |
| Average daily census ("ADC") (days) | | |
| Homecare | 6,786 | 5,931 |
| Nursing home | 3,574 | 3,359 |
| Routine homecare | 10,360 | 9,290 |
| Inpatient | 426 | 430 |
| Continuous care | 523 | 571 |
| Total | 11,309 | 10,291 |
| Total Admissions | 14,110 | 13,773 |
| Total Discharges | 14,051 | 13,298 |
| Average length of stay (days) | 76.9 | 72.4 |
| Median length of stay (days) | 13.0 | 12.0 |
| ADC by major diagnosis | | |
| Neurological | 33.3% | 33.1% |
| Cancer | 19.7 | 20.5 |
| Cardio | 14.6 | 14.8 |
| Respiratory | 7.0 | 7.1 |
| Other | 25.4 | 24.5 |
| Total | 100.0% | 100.0% |
| Admissions by major diagnosis | | |
| Neurological | 18.9% | 20.5% |
| Cancer | 33.6 | 33.7 |
| Cardio | 13.3 | 13.8 |
| Respiratory | 7.8 | 7.9 |
| Other | 26.4 | 24.1 |
| Total | 100.0% | 100.0% |
| Direct patient care margins (b) | | |
| Routine homecare | 50.8% | 47.6% |
| Inpatient | 20.1 | 23.1 |
| Continuous care | 20.0 | 18.3 |
| Homecare margin drivers (dollars per patient day) | | |
| Labor costs | \$ 49.12 | \$ 51.32 |
| Drug costs | 8.18 | 7.38 |
| Home medical equipment | 5.75 | 5.54 |
| Medical supplies | 2.17 | 2.09 |
| Inpatient margin drivers (dollars per patient day) | | |
| Labor costs | \$ 252.42 | \$ 247.69 |
| Continuous care margin drivers (dollars per patient day) | | |
| Labor costs | \$ 464.54 | \$ 454.53 |
| Bad debt expense as a percent of revenues | 0.9% | 0.9% |
| Accounts receivable -- | | |

- (a) VITAS has 6 large (greater than 450 ADC), 15 medium (greater than 200 but less than 450 ADC) and 21 small (less than 200 ADC) hospice programs. As of March 31, 2007, there were no programs with a Medicare cap liability for the 2007 measurement period. There were two programs with less than 10% cap cushion measured for the twelve month period ending March 31, 2007.
- (b) Amounts exclude indirect patient care and administrative costs, as well as Medicare cap billing limitation.
- (c) Reclassified for operations discontinued in November 2006.

Recent Accounting Statements

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits an entity to measure certain financial assets and financial liabilities at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions, as long as it is applied to the entire instrument. The fair value election is irrevocable unless a new election date occurs. SFAS 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. We are currently evaluating the impact SFAS 159 will have on our financial condition and results of operations, if any.

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

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. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. Our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposure relates to interest rate risk exposure through variable interest rate borrowings. At March 31, 2007, we had no variable rate debt outstanding. The quoted market value of our 8.75% fixed rate senior notes on March 31, 2007 is \$156 million (carrying value is \$150 million). We estimate that the fair value of the remainder of our long-term debt approximates its book value at March 31, 2007.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 2(c). Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table shows the repurchase activity related to our share repurchase programs for the three months ended March 31, 2007:

| | Total Number of Shares Repurchased | Weighted Average Price Paid Per Share | Cumulative Shares Repurchased Under the Program | Dollar Amount Remaining Under The Program |
|---|--|--|---|---|
| | ----- | ----- | ----- | ----- |
| July 2006 Program | | | | |
| ----- | | | | |
| January 1 through January 31, 2007 | 67,379 | \$ 36.41 | 260,777 | \$ 40,432,944 |
| February 1 through February 28, 2007 | 111,900 | \$ 46.86 | 372,677 | \$ 35,189,260 |
| March 1 through March 31, 2007 | 446,800 | \$ 48.29 | 819,477 | \$ 13,614,888 |
| | ----- | | ===== | ===== |
| First Quarter Total - July 2006 Program | 626,079 | \$ 46.76 | | |
| | ===== | ===== | | |

The amount authorized for repurchase under the July 2006 Program is \$50 million. On April 26, 2007, our Board of Directors authorized a \$150 million share repurchase plan.

Item 6. Exhibits

| Exhibit No. | Description |
|-------------|---|
| ----- | ----- |
| 10.1 | Amended and Restated Senior Subordinated Promissory Note - \$12,500,000, originally dated October 11, 2002, by and among PCI Holding Corp. and Chemed Corporation as of February 23, 2007 |
| 10.2 | Amended and Restated Senior Subordinated Promissory Note - \$2,201,378, originally dated October 10, 2006, by and among PCI Holding Corp. and Chemed Corporation as of February 23, 2007 |
| 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. |

SIGNATURES

Pursuant to the requirements of the Securities and 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

(Registrant)

Dated: May 2, 2007

By: Kevin J. McNamara

Kevin J. McNamara
(President and Chief Executive Officer)

Dated: May 2, 2007

By: David P. Williams

David P. Williams
(Vice President and Chief Financial Officer)

Dated: May 2, 2007

By: Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and Controller)

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

THIS PROMISSORY NOTE IS SUBJECT TO A SUBORDINATION AND INTERCREDITOR AGREEMENT DATED AS OF OCTOBER 11, 2002 BY AND AMONG CHEMED CORPORATION, PCI-A HOLDING CORP., PCI HOLDING CORP. AND PNC BANK, NATIONAL ASSOCIATION.

AMENDED AND RESTATED

 SENIOR SUBORDINATED PROMISSORY NOTE

\$12,500,000

Original Date: October 11, 2002
 Amended and Restated as of February 23, 2007

FOR VALUE RECEIVED, PCI HOLDING CORP., a Delaware corporation (the "Borrower") promises to pay to the order of Chemed Corporation, a Delaware corporation (hereinafter referred to as the "Lender") on or before October 31, 2009 (the "Maturity Date"), the principal sum of TWELVE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$12,500,000), or such part thereof as then remains unpaid, and to pay interest from the date hereof on the whole amount of said principal sum remaining from time to time unpaid at the rate of (i) seven and one-half percent (7.5%) per annum for the period from October 11, 2002 through September 30, 2004; (ii) eight and one-half percent (8.5%) per annum for the period from October 1, 2004 through September 30, 2005; (iii) nine and one-half percent (9.5%) per annum for the period from October 1, 2005 through March 1, 2007; and (iv) the greater of (1) the annual interest rate payable by the Borrower on its senior credit facility with PNC Bank, National Association (or any successor senior lender to the Borrower) plus 2.0% per annum or (2) eleven and one-half percent (11.5%) per annum for the period from March 1, 2007 through the Maturity Date. Such interest shall be payable quarterly in arrears on the last Business Day of March, June, September and December in each year, the first such payment to be due and payable on December 31, 2002. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America, in immediately available funds, by wire transfer of funds to the account or accounts designated in writing by the Lender or in such other manner as the Lender may designate from time to time in writing to the Borrower.

Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed. Nothing in this Note shall require the Borrower to pay interest at a rate in excess of the maximum rate permitted by applicable law. Notwithstanding any other provision of this Note, the Lender does not intend to charge and Borrower shall not be required to pay any interest or other fees or charges in excess of the maximum permitted by applicable law; any payments in excess of such maximum shall be credited to reduce principal hereunder. All payments received by the Lender hereunder will be applied first to costs of collection, if any, then to interest and the balance to principal.

The Borrower also promises to pay all taxes levied or assessed upon said advances against any holder of this Note and to pay all costs, including attorneys' fees, costs relating to the appraisal and/or valuation of assets and all costs incurred in the collection, defense, preservation, administration, enforcement or protection of this Note or in any guaranty or endorsement of this Note, or in any litigation arising out of the transactions of which this Note or any guaranty or endorsement of this Note is a part.

This Note amends and restates in its entirety that certain Senior Subordinated Promissory Note of the Borrower in favor of the Lender dated October 11, 2002 in the original principal amount of \$12,500,000.

This Note is subject to the following terms and conditions:

1. Prepayment.

(a) Required Liquidity Redemption. In the event and upon the closing of a Qualified Public Offering or a Sale Event (as defined below) prior to the Maturity Date, the Borrower shall redeem, without penalty or premium, except as set forth in Section 1(c), this Note, together with all accrued and unpaid interest then due thereon.

(b) Optional Redemption. In addition to the redemption of this Note required under Section 1(a), the Borrower may, at any time and from time to time, redeem, without penalty or premium except as set forth in Section 1(c), this Note, in whole or in part, together with interest due on the amount so redeemed through the date of redemption.

(c) Redemption Premium. Should the Borrower redeem this Note, in whole or in part, pursuant to Section 1(a) or 1(b), at any time after October 11, 2007 and prior to the Maturity Date, the Borrower shall pay to the Lender at the time of such redemption an additional amount equal to five percent (5%) of the total principal amount of this Note redeemed at such time. No redemption premium shall be payable by the Borrower should the Borrower redeem this Note, in whole or in part, pursuant to Section 1(a) or 1(b), at any time on or prior to October 11, 2007.

(d) Notice of Redemption. Notice of any optional redemption pursuant to Section 1(b) shall be given to the Lender at least five (5) Business Days prior to the date of such redemption and notice of any required redemption pursuant to Section 1(a) shall be given to the Lender at least five (5) Business Days prior to the closing of a Qualified Public Offering or a Sale Event.

(e) Liquidation Payment. In the event that this Note is paid by the Borrower on or after the Maturity Date without having been redeemed by the Borrower prior thereto pursuant to Section 1(a) or 1(b), then upon the closing of a Qualified Public Offering or a Sale Event after the Maturity Date, the Borrower shall pay to the Lender at the time of such closing an additional amount equal to ten percent (10%) of the total principal amount of this Note paid by the Borrower on or after the Maturity Date.

2. Transfer and Exchange of this Note. The Lender may, prior to maturity or prepayment thereof surrender this Note at the principal office of the Borrower for transfer or exchange. The Lender shall first notify the Borrower in writing at least five (5) Business Days in advance of such transfer or exchange. Within a reasonable time after such notice to the Borrower from the Lender of its intention to make such exchange and without expense (other than transfer taxes, if any) to the Lender, the Borrower shall issue in exchange therefor another note or notes, in such denominations as requested by the Lender, for the same aggregate principal amount, as of the date of such issuance, as the unpaid principal amount of this Note so surrendered and having the same maturity and rate of interest, containing the same provisions and subject to the same terms and conditions as this Note so surrendered provided that such proposed transferees shall, prior to the issuance of the new note, execute and deliver an instrument of accession to the Subordination Agreement (as defined below). Each new note shall be made payable to such person or persons, or assigns, as the Lender may designate, and such transfer or exchange shall be made in such a manner that no gain or loss of principal or interest shall result therefrom.

3. Replacement of Notes. Upon receipt of evidence satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note and, if requested by the Borrower in the case of any such loss, theft or destruction, upon delivery of an indemnity bond or other agreement or security reasonably satisfactory to the Borrower, or, in the case of any such mutilation, upon surrender and cancellation of such Note, the Borrower will issue a new Note, of like tenor and amount and dated the date to which interest has been paid, in lieu of such lost, stolen, destroyed or mutilated Note.

4. Subordination. The indebtedness evidenced by this Note shall be subordinate and junior to certain indebtedness of the Borrower to PNC Bank, National Association (the "Bank") and certain other lenders in the manner and to the extent provided in the Subordination and Intercreditor Agreement entered as of October 11, 2002 by and among the Lender, PCI-A Holding Corp., the Borrower and the Bank (the "Subordination Agreement"). At the request of the Borrower's current or future senior lender at any time or from time to time, the Lender and the Borrower shall enter into (i) an amendment of the Subordination Agreement to confirm that the terms of the Subordination Agreement apply to this Note as amended and restated and/or (ii) a similar agreement on comparable terms with any other senior lender of the Borrower.

5. Representations and Warranties of Borrower. The Borrower represents and warrants to Lender as follows:

5.1 Organization and Corporate Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all necessary corporate power and authority to issue this Note and to perform its obligations hereunder.

5.2 Authorization of Transaction. The execution, delivery and performance of this Note has been duly and validly authorized by all requisite corporate action on the part of the Borrower, and no other corporate proceedings on their part are necessary to authorize the execution, delivery or performance of this Note. This Note constitutes a valid and binding obligation of the Borrower, enforceable in accordance with its terms.

5.3 No Violation. The Borrower is not subject to or obligated under its certificate of incorporation or by-laws or any applicable material law, rule or regulation of any governmental authority, or any agreement or instrument, or any license, franchise or permit, or any order, writ, injunction or decree, that would be breached or violated by the Borrower's execution, delivery or performance of this Note.

5.4 Governmental Authorities and Consents. No consent, approval or authorization of any governmental or regulatory authority or any other party or person is required to be obtained by the Borrower in connection with its execution, delivery and performance of this Note.

5.5 Litigation. There are no material actions, suits, proceedings or orders pending or, to the Borrower's knowledge, threatened against or affecting the Borrower at law or in equity, or before or by any federal, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality, domestic or foreign, that would adversely affect the Borrower's ability to perform its obligations under this Note.

6. Covenants of Borrower. The Borrower covenants and agrees with the Lender as follows for so long as this Note is outstanding:

6.1 Dividends and Distributions; Acquisitions. Except with the prior written consent of the Lender, the Borrower will not (i) pay any cash dividend on, or make any other cash distribution in respect of, any of its Capital Stock or (ii) acquire all or substantially all of the voting capital stock or assets of any business entity (other than any subsidiary of the Borrower).

6.2 Transactions with Affiliates. The Borrower will not enter into any transaction with any officer, director or stockholder of the Borrower, or any entity controlled by any such officer, director or stockholder, except for (i) transactions between the Borrower and any direct or indirect wholly-owned subsidiary of the Borrower, (ii) compensation to officers, directors, employees, consultants or agents of the Borrower in connection with their employment by the Borrower in the ordinary course of business and consistent with the Borrower's past practices, and (iii) transactions that are in the ordinary course of the Borrower's business, upon fair and reasonable terms that are no less favorable to the Borrower than would be obtained in an arm's-length transaction with a non-affiliated person or entity.

6.3 Payment of Subordinated Indebtedness. The Borrower will not make any payment on any indebtedness for borrowed money that is pari passu with or subordinated to this Note, except under the terms of the subordination, intercreditor, or other similar agreement to which such other indebtedness is subject.

6.4 Payment of Senior Indebtedness. For the avoidance of doubt, nothing in this Note shall in any way restrict the Borrower's right or ability to make any payment on any current or future indebtedness that is not by its express terms pari passu with or subordinated to this Note.

7. Events of Default. If any of the following events "Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any installment of principal of this Note when due;

(b) The Borrower shall fail to pay any interest or premium, if any, on this Note when due and such failure is not cured within fifteen (15) days;

(c) The Borrower shall default in the performance of any other covenant or obligation contained in this Note for thirty (30) days after written notice thereof shall have been given to the Borrower;

(d) The Borrower shall be involved in financial difficulties evidenced (1) by its admitting in writing its inability to pay its debts generally as they become due; (ii) by its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case; (iii) by its filing an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to controvert timely the material allegations of any such petition; (iv) by the entry of an order for relief in any involuntary case commenced under said Title 11 which is not dismissed within sixty (60) days; (v) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief; (vi) by the entry of an order by a court of competent jurisdiction (a) finding it to be bankrupt or insolvent, (b) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (c) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property; or (vii) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property;

(e) Any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower and such judgment, writ, or similar process shall not be released, vacated or fully bonded within thirty (30) days after its issuance or levy;

then, and in any such event listed in Sections 6(a) through (g), the Lender may, by notice to the Borrower, declare the entire unpaid principal amount of this Note, and all interest accrued and unpaid thereon to be forthwith due and payable, whereupon this Note, and all such accrued interest shall become and be forthwith due and payable (unless there shall have occurred an Event of Default under Section 6(d) in which case all such amounts shall automatically become due and payable), without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, provided that, if at any time after the principal of this Note shall have become due and payable, and before any judgment or decree for the payment of the moneys so due, or any portion thereof, shall have been entered, then and in every such case the Lender may, by written instrument filed with the Borrower, rescind and annul such declaration and its consequences.

8. Definitions.

"Business Day" means any day other than a Saturday, Sunday or public holiday or the equivalent for banks under the laws of the Commonwealth of Massachusetts.

"Capital Stock" means all authorized capital stock of the Borrower.

"Common Stock" means the common stock of the Borrower, par value \$0.01 per share.

"Qualified Public Offering" means an initial underwritten public offering by the Borrower of its Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, for an offering price resulting in net proceeds to the Borrower of at least Fifty Million Dollars (\$50,000,000.00).

"Sale Event" means any (i) consolidation or merger of the Borrower into or with any other entity or entities which results in the exchange of outstanding shares of Capital Stock of the Borrower for securities or other consideration issued or paid or caused to be issued or paid by any such entity or any affiliate thereof (other than (A) a merger or consolidation to reincorporate the Borrower in a different jurisdiction, or (B) a merger or consolidation in which the stockholders of the Borrower immediately prior to such consolidation or merger shall own more than 50% of the outstanding shares of capital stock or have sufficient voting power (by virtue of number of votes and/or special voting rights) to elect a majority of the members of the board of directors of the resulting or surviving Borrower immediately after such consolidation or merger (a "Merger Acquisition"), (ii) the sale or transfer by the Borrower of all or substantially all its assets, or the sale by the Borrower after February 23, 2007 of assets resulting in aggregate net cash proceeds to the Borrower in excess of Twenty Five Million Dollars (\$25,000,000.00) (an "Asset Sale"), or (iii) the sale or transfer by the Borrower's stockholders of outstanding shares of Capital Stock that have sufficient voting power (by virtue of number of votes

and/or special voting rights) to elect a majority of the members of the Board of Directors, in a single transaction or series of related transactions, to a person, entity or "group" (as such term is used in Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) (a "Change of Control").

9. Waivers, Consent to Jurisdiction.

If this Note is not paid in accordance with its terms, Borrower shall pay to Lender, in addition to principal and accrued interest thereon, all costs of collection of the principal and accrued interest and any required liquidation payment, including, but not limited to, reasonable attorneys' fees, court costs and other costs for the enforcement of payment of this Note.

No waiver of any obligation of Borrower under this Note shall be effective unless it is in a writing signed by Lender. A waiver by Lender of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time.

This Note is delivered in and shall be enforceable in accordance with the internal domestic laws of the State of Delaware (without regard to the conflicts of law provisions thereof), and shall be construed in accordance therewith, and shall have the effect of a sealed instrument.

Borrower hereby expressly waives presentment, demand, and protest, notice of demand, dishonor and nonpayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

IN WITNESS WHEREOF, the Borrower has executed this Note under seal as of the date first written above.

PCI HOLDING CORP.

By: /s/ Robert J. Nixon

Name: Robert J. Nixon

Title: CEO

WITNESS: By: /s/ Larry Sussman

Name: Larry Sussman

Title: Director of Finance

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

THIS PROMISSORY NOTE IS SUBJECT TO A SUBORDINATION AND INTERCREDITOR AGREEMENT DATED AS OF OCTOBER 11, 2002 BY AND AMONG CHEMED CORPORATION, PCI-A HOLDING CORP., PCI HOLDING CORP. AND PNC BANK, NATIONAL ASSOCIATION.

AMENDED AND RESTATED

 SENIOR SUBORDINATED PROMISSORY NOTE

\$2,201,378.70

Original Date: October 10, 2006
 Amended and Restated as of February 23, 2007

FOR VALUE RECEIVED, PCI HOLDING CORP., a Delaware corporation (the "Borrower") promises to pay to the order of Chemed Corporation, a Delaware corporation (hereinafter referred to as the "Lender") on or before October 31, 2009 (the "Maturity Date"), the principal sum of two million, two hundred and one thousand, three hundred and seventy eight dollars and seventy cents (\$2,201,378.70), or such part thereof as then remains unpaid, and to pay interest from September 1, 2006 on the whole amount of said principal sum remaining from time to time unpaid at the rate of (i) nine and one-half percent (9.5) per annum for the period from September 1, 2006 through March 1, 2007; and (ii) the greater of (1) the annual interest rate payable by the Borrower on its senior credit facility with PNC Bank, National Association (or any successor senior lender to the Borrower) plus 2.0% per annum or (2) eleven and one-half percent (11.5%) per annum for the period from March 1, 2007 through the Maturity Date. Such interest shall be payable quarterly in arrears on the last Business Day of March, June, September and December in each year, the first such payment to be due and payable on December 31, 2006. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America, in immediately available funds, by wire transfer of funds to the account or accounts designated in writing by the Lender or in such other manner as the Lender may designate from time to time in writing to the Borrower.

Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed. Nothing in this Note shall require the Borrower to pay interest at a rate in excess of the maximum rate permitted by applicable law. Notwithstanding any other provision of this Note, the Lender does not intend to charge and Borrower shall not be required to pay any interest or other fees or charges in excess of the maximum permitted by applicable law; any payments in excess of such maximum shall be credited to reduce principal hereunder. All payments received by the Lender hereunder will be applied first to costs of collection, if any, then to interest and the balance to principal.

The Borrower also promises to pay all taxes levied or assessed upon said advances against any holder of this Note and to pay all costs, including attorneys' fees, costs relating to the appraisal and/or valuation of assets and all costs incurred in the collection, defense, preservation, administration, enforcement or protection of this Note or in any guaranty or endorsement of this Note, or in any litigation arising out of the transactions of which this Note or any guaranty or endorsement of this Note is a part.

This Note amends and restates in its entirety that certain Senior Subordinated Promissory Note of the Borrower in favor of the Lender dated October 10, 2006 in the original principal amount of \$2,201,378.70.

This Note is subject to the following terms and conditions:

1. Prepayment.

(f) Required Liquidity Redemption. In the event and upon the closing of a Qualified Public Offering or a Sale Event (as defined below) prior to the Maturity Date, the Borrower shall redeem, without penalty or premium, except as set forth in Section 1(c), this Note, together with all accrued and unpaid interest then due thereon.

(g) Optional Redemption. In addition to the redemption of this Note

required under Section 1(a), the Borrower may, at any time and from time to time, redeem, without penalty or premium except as set forth in Section 1(c), this Note, in whole or in part, together with interest due on the amount so redeemed through the date of redemption.

(h) Redemption Premium. Should the Borrower redeem this Note, in whole or in part, pursuant to Section 1(a) or 1(b), at any time after October 11, 2007 and prior to the Maturity Date, the Borrower shall pay to the Lender at the time of such redemption an additional amount equal to five percent (5%) of the total principal amount of this Note redeemed at such time. No redemption premium shall be payable by the Borrower should the Borrower redeem this Note, in whole or in part, pursuant to Section 1(a) or 1(b), at any time on or prior to October 11, 2007.

(i) Notice of Redemption. Notice of any optional redemption pursuant to Section 1(b) shall be given to the Lender at least five (5) Business Days prior to the date of such redemption and notice of any required redemption pursuant to Section 1(a) shall be given to the Lender at least five (5) Business Days prior to the closing of a Qualified Public Offering or a Sale Event.

(j) Liquidation Payment. In the event that this Note is paid by the Borrower on or after the Maturity Date without having been redeemed by the Borrower prior thereto pursuant to Section 1(a) or 1(b), then upon the closing of a Qualified Public Offering or a Sale Event after the Maturity Date, the Borrower shall pay to the Lender at the time of such closing an additional amount equal to ten percent (10%) of the total principal amount of this Note paid by the Borrower on or after the Maturity Date.

4. Transfer and Exchange of this Note. The Lender may, prior to maturity or prepayment thereof surrender this Note at the principal office of the Borrower for transfer or exchange. The Lender shall first notify the Borrower in writing at least five (5) Business Days in advance of such transfer or exchange. Within a reasonable time after such notice to the Borrower from the Lender of its intention to make such exchange and without expense (other than transfer taxes, if any) to the Lender, the Borrower shall issue in exchange therefor another note or notes, in such denominations as requested by the Lender, for the same aggregate principal amount, as of the date of such issuance, as the unpaid principal amount of this Note so surrendered and having the same maturity and rate of interest, containing the same provisions and subject to the same terms and conditions as this Note so surrendered provided that such proposed transferees shall, prior to the issuance of the new note, execute and deliver an instrument of accession to the Subordination Agreement (as defined below). Each new note shall be made payable to such person or persons, or assigns, as the Lender may designate, and such transfer or exchange shall be made in such a manner that no gain or loss of principal or interest shall result therefrom.

5. Replacement of Notes. Upon receipt of evidence satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note and, if requested by the Borrower in the case of any such loss, theft or destruction, upon delivery of an indemnity bond or other agreement or security reasonably satisfactory to the Borrower, or, in the case of any such mutilation, upon surrender and cancellation of such Note, the Borrower will issue a new Note, of like tenor and amount and dated the date to which interest has been paid, in lieu of such lost, stolen, destroyed or mutilated Note.

7. Subordination. The indebtedness evidenced by this Note shall be subordinate and junior to certain indebtedness of the Borrower to PNC Bank, National Association (the "Bank") and certain other lenders in the manner and to the extent provided in the Subordination and Intercreditor Agreement entered as of October 11, 2002 by and among the Lender, PCI-A Holding Corp., the Borrower and the Bank (the "Subordination Agreement"). At the request of the Borrower's current or future senior lender at any time or from time to time, the Lender and the Borrower shall enter into (i) an amendment of the Subordination Agreement to confirm that the terms of the Subordination Agreement apply to this Note as amended and restated and/or (ii) a similar agreement on comparable terms with any other senior lender of the Borrower.

8. Representations and Warranties of Borrower. The Borrower represents and warrants to Lender as follows:

5.1 Organization and Corporate Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all necessary corporate power and authority to issue this Note and to perform its obligations hereunder.

5.2 Authorization of Transaction. The execution, delivery and performance of this Note has been duly and validly authorized by all requisite corporate action on the part of the Borrower, and no other corporate proceedings on their part are necessary to authorize the execution, delivery or performance of this Note. This Note constitutes a valid and binding obligation of the Borrower, enforceable in accordance with its terms.

5.3 No Violation. The Borrower is not subject to or obligated under its certificate of incorporation or by-laws or any applicable material law, rule or regulation of any governmental authority, or any agreement or instrument, or any license, franchise or permit, or any order, writ, injunction or decree, that would be breached or violated by the Borrower's execution, delivery or performance of this Note.

5.4 Governmental Authorities and Consents. No consent, approval or authorization of any governmental or regulatory authority or any other party or person is required to be obtained by the Borrower in connection with its execution, delivery and performance of this Note.

5.5 Litigation. There are no material actions, suits, proceedings or orders pending or, to the Borrower's knowledge, threatened against or affecting the Borrower at law or in equity, or before or by any federal, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality, domestic or foreign, that would adversely affect the Borrower's ability to perform its obligations under this Note.

9. Covenants of Borrower. The Borrower covenants and agrees with the Lender as follows for so long as this Note is outstanding:

6.1 Dividends and Distributions; Acquisitions. Except with the prior written consent of the Lender, the Borrower will not (i) pay any cash dividend on, or make any other cash distribution in respect of, any of its Capital Stock or (ii) acquire all or substantially all of the voting capital stock or assets of any business entity (other than any subsidiary of the Borrower).

6.2 Transactions with Affiliates. The Borrower will not enter into any transaction with any officer, director or stockholder of the Borrower, or any entity controlled by any such officer, director or stockholder, except for (i) transactions between the Borrower and any direct or indirect wholly-owned subsidiary of the Borrower, (ii) compensation to officers, directors, employees, consultants or agents of the Borrower in connection with their employment by the Borrower in the ordinary course of business and consistent with the Borrower's past practices, and (iii) transactions that are in the ordinary course of the Borrower's business, upon fair and reasonable terms that are no less favorable to the Borrower than would be obtained in an arm's-length transaction with a non-affiliated person or entity.

6.3 Payment of Subordinated Indebtedness. The Borrower will not make any payment on any indebtedness for borrowed money that is pari passu with or subordinated to this Note, except under the terms of the subordination, intercreditor, or other similar agreement to which such other indebtedness is subject.

6.4 Payment of Senior Indebtedness. For the avoidance of doubt, nothing in this Note shall in any way restrict the Borrower's right or ability to make any payment on any current or future indebtedness that is not by its express terms pari passu with or subordinated to this Note.

7. Events of Default. If any of the following events "Events of Default") shall occur and be continuing:

(c) The Borrower shall fail to pay any installment of principal of this Note when due;

(d) The Borrower shall fail to pay any interest or premium, if any, on this Note when due and such failure is not cured within fifteen (15) days;

(f) The Borrower shall default in the performance of any other covenant or obligation contained in this Note for thirty (30) days after written notice thereof shall have been given to the Borrower;

(g) The Borrower shall be involved in financial difficulties evidenced (1) by its admitting in writing its inability to pay its debts generally as they become due; (ii) by its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case; (iii) by its filing an answer or other

pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to controvert timely the material allegations of any such petition; (iv) by the entry of an order for relief in any involuntary case commenced under said Title 11 which is not dismissed within sixty (60) days; (v) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief; (vi) by the entry of an order by a court of competent jurisdiction (a) finding it to be bankrupt or insolvent, (b) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (c) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property; or (vii) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property;

(h) Any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower and such judgment, writ, or similar process shall not be released, vacated or fully bonded within thirty (30) days after its issuance or levy;

(i) The Borrower and/or Patient Care, Inc. shall fail to pay any Intercompany Claim (as that term is used in Paragraph 8 of the Settlement Agreement dated as of October 2006 among the Lender, Vitas Healthcare Corporation, the Borrower and Patient Care, Inc., hereinafter the "Settlement Agreement"), as provided in Paragraph 8 of the Settlement Agreement, and such failure is not cured within ten (10) days of notice of such from Lender to Borrower; or

(j) The Borrower shall fail to deliver any Financials (as that term is used in the Settlement Agreement) to Chemed as and when required by the Financial Reporting Agreement (as that term is used in the Settlement Agreement), and such failure is not cured within ten (10) days of notice of such by the Lender to the Borrower;

then, and in any such event listed in Sections 6(a) through (g), the Lender may, by notice to the Borrower, declare the entire unpaid principal amount of this Note, and all interest accrued and unpaid thereon to be forthwith due and payable, whereupon this Note, and all such accrued interest shall become and be forthwith due and payable (unless there shall have occurred an Event of Default under Section 6(d) in which case all such amounts shall automatically become due and payable), without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, provided that, if at any time after the principal of this Note shall have become due and payable, and before any judgment or decree for the payment of the moneys so due, or any portion thereof, shall have been entered, then and in every such case the Lender may, by written instrument filed with the Borrower, rescind and annul such declaration and its consequences.

10. Definitions.

"Business Day" means any day other than a Saturday, Sunday or public holiday or the equivalent for banks under the laws of the Commonwealth of Massachusetts.

"Capital Stock" means all authorized capital stock of the Borrower.

"Common Stock" means the common stock of the Borrower, par value \$0.01 per share.

"Qualified Public Offering" means an initial underwritten public offering by the Borrower of its Common Stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, for an offering price resulting in net proceeds to the Borrower of at least Fifty Million Dollars (\$50,000,000.00).

"Sale Event" means any (i) consolidation or merger of the Borrower into or with any other entity or entities which results in the exchange of outstanding shares of Capital Stock of the Borrower for securities or other consideration issued or paid or caused to be issued or paid by any such entity or any affiliate thereof (other than (A) a merger or consolidation to reincorporate the Borrower in a different jurisdiction, or (B) a merger or consolidation in which the stockholders of the Borrower immediately prior to such consolidation or merger shall own more than 50% of the outstanding shares of capital stock or have sufficient voting power (by virtue of number of votes and/or special voting rights) to elect a majority of the members of the board of directors of the resulting or surviving Borrower immediately after such consolidation or merger (a "Merger Acquisition"), (ii) the sale or transfer by the Borrower of all or substantially all its assets, or the sale by the Borrower after February 23, 2007 of assets resulting in aggregate net cash proceeds to the Borrower in excess of Twenty Five Million Dollars (\$25,000,000.00) (an "Asset Sale"), or (iii) the sale or transfer by the Borrower's stockholders of outstanding shares of Capital Stock that have sufficient voting power (by virtue of number of votes and/or special voting rights) to elect a majority of the members of the Board of Directors, in a single transaction or series of related transactions, to a person, entity or "group" (as such term is used in Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) (a "Change of Control").

11. Waivers, Consent to Jurisdiction.

If this Note is not paid in accordance with its terms, Borrower shall pay to Lender, in addition to principal and accrued interest thereon, all costs of collection of the principal and accrued interest and any required liquidation payment, including, but not limited to, reasonable attorneys' fees, court costs and other costs for the enforcement of payment of this Note.

No waiver of any obligation of Borrower under this Note shall be effective unless it is in a writing signed by Lender. A waiver by Lender of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time.

This Note is delivered in and shall be enforceable in accordance with the internal domestic laws of the State of Delaware (without regard to the conflicts of law provisions thereof), and shall be construed in accordance therewith, and shall have the effect of a sealed instrument.

Borrower hereby expressly waives presentment, demand, and protest, notice of demand, dishonor and nonpayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

IN WITNESS WHEREOF, the Borrower has executed this Note under seal as of the date first written above.

PCI HOLDING CORP.

By: /s/ Robert J. Nixon

Name: Robert J. Nixon

Title: CEO

WITNESS: By: /s/ Larry Sussman

Name: Larry Sussman

Title: Director of Finance

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 quarterly report on Form 10-Q 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 quarterly 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 and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 the 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; and

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

Date: May 2, 2007

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

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 quarterly report on Form 10-Q 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 quarterly 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 and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 the 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; and

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

Date: May 2, 2007

/s/ David P. Williams

David P. Williams

(Vice President and Chief Financial Officer)

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 quarterly report on Form 10-Q 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 quarterly 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 and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 the 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; and

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

Date: May 2, 2007

/s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and
Controller)

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 Quarterly Report of Form 10-Q for the quarter ending March 31, 2007 ("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: May 2, 2007

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

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 Quarterly Report of Form 10-Q for the quarter ending March 31, 2007 ("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: May 2, 2007

/s/ David P. Williams

David P. Williams
(Vice President and Chief Financial Officer)

CERTIFICATION BY ARTHUR 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 Quarterly Report of Form 10-Q for the quarter ending March 31, 2007 ("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: May 2, 2007

/s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and Controller)