UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

☑ **For the fiscal year ended December 31, 2015**
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from _____to _____

Commission File Number: 1-8351

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

Delaware	**31-0791746**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
Suite 2600, 255 East Fifth Street, Cincinnati, Ohio	45202-4726
(Address of principal executive offices)	(Zip Code)

(513) 762-6690
(Registrant's Telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Capital Stock – Par Value $1 Per Share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price of said stock on the New York Stock Exchange – Composite Transaction Listing on June 30, 2015 ($131.10 per share), was $2,162,114,441.

At February 16, 2016, 16,985,970 shares of Chemed Capital Stock (par value $1 per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
2015 Annual Report to Stockholders (specified portions)	Parts I, II, and IV
Proxy Statement for Annual Meeting to be held May 16, 2016	Part III

CHEMED CORPORATION
2015 FORM 10-K ANNUAL REPORT

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Item 1. Business

General

Chemed Corporation (the Company or Chemed) was incorporated in Delaware in 1970 as a subsidiary of W.R. Grace & Co. and succeeded to the business of W.R. Grace & Co.'s Special Products Group as of April 30, 1971 and remained a subsidiary of W.R. Grace & Co. until March 10, 1982.

Chemed purchases, operates and divests subsidiaries engaged in diverse business activities for the purposes of maximizing shareholder value. The Company's day to day operating businesses are managed on a decentralized basis. There are few integrated business functions between the operating units and Chemed (such as sales, marketing or purchasing). Chemed's corporate office management participates in and is ultimately responsible for long term strategic planning, significant capital allocation decisions, investment activities, financial reporting, tax, legal and the selection of the key executives of each of the operating businesses. Since its inception, the Company has engaged in twelve significant acquisitions or divestitures of diverse business units.

During 2015, Chemed conducted its business operations in two segments: the VITAS segment (VITAS) and the Roto-Rooter segment (Roto-Rooter). VITAS provides hospice and palliative care services to its patients through a network of physicians, registered nurses, home health aides, social workers, clergy and volunteers. Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers.

Forward Looking Statements

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

Financial Information about Industry Segments

The required segment and geographic data for the Company's continuing operations (as described below) for three years ended December 31, 2013, 2014 and 2015 are shown in Note 5 of the Notes to Consolidated Financial Statements on pages 89-91 of the 2015 Annual Report to Stockholders and are incorporated herein by reference.

Description of Business by Segment

The information called for by this item is included within Note 5 of the Notes to Consolidated Financial Statements appearing on pages 89-91 of the 2015 Annual Report to Stockholders is incorporated herein by reference.

Product and Market Development

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

Patents, Service Marks and Licenses

The Roto-Rooter® trademarks and service marks have been used and advertised since 1935 by Roto-Rooter Corporation, a wholly owned indirect subsidiary of the Company. The Roto-Rooter® marks are among the most highly recognized trademarks and service marks in the United States. The Company considers the Roto-Rooter® marks to be a valuable asset and a significant factor in the marketing of Roto-Rooter's franchises, products and services and the products and services provided by its franchises.

"VITAS" and "Innovative Hospice Care" are trademarks and servicemarks of VITAS Healthcare Corporation. The Company and its subsidiaries also own certain trade secrets including training manuals, cost information, patient information and software source codes. Certain states require certificates of need to conduct hospice operations. In those states, we consider certificates of need valuable assets.

Seasonality

Roto-Rooter's revenue and operating results are impacted by significant weather patterns across the United States. Significant changes in precipitation or temperatures in areas we have company-owned operations will generally affect the revenue and operating results at Roto-Rooter.

A significant portion of our VITAS business is operated in the state of Florida. As the vast majority of our patients are Medicare recipients, beneficiaries relocating to Florida during the winter months generally result in higher admissions and revenue for our Florida programs during that period.

Customer Concentration

Roto-Rooter's business has a large and diverse customer base. Approximately 90% of VITAS' revenue is from the United States government through the Medicare program. The loss of a portion or all of our Medicare revenue would have a material adverse effect on the Company.

Competition

Roto-Rooter

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

VITAS

Hospice care in the United States is competitive. Plans of care for hospice services are not proprietary., As a result VITAS competes and differentiates itself primarily on the basis of its ability to deliver quality, responsive services within the requirements of Medicare's conditions of participation. VITAS is one of the nation's largest providers of hospice services in an industry dominated primarily by small, non-profit, community-based hospices. Approximately 30% of all hospices are not-for-profit. Because the hospice care industry is highly fragmented, VITAS competes with a large number of organizations.

VITAS also competes with a number of national and regional hospice providers, hospitals, nursing homes, home health agencies and other health care providers. Many providers offer home care to patients who are terminally ill, and some actively market palliative care and hospice-like programs. In addition, various health care companies have diversified into the hospice market. Some of these health care companies have greater financial resources than VITAS. Relatively few barriers to entry exist in the majority of markets served by VITAS. Accordingly, other companies that are not currently providing hospice care may enter these markets and expand the variety of services they offer to include hospice.

Research and Development

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

Government Regulations

Roto-Rooter

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

VITAS

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

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

The Medicare COP for hospice programs include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Billing Audits/ Claims Reviews. The Medicare program and its fiscal intermediaries and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. In order to conduct these reviews, the payor requests documentation from VITAS and then reviews that documentation to determine compliance with applicable rules and regulations, including the eligibility of patients to receive hospice benefits, the appropriateness of the care provided to those patients and the documentation of that care. VITAS' claims have been subject to review and audit. We make appropriate provisions in our accounting records to reduce our revenue for anticipated denial of payment related to these audits and reviews. We believe our hospice programs comply with all payor requirements at the time of billing. However, we cannot predict whether future billing reviews or similar audits by payors will result in material denials or reductions in revenue.

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

Limitations on For-Profit Ownership. A few states have laws that restrict the development and expansion of for-profit hospice programs. For example, in New York, a hospice generally cannot be owned by a corporation that has another corporation as a stockholder. These types of restrictions could affect VITAS' ability to expand into New York, or in other jurisdictions with similar restrictions.

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

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

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

Overview of Government Payments—General. Over 90% of VITAS' revenue consisted of payments from the Medicare and Medicaid programs. Such payments are made primarily on a "per diem" basis. Under the per diem reimbursement methodology, VITAS is essentially at risk for the cost of eligible services provided to hospice patients. Profitability is therefore largely dependent upon VITAS' ability to manage the costs of providing hospice services to patients. Increases in operating costs, such as labor and supply costs that are subject to inflation and other increases, without a compensating increase in Medicare and Medicaid rates, could have a material adverse effect on VITAS' business in the future. The Medicare and Medicaid programs are increasing pressure to control health care costs and to decrease or limit increases in reimbursement rates for health care services. As with most government programs, the Medicare and Medicaid programs are subject to statutory and regulatory changes, possible retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and could have a material adverse effect on VITAS' business. VITAS' levels of revenues and profitability are subject to the effect of legislative and regulatory changes, including possible reductions in coverage or payment rates, or changes in methods of payment, by the Medicare and Medicaid programs.

Overview of Government Payments – Medicare

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

Levels of Care. Medicare pays for hospice services on a prospective payment system basis under which VITAS receives an established payment rate for each day that it provides hospice services to a Medicare beneficiary. These rates are subject to annual adjustments for inflation and vary based upon the geographic location where the services are provided. The rate VITAS receives depends on which level of care is being provided to the beneficiary.

There are four levels of care and related reimbursement within the Medicare Hospice Benefit. These levels of care are Routine Home Care, Continuous Care, Inpatient Care and Respite Care. Medicare hospice providers are required under Medicare's Conditions of Participation and their regulations to provide all four levels of care, available on a 24/7 basis, when appropriate.

Vitas as required under Medicare's Conditions of Participation and their regulations has the ability to provide all levels of care to its patients. The actual level of care a patient receives on any given day is based upon the clinical needs of the patient.

Routine Home Care. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. In 2015 the routine home care rate does not vary based upon the volume or intensity of services provided by the hospice program. Effective January 1, 2016 the routine home care rate changed to reflect a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen minute increments at the continuous care rate.

General Inpatient Care. The general inpatient care rate is paid when a patient requires inpatient services for a short period for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care. Continuous home care, which VITAS refers to as "Intensive Comfort Care," is provided to patients while at home, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins and ends at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed practical nurse. While the published Medicare continuous home care rates are daily rates, Medicare actually pays for continuous home care in fifteen minute increments. This fifteen minute rate is calculated by dividing the daily rate by 96.

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

Medicare Payment for Physician Services. Payment for direct patient care physician services delivered by hospice physicians is billed separately by the hospice to the Medicare fiscal intermediary and paid at the lesser of the actual charge or the Medicare allowable charge for these services. This payment is in addition to the per diem rates VITAS receives for hospice care. Payment for hospice physicians' administrative and general supervisory activities is included in the daily rates discussed above. Payments for attending physician professional services (other than services furnished by hospice physicians) are not paid to the hospice, but rather are paid directly to the attending physician by the Medicare fiscal intermediary. For fiscal 2015, approximately 2% of VITAS' net revenue was attributable to physician services.

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

First, under a Medicare rule known as the "80-20" rule applicable to the Medicare inpatient services, if the number of inpatient care days furnished by a hospice to Medicare beneficiaries exceeds 20% of the total days of hospice care furnished by such hospice to Medicare beneficiaries, Medicare payments to the hospice for inpatient care days exceeding the cap are reduced to the routine home care rate.

Second, Medicare payments to a hospice are also subject to a separate cap based on overall average payments per admission. Any payments exceeding this overall hospice cap must be refunded by the hospice. This cap was set at $27,382.63 per admission for the twelve-month period ended on October 31, 2015, and is adjusted annually to account for inflation. VITAS' hospices may be subject to future payment reductions or recoupments as the result of this cap.

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

Overview of Government Payments – Medicaid

Medicaid Coverage and Reimbursements. State Medicaid programs are another source of VITAS' net patient revenue. Medicaid is a state-administered program financed by state funds and matching federal funds to provide medical assistance to the indigent and certain other eligible persons. In 1986, hospice services became an optional state Medicaid benefit. For those states that elect to provide a hospice benefit, the Medicaid program is required to pay the hospice at rates at least equal to the rates provided under Medicare and calculated using the same methodology. States maintain flexibility to establish their own hospice election procedures and to limit the number and duration of benefit periods for which they will pay for hospice services. Reimbursement from state Medicaid programs in 2015 accounted for 5% of VITAS' revenues.

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

Adjustments to Medicare and Medicaid Payment Rates. Payment rates under the Medicare and Medicaid programs are adjusted annually based upon the Hospital Market Basket Index and the Consumer Price Index; however, the adjustments have historically been less than actual inflation. These base rates are further modified by the Hospice Wage Index to reflect local differences in wages according to the revised wage index. Effective April 1, 2013, the Federal government implemented a 2% reimbursement cut for all Medicare programs, including hospice. It is possible that there will be further modifications to the rate structure under which the Medicare or Medicaid programs pay for hospice care services. Any future reductions in the rate of increase or an actual decrease in Medicare and Medicaid payments may have an adverse impact on VITAS' net patient service revenue and profitability. On July 31, 2015, CMS published the final full year 2016 hospice wage index providing guidance to hospice providers regarding changes to hospice reimbursement for full year 2016. Effective January 1, 2016 the routine home care rate changed to reflect a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care, and a lower rate for days 61 and after. In addition, the full year 2016 wage rule provides reimbursement of a Service Intensity Add-on payment. This Service Intensity Add-on payment also went into effect on January 1, 2016, and applies to direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life while on the routine home care level of care.

Other Healthcare Regulations

Federal and State Anti-Kickback Laws and Safe Harbor Provisions. The federal Anti-Kickback Law makes it a felony to knowingly and willingly offer, pay, solicit or receive any form of remuneration in exchange for referring, recommending, arranging, purchasing, leasing or ordering items or services covered by a federal health care program including Medicare or Medicaid. The Anti-Kickback Law applies regardless of whether the remuneration is provided directly or indirectly, in cash or in kind. Although the Anti-Kickback statute does not prohibit all financial transactions or relationships that providers of healthcare items or services may have with each other, interpretations of the law have been very broad. Under current law, courts and federal regulatory authorities have stated that this law is violated if even one purpose (as opposed to the sole or primary purpose) of the arrangement is to induce referrals.

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

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

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

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

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

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

- Ensuring that Medicare hospice eligibility determinations are made in accordance with the Medicare regulations; and
- Revising the annual cap on hospice benefits to better reflect the cost of care provided.

From time to time, various federal and state agencies, such as HHS and the OIG, issue a variety of pronouncements, including fraud alerts, the OIG's Annual Work Plan and other reports, identifying practices that may be subject to heightened governmental scrutiny. The Company cannot predict what, if any, changes may be implemented in coverage, reimbursement, or enforcement policies as a result of these OIG reviews and recommendations.

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, *United States v. VITAS Hospice Services, LLC, et al.*, No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various qui tam lawsuits and subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

The net costs incurred related to U.S. v. Vitas and related regulatory matters were $5.0 million, $2.1 million and $2.1 million for 2015, 2014 and 2013 respectively.

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

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

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

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

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

- Denial of payment;
- Civil monetary penalties of $15,000 per referral or $1,000,000 for "circumvention schemes;"
- Assessments equal to 200% of the dollar value of each such service provided; and
- Exclusion from the Medicare and Medicaid programs.

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

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

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

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

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

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

Health Information Practices. There currently are numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. In particular, federal regulations issued under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Electronic and Clinical Health Act ("HITECH") require VITAS to protect the privacy and security of patients' individual health information. HIPAA and HITECH do not automatically preempt applicable state laws and regulations concerning VITAS' use, disclosure and maintenance of patient health information, which means that VITAS is subject to a complex regulatory scheme that, in many instances, requires VITAS to comply with both federal and state laws and regulations.

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

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

Environmental Matters

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

At December 31, 2015, the Company's accrual for its estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois Chemicals Inc. ("DuBois") amounted to $1.7 million. Of this balance, $901,000 is included in other liabilities and $826,000 is included in other current liabilities. The Company is contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the Company's potential liability, and in consultation with the Company's environmental attorney, management believes that it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. Although it is not presently possible to reliably project the timing of payments related to the Company's potential liability for environmental costs, management believes that any adjustments to its recorded liability will not materially adversely affect its financial position or results of operations.

The Company, to the best of its knowledge, is currently in compliance in all material respects with the environmental laws and regulations affecting its operations. Such environmental laws, regulations and enforcement proceedings have not required the Company to make material increases in or modifications to its capital expenditures and they have not had a material adverse effect on sales or net income. Capital expenditures for the purpose of complying with environmental laws and regulations during 2016 and 2017 with respect to continuing operations are not expected to be material in amount; there can be no assurance, however, that presently unforeseen legislative enforcement actions will not require additional expenditures.

Employees

On December 31, 2015, Chemed Corporation had a total of 14,406 employees.

Available Information

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

Annual reports, press releases, Board Committee charters, Code of Ethics, Corporate governance guidelines and other printed materials may be obtained from the website or from Chemed Investor Relations without charge by writing to, 255 East Fifth Street, Suite 2600, Cincinnati, Ohio 45202 or by calling 800-2CHEMED or 800-224-3633. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its website.

Item 1A. Risk Factors

You should carefully consider the risks described below. They are not the only ones facing the Company. Other risks and uncertainties not currently known to us or that we deem to be immaterial may also materially and adversely affect our business, financial condition, or results of operations.

GENERAL

We have incurred debt to finance the operations of the Company.

The Company has debt service obligations that may restrict our operating flexibility. We cannot assure you that our cash flow from operations will be sufficient to service our debt, which may require us to borrow additional funds, or restructure or otherwise refinance our debt. In addition, the Company has the ability to expand its debt and borrowing capacity subject to various restrictions and covenants defined by its creditors. The interest rate the Company pays will fluctuate from time to time based upon a number of factors including current LIBOR rates and Company operating performance. Significant changes in these factors could result in a material change in the Company's interest expense.

Our ability to repay or to refinance our indebtedness and to pay interest on our indebtedness will depend on our operating performance, which may be affected by factors beyond our control. These factors could include operating difficulties, increased operating costs, our competitors' actions and regulatory developments. Our ability to meet our debt service and other obligations may depend in significant part on the extent to which we successfully implement our business strategy. We cannot assure you that we will be able to implement our strategy fully or that the anticipated results of our strategy will be realized. Credit market conditions may make it difficult for us to obtain new financing or refinance our current debt on terms and conditions acceptable to us.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional equity capital or restructure our debt. We cannot assure you that our cash flows and capital resources will be sufficient to make scheduled payments of principal and interest on our indebtedness in the future or that alternative measures would successfully meet our debt service obligations.

The agreements and instruments governing our outstanding debt contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the price of our Capital Stock.

The operating and financial restrictions and covenants in our instruments of indebtedness restrict our ability to incur additional debt; issue and sell capital stock of subsidiaries; sell assets; engage in transactions with affiliates; restrict distributions from subsidiaries; incur liens; engage in business other than permitted businesses; engage in sale/leaseback transactions; engage in mergers or consolidations; make capital expenditures; make guarantees; make investments and acquisitions; enter into operating leases; hedge interest rates; and prepay other debt.

Moreover, if we are unable to meet the terms of the financial covenants or if we breach any of these covenants, a default could result under one or more of these agreements. A default, if not waived by our lenders, could accelerate repayment of our outstanding indebtedness. If acceleration occurs, we may not be able to repay our debt and it is unlikely that we would be able to borrow sufficient additional funds to refinance such debt on acceptable terms. In the event of any default under our credit facilities, the lenders thereunder could elect to declare all outstanding borrowings, together with accrued and unpaid interest and other fees, to be due and payable, and to require us to apply all of our available cash to repay these borrowings, any of which would be an event of default.

We depend on our management team and the loss of their service could have a material adverse effect on our business, financial condition and results of operations.

Our success depends to a large extent upon the continued services of our executive management team. The loss of key personnel could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, we cannot assure you that we will be able to attract or retain other skilled personnel in the future.

Environmental compliance costs and liabilities could increase our expenses and adversely affect our financial condition.

Our operations are subject to numerous environmental, health and safety laws and regulations that prohibit or restrict the discharge of pollutants into the environment and regulate employee exposure to hazardous substance in the workplace. Failure to comply with these laws could subject us to material costs and liabilities, including civil and criminal fines, costs to cleanup contamination we cause and, in some circumstances, costs to cleanup contamination we discover on our own property but did not cause.

Because we use and generate hazardous materials in some of our operations, we are potentially subject to material liabilities relating to the cleanup of contamination and personal injury claims. In addition, we have retained certain environmental liabilities in connection with the sale of former businesses. We are currently funding the cleanup of historical contamination at one of our former properties and contributing to the cleanup of third-party sites as a result of our sale of our former subsidiary DuBois Chemicals Inc. Although we have established a reserve for these liabilities, actual cleanup costs may exceed our current estimates due to factors beyond our control, such as the discovery of additional contamination or the enforcement of more stringent cleanup requirements. New laws and regulations or their stricter enforcement, the discovery of presently unknown conditions or the receipt of additional claims for indemnification could require us to incur costs or become the basis for new or increased liabilities including impairment of our brand that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain anti-takeover statutes that might make it more difficult to effect a change in control of the Company.

We are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 could have the effect of delaying or preventing a change of control that could be advantageous to stockholders.

An adverse ruling against us in certain litigation could have an adverse effect on our financial condition and results of operations.

We are involved in litigation incidental to the conduct of our business currently and from time to time. The damages claimed against us in some of these cases are substantial. See the "Legal Proceedings" sections of this 10-K for discussion of particular matters. We cannot assure you that we will prevail in pending cases. Regardless of the outcome, such litigation is costly to manage, investigate and defend, and the related defense costs, diversion of management's time and related publicity may adversely affect the conduct of our business and the results of our operations.

ROTO-ROOTER

We face intense competition from numerous, fragmented competitors. If we do not compete effectively, our business may suffer.

We face intense competition from numerous competitors. The sewer, drain and pipe cleaning, excavation, plumbing repair and water restoration businesses are highly fragmented, with the bulk of the industries consisting of local and regional competitors. We compete primarily on the basis of advertising, range of services provided, name recognition, availability of emergency service, speed and quality of customer service, service guarantees and pricing. Our competitors may succeed in developing new or enhanced products and services more successful than ours and in marketing and selling existing and new products and services better than we do. In addition, new competitors may emerge. We cannot make any assurances that we will continue to be able to compete successfully with any of these companies.

Our operations are subject to numerous laws and regulations, exposing us to potential claims and compliance costs that could adversely affect our business.

We are subject to federal, state and local laws and regulations relating to franchising, insurance and other aspects of our business. These are discussed in greater detail under "Government Regulations" in the Description of Business section hereof. If we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines and sanctions. Our franchising activities are subject to various federal and state franchising laws and regulations, including the rules and regulations of the FTC regarding the offering or sale of franchises. These rules and regulations require us to provide all of our prospective franchisees with specific information regarding us and our franchise program in the form of a detailed franchise offering circular. In addition, a number of states require us to register our franchise offering prior to offering or selling franchises in such states. Various state laws also provide for certain rights in favor of franchisees, including (i) limitations on the franchisor's ability to terminate a franchise except for good cause, (ii) restrictions on the franchisor's ability to deny renewal of a franchise, (iii) circumstances under which the franchisor may be required to purchase certain inventory of franchisees when a franchise is terminated or not renewed in violation of such laws and (iv) provisions relating to arbitration. The ability to engage in the plumbing repair business is also subject to certain limitations and restrictions imposed by the state and local licensing laws and regulations. We cannot predict what legislation or regulations affecting our business will be enacted in the future, how existing or future laws or regulations will be enforced, administered and interpreted, or the amount of future expenditures that may be required to comply with these laws or regulations. Compliance costs associated with governmental regulations could have a material adverse effect on our business, financial condition and results of operations.

Roto-Rooter's loss of key management personnel or its inability to hire and retain skilled employees could adversely affect its business, financial condition and results of operations.

Roto-Rooter's future success significantly depends upon the continued service of its senior management personnel. The loss of one or more of Roto-Rooter's key senior management personnel or its inability to hire and retain new skilled employees could negatively impact its ability to maintain or increase customer calls and jobs, a key aspect of its growth strategy, and could adversely affect its future operating results.

Competition for skilled employees, particularly licensed plumbers, is intense, and the process of locating and recruiting skilled employees with the combination of qualifications and attributes required to adequately perform plumbing duties can be difficult and lengthy. We cannot assure you that Roto-Rooter will be successful in attracting, retaining or training highly skilled personnel. Roto-Rooter's business could be disrupted and its growth and profitability negatively impacted if it is unable to attract and retain skilled employees.

Cybersecurity

In the normal course of business, our information technology systems hold sensitive customer information including names, addresses and partial credit card information. Additionally, we utilize those same systems to perform our day-to-day activities, such as receiving customer calls, dispatching technicians to jobs and maintaining an accurate record of all transactions. We have not experienced any known attacks on our information technology systems that compromised customer data or the Company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks including intrusion detection and protection services, firewalls and virus detection software. Additionally, on a quarterly basis, we test our information technology systems using cyber-attack software and methods to learn how a successful attack may be made. We remedy any issues encountered during these tests. However, these safeguards do not ensure that a significant cyber-attack could not occur. A successful attack on our information technology systems could have significant consequences to the business including liability for compromised customer information and business interruption.

Roto-Rooter's success is highly dependent on its brand reputation

Roto-Rooter's national reputation and brand image for performing necessary, high quality services in a timely manner is critical to Roto-Rooter's continued success. Adverse publicity, litigation or on-line negative reviews focused on the Roto-Rooter brand could negatively impact Roto-Rooter's national reputation resulting in decreased future demand for Roto-Rooter branded services. Roto-Rooter maintains a reputation management risk program, however, a loss of brand reputation at Roto-Rooter could adversely affect consumer willingness to use our service and thus, adversely affect our future operating performance.

VITAS

VITAS is highly dependent on payments from Medicare and Medicaid. If there are changes in the rate or methods governing these payments, VITAS' net patient service revenue and profits could materially decline.

In excess of 95% of VITAS' net patient service revenue consists of payments from the Medicare and Medicaid programs. Such payments are made primarily on a "per diem" basis, subject to annual reimbursement caps. Because VITAS receives a per diem fee to provide eligible services to all patients, VITAS' profitability is largely dependent upon its ability to manage the costs of providing hospice services to patients. Increases in operating costs, such as labor and supply costs that are subject to inflation, without a compensating increase in Medicare and Medicaid rates, could have a material adverse effect on VITAS' business in the future. Medicare and Medicaid currently adjust the various hospice payment rates annually based primarily on the increase or decrease of the hospital wage index basket, regionally adjusted. However, the increases may be less than actual inflation. VITAS' profitability could be negatively impacted if this adjustment were eliminated or reduced, or if VITAS' costs of providing hospice services increased more than the annual adjustment. In addition, cost pressures resulting from shorter patient lengths of stay and the use of more expensive forms of palliative care, including drugs and drug delivery systems, could negatively impact VITAS' profitability. Many payors are increasing pressure to control health care costs. In addition, both public and private payors are increasing pressure to decrease, or limit increases in, reimbursement rates for health care services. VITAS' levels of revenue and profitability will be subject to the effect of possible reductions in coverage or payment rates by third-party payors, including payment rates from Medicare and Medicaid.

Each state that maintains a Medicaid program has the option to provide reimbursement for hospice services at reimbursement rates generally required to be at least as much as Medicare rates. All states in which VITAS operates cover Medicaid hospice services; however, we cannot assure you that the states in which VITAS is presently operating or states into which VITAS could expand operations will continue to cover Medicaid hospice services. In addition, the Medicare and Medicaid programs are subject to statutory and regulatory changes, retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and could have a material adverse effect on VITAS' business. We cannot assure that Medicare and/or Medicaid payments to hospices will not decrease. Reductions in amounts paid by government programs for services or changes in methods or regulations governing payments could cause VITAS' net patient service revenue and profits to materially decline.

Approximately 20% of VITAS' days of care are provided to patients who reside in nursing homes. Changes in the laws and regulations regarding payments for hospice services and "room and board" provided to VITAS' hospice patients residing in nursing homes could reduce its net patient service revenue and profitability.

For VITAS' hospice patients receiving nursing home care under certain state Medicaid programs who elect hospice care under Medicare and Medicaid, the state generally must pay VITAS, in addition to the applicable Medicare or Medicaid hospice per diem rate, an amount equal to at least 95% of the Medicaid per diem nursing home rate for "room and board" furnished to the patient by the nursing home. VITAS contracts with various nursing homes for the nursing homes' provision of certain "room and board" services that the nursing homes would otherwise provide Medicaid nursing home patients. VITAS bills and collects from the applicable state Medicaid program an amount equal to approximately 95% of the amount that would otherwise have been paid directly to the nursing home under the state's Medicaid plan. Under VITAS' standard nursing home contracts, it pays the nursing home for these "room and board" services at approximately 100% of the Medicaid per diem nursing home rate.

The reduction or elimination of Medicare and Medicaid payments for hospice patients residing in nursing homes would reduce VITAS' net patient service revenue and profitability. In addition, changes in the way nursing homes are reimbursed for "room and board" services provided to hospice patients residing in nursing homes could affect VITAS' ability to serve patients in nursing homes.

If VITAS is unable to maintain relationships with existing patient referral sources or to establish new referral sources, VITAS' growth and profitability could be adversely affected.

VITAS' success is heavily dependent on referrals from physicians, long-term care facilities, hospitals and other institutional health care providers, managed care companies, insurance companies and other patient referral sources in the communities that its hospice locations serve, as well as on its ability to maintain good relations with these referral sources. VITAS' referral sources may refer their patients to other hospice care providers or not to a hospice provider at all. VITAS' growth and profitability depend significantly on its ability to establish and maintain close working relationships with these patient referral sources and to increase awareness and acceptance of hospice care by its referral sources and their patients. We cannot assure that VITAS will be able to maintain its existing relationships or that it will be able to develop and maintain new relationships in existing or new markets. VITAS' loss of existing relationships or its failure to develop new relationships could adversely affect its ability to expand or maintain its operations and operate profitably. Moreover, we cannot assure you that awareness or acceptance of hospice care will increase or remain at current levels.

VITAS operates in an industry that is subject to extensive government regulation and claims reviews, and changes in law and regulatory interpretations could reduce its net patient service revenue and profitability and adversely affect its financial condition and results of operations.

The healthcare industry is subject to extensive federal, state and local laws, rules and regulations relating to, among others:

- Payment for services;
- Conduct of operations, including fraud and abuse, anti-kickback prohibitions, self-referral prohibitions and false claims;
- Privacy and security of medical records;
- Employment practices; and
- Various state approval requirements, such as facility and professional licensure, certificate of need, compliance surveys and other certification or recertification requirements.

Changes in these laws, rules and regulations or in interpretations thereof could reduce VITAS' net patient service revenue and profitability. VITAS' ability to comply with such regulations is a key factor in determining the success of its business. See the "Government Regulations" section of this 10-K for a greater description of these matters.

Fraud and Abuse Laws. VITAS contracts with a significant number of health care providers and practitioners, including physicians, hospitals and nursing homes and arranges for these entities to provide services to VITAS' patients. Some of these health care providers and practitioners may refer, or be in a position to refer, patients to VITAS (or VITAS may refer patients to them). These arrangements may not qualify for a safe harbor. VITAS from time to time seeks guidance from regulatory counsel as to the changing and evolving interpretations and the potential applicability of the Anti-Kickback Law to its programs, and in response thereto, takes such actions as it deems appropriate. VITAS generally believes that its contracts and arrangements with providers, practitioners and suppliers should not be found to violate the Anti-Kickback Law. However, we cannot assure you that such laws will ultimately be interpreted in a manner consistent with VITAS' practices.

Several health care reform proposals have included an expansion of the Anti-Kickback Law to include referrals of any patients regardless of payor source, which is similar to the scope of certain laws that have been enacted at the state level. In addition, a number of states in which VITAS operates have laws, which vary from state to state, prohibiting certain direct or indirect remuneration or fee-splitting arrangements between health care providers, regardless of payor source, for the referral of patients to a particular provider.

The federal Ethics in Patient Referral Act, Section 1877 of the Social Security Act (commonly known as the "Stark Law") prohibits physicians from referring Medicare or Medicaid patients for "designated health services" to entities in which they hold an ownership or investment interest or with whom they have a compensation arrangement, subject to certain statutory or regulatory exceptions. We cannot assure you that future statutory or regulatory changes will not result in hospice services being subject to the Stark Law's ownership, investment, compensation or referral prohibitions. Several states in which VITAS operates have similar laws which likewise are subject to change. Any such changes could adversely affect the business, financial condition and operating results of VITAS.

Further, under separate statutes, submission of claims for items or services that are "not provided as claimed" may lead to civil money penalties, criminal fines and imprisonment and/or exclusion from participation in Medicare, Medicaid and other federally funded state health care programs. These false claims statutes include the federal False Claims Act, which allows any person to bring suit on behalf of the federal government, known as a *qui tam* action, alleging false or fraudulent Medicare or Medicaid claims or other violations of the statute and to share in any amounts paid by the entity to the government in fines or settlement. See the discussion of the governmental investigations and litigation pending against VITAS under Other Healthcare Regulations, above and Legal Proceedings, below.

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

Other Federal and State Regulations. The federal government and all states regulate various aspects of the hospice industry and VITAS' business. In particular, VITAS' operations are subject to federal and state health regulatory laws, including those covering professional services, the dispensing of drugs and certain types of hospice activities. Certain of VITAS' employees are subject to state laws and regulations governing professional practice. VITAS' operations are subject to periodic survey by governmental authorities and private accrediting entities to assure compliance with applicable state licensing, and Medicare and Medicaid certification and accreditation standards, as the case may be. From time to time in the ordinary course of business, VITAS receives survey reports noting deficiencies for alleged failure to comply with applicable requirements. VITAS reviews such reports and takes appropriate corrective action. The failure to effect such action could result in one of VITAS' hospice programs being terminated from the Medicare hospice program. Any termination of one or more of VITAS' hospice locations from the Medicare hospice program could adversely affect VITAS' net patient service revenue and profitability and adversely affect its financial condition and results of operations. The failure to obtain, renew or maintain any of the required regulatory approvals, certifications or licenses could materially adversely affect VITAS' business and could prevent the programs involved from offering products and services to patients. In addition, laws and regulations often are adopted to regulate new products, services and industries. We cannot assure you that either the states or the federal government will not impose additional regulations on VITAS' activities, which might materially adversely affect VITAS, including impairing the value of its brand.

Claims Review. The Medicare and Medicaid programs and their fiscal intermediaries and other payors periodically conduct pre-payment or post-payment reviews and other reviews and audits of health care claims, including hospice claims. As a result of such reviews or audits, VITAS could be required to return any amounts found to be overpaid, or amounts found to be overpaid could be recouped through reductions in future payments. There is pressure from state and federal governments and other payors to scrutinize health care claims to determine their validity and appropriateness. VITAS' claims have been subject to review and audit. We cannot assure you that reviews and/or similar audits of VITAS' claims will not result in material recoupments, denials or other actions that could have a material adverse effect on VITAS' business, financial condition and results of operations. See the discussion of OIG investigations pending against VITAS under Other Health Care Regulations, above.

Regulation and Provision of Continuous Home Care. VITAS provides continuous home care to patients requiring such care. Continuous home care is provided to allow the patient to remain in their home, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins and ends at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed practical nurse.

Continuous home care can be challenging for a hospice to provide for a number of reasons, including the need to have available sufficient skilled and trained staff to furnish such care, the need to manage the staffing and provision of such care, and a shortage of nurses that can make it particularly difficult to attract and retain nurses that are required to furnish a majority of such care. Medicare reimbursement for continuous home care has been calculated by multiplying the applicable continuous home care hourly rate by the number of hours of care provided. If the care was provided for less than one hour, Medicare requires reporting in 15-minute increments of care provided, with no rounding.

Medicare reimbursement for continuous home care is subject to a number of requirements posing further challenges for a hospice providing such care. For example, if a patient requires skilled interventions for palliation or symptom management that can be accomplished in less than 8 aggregate hours within the 24-hour period, if the majority of care can be accomplished by someone other than a registered nurse or a licensed practical nurse (e.g., if a majority of care is furnished by a home health aide or homemaker), or if for any reason less than 8 hours of direct care are provided (such as when a patient dies before 8 AM even if 7 or more hours of care has been provided), the care rendered cannot be reimbursed by Medicare at the continuous home care rate (although the care instead may be eligible for Medicare reimbursement at the reduced routine home care day rate). As a result of such requirements, VITAS may incur the costs of providing services intended to be continuous home care services yet be unable to bill or be reimbursed for such services at the continuous home care rate. We cannot assure you that challenges in providing continuous home care will not cause VITAS' net patient service revenue and profits to materially decline or that reviews and/or similar audits of VITAS' claims will not result in material recoupments, denials or other actions that could have a material adverse effect on VITAS' business, financial condition and results of operations.

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

Federal and state legislative and regulatory initiatives could require VITAS to expend substantial sums on acquiring, implementing and supporting new information systems, which could negatively impact its profitability.

There are currently numerous legislative and regulatory initiatives at both the state and federal levels that address patient privacy concerns. We cannot predict the total financial or other impact of the regulations on VITAS' operations. In addition, although VITAS' management believes it is in compliance with the requirement of patient privacy regulations, we cannot assure you that VITAS will not be found to have violated state and federal laws, rules or guidelines surrounding patient privacy. Compliance with current and future HIPAA and HITECH requirements or any other federal or state privacy initiatives could require VITAS to make substantial investments, which could negatively impact its profitability and cash flows.

VITAS' growth strategies may not be successful, which could adversely affect its business.

A significant element of VITAS' growth strategy is expected to include expansion of its business in new and existing markets. This aspect of VITAS' growth strategy may not be successful, which could adversely impact its growth and profitability. We cannot assure you that VITAS will be able to:

- Identify markets that meet its selection criteria for new hospice locations;
- Hire and retain qualified management teams to operate each of its new hospice locations;
- Manage a large and geographically diverse group of hospice locations;
- Become Medicare and Medicaid certified in new markets;
- Generate sufficient hospice admissions to operate profitably in these new markets;
- Compete effectively with existing hospices in new markets; or
- Obtain state licensure and/or a certificate of need from appropriate state agencies in new markets.

VITAS' loss of key management personnel or its inability to hire and retain skilled employees could adversely affect its business, financial condition and results of operations.

VITAS' future success significantly depends upon the continued service of its senior management personnel. The loss of one or more of VITAS' key senior management personnel or its inability to hire and retain new skilled employees could negatively impact VITAS' ability to maintain or increase patient referrals, a key aspect of its growth strategy, and could adversely affect its future operating results.

Competition for skilled employees is intense, and the process of locating and recruiting skilled employees with the combination of qualifications and attributes required to care effectively for terminally ill patients and their families can be difficult and lengthy. We cannot assure you that VITAS will be successful in attracting, retaining or training highly skilled nursing, management, community education, operations, admissions and other personnel. VITAS' business could be disrupted and its growth and profitability negatively impacted if it is unable to attract and retain skilled employees.

A nationwide shortage of qualified nurses could adversely affect VITAS' profitability, growth and ability to continue to provide quality, responsive hospice services to its patients as nursing wages and benefits increase.

Approximately 40% of VITAS' workforce is licensed nurses. VITAS depends on qualified nurses to provide quality, responsive hospice services to its patients. The current nationwide shortage of qualified nurses impacts some of the markets in which VITAS provides hospice services. In response to this shortage, VITAS has adjusted its wages and benefits to recruit and retain nurses and to engage contract nurses. VITAS' inability to attract and retain qualified nurses could adversely affect its ability to provide quality, responsive hospice services to its patients and its ability to increase or maintain patient census in those markets. Increases in the wages and benefits required to attract and retain qualified nurses or an increase in reliance on contract nurses could negatively impact profitability.

VITAS may not be able to compete successfully against other hospice providers, and competitive pressures may limit its ability to maintain or increase its market position and adversely affect its profitability, financial condition and results of operations.

Hospice care in the United States is highly competitive. In many areas in which VITAS' hospices are located, they compete with a large number of organizations, including:

- Community-based hospice providers;
- National and regional companies;
- Hospital-based hospice and palliative care programs;
- Physician groups;
- Nursing homes;
- Home health agencies;
- Infusion therapy companies; and
- Nursing agencies.

Various health care companies have diversified into the hospice industry. Other companies, including hospitals and health care organizations that are not currently providing hospice care, may enter the markets VITAS serves and expand the variety of services offered to include hospice care. We cannot assure you that VITAS will not encounter increased competition in the future that could limit its ability to maintain or increase its market position, including competition from parties in a position to impact referrals to VITAS. Such increased competition could have a material adverse effect on VITAS' business, financial condition and results of operations.

Changes in rates or methods of payment for VITAS' services could adversely affect its revenues and profits.

Managed care organizations have grown substantially in terms of the percentage of the population they cover and their control over an increasing portion of the health care economy. Managed care organizations have continued to consolidate to enhance their ability to influence the delivery of health care services and to exert pressure to control health care costs. VITAS has a number of contractual arrangements with managed care organizations and other similar parties.

VITAS provides hospice care to many Medicare beneficiaries who receive their non-hospice health care services from health maintenance organizations ("HMOs") under Medicare risk contracts. Under such contracts between HMOs and the federal Department of Health and Human Services, the Medicare payments for hospice services are excluded from the per-member, per-month payment from Medicare to HMOs and instead are paid directly by Medicare to the hospices. As a result, VITAS' payments for Medicare beneficiaries enrolled in Medicare risk HMOs are processed in the same way with the same rates as other Medicare beneficiaries. We cannot assure, however, that payment for hospice services will continue to be excluded from HMO payment under Medicare risk contracts and similar Medicare managed care plans or that if not excluded, managed care organizations or other large third-party payors would not use their power to influence and exert pressure on health care providers to reduce costs in a manner that could have a material adverse effect on VITAS' business, financial condition and results of operations.

Liability claims may have an adverse effect on VITAS, and its insurance coverage may be inadequate.

Participants in the hospice industry are subject to lawsuits alleging negligence, product liability or other similar legal theories, many of which involve large claims and significant defense costs. From time to time, VITAS is subject to such and other types of lawsuits. See the description below under Legal Proceedings. The ultimate liability for claims, if any, could have a material adverse effect on its financial condition or operating results. Although VITAS currently maintains liability insurance intended to cover the claims, we cannot assure you that the coverage limits of such insurance policies will be adequate or that all such claims will be covered by the insurance. In addition, VITAS' insurance policies must be renewed annually and may be subject to cancellation during the policy period. While VITAS has been able to obtain liability insurance in the past, such insurance varies in cost, and may not be available in the future on terms acceptable to VITAS, if at all.

A successful claim in excess of the insurance coverage could have a material adverse effect on VITAS. Claims, regardless of their merit or eventual outcome, also may have a material adverse effect on VITAS' business and reputation due to the costs of litigation, diversion of management's time and related publicity.

VITAS procures professional liability coverage on a claims-made basis. The insurance contracts specify that coverage is available only during the term of each insurance contract. VITAS' management intends to renew or replace the existing claims-made policy annually but such coverage is difficult to obtain, may be subject to cancellation and may be written by carriers that are unable, or unwilling to pay claims Certain claims have been asserted where the coverage would be the responsibility of this prior carrier and/or other carriers that may not have the financial wherewithal to satisfy the claims. Additionally, some risks and liabilities, including claims for punitive damages, are not covered by insurance.

Cybersecurity

In the normal course of business, our information technology systems hold sensitive patient information including patient demographic data, eligibility for various medical plans including Medicare and Medicaid and protected health information. Additionally, we utilize those same systems to perform our day-to-day activities, such as receiving referrals, assigning medical teams to patients, documenting medical information and maintaining an accurate record of all transactions. We have not experienced any known attacks on our information technology systems that have compromised patient data or the Company's proprietary data. We maintain our information technology systems with safeguard protection against cyber-attacks including active intrusion protection, firewalls and virus detection software. As discussed previously, we are subject to and comply with HIPPA and HITECH regulations. However, these safeguards do not ensure that a significant cyber-attack could not occur. A successful attack on our information technology systems could have significant consequences to the business including liability for compromised patient information and business interruption.

VITAS' success is highly dependent on its brand reputation

VITAS' reputation for performing quality routine and high acuity patient hospice care within the regulations mandated by Medicare, Medicaid and commercial payors is critical to our success. Failure to provide quality patient care within the regulations mandated by our third-party payors, or the perception of inappropriate care resulting in adverse publicity, litigation or a campaign of negative on-line reviews are some of the factors that could negatively impact VITAS' national reputation. VITAS maintains a reputation management risk program however, a loss of brand reputation at VITAS could adversely affect referral sources' willingness to refer our service and thus, adversely affect our future operating performance.

VITAS' headquarters and a significant portion of its operations are in south Florida

The occurrence of a natural disaster in any region that VITAS has significant operations could have a negative impact on the business. VITAS' headquarters are located in Miami, Florida. In addition, two of our largest programs are in south Florida. The location of our headquarters and these large programs increases our exposure to hurricanes. A major hurricane in south Florida could impede our ability to bill for our services, operate our businesses and serve our patients' in the affected area. VITAS maintains a disaster recovery program to mitigate this risk however, natural disasters could have an adverse affect on our future operating performance.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's corporate offices and the headquarters for Roto-Rooter are located in Cincinnati, Ohio. Roto-Rooter has manufacturing and distribution center facilities in West Des Moines, Iowa and has 114 leased and owned office and service facilities in 30 states. VITAS, headquartered in Miami, operates 44 programs from 148 leased facilities and 33 inpatient units in 16 states and the District of Columbia.

All "owned" property is held in fee and is subject to the security interests of the holders of our debt instruments. The leased properties have lease terms ranging from monthly to eleven years. Management does not foresee any difficulty in renewing or replacing the remainder of its current leases. The Company considers all of its major operating properties to be maintained in good operating condition and to be generally adequate for present and anticipated needs.

Item 3. Legal Proceedings

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, *United States v. VITAS Hospice Services, LLC, et al.*, No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various qui tam lawsuits and subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

For additional procedural history of this litigation, please refer to our prior quarterly and annual filings. The costs incurred related to U.S. v. Vitas and related regulatory matters were $5.0 million, $2.1 million and $2.1 million for 2015, 2014 and 2013 respectively.

In November 2013, two shareholder derivative lawsuits were filed against the Company's current and former directors, as well as certain of its officers, both of which are covered by the Company's commercial insurance. On November 6, 2013, KBC Asset Management NV filed suit in the United States District Court for the District of Delaware, *KBC Asset Management NV, derivatively on behalf of Chemed Corp. v. McNamara, et al.*, No. 13 Civ. 1854 (LPS) (D. Del.). It sued Kevin McNamara, Joel Gemunder, Patrick Grace, Thomas Hutton, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, Arthur Tucker, Jr., George Walsh III, Frank Wood, Timothy O'Toole, David Williams and Ernest Mrozek, together with the Company as nominal defendant. Plaintiff alleges that since at least 2004, Chemed, through VITAS, has submitted or caused the submission of false claims to Medicare. The suit alleges a claim for breach of fiduciary duty against the individual defendants, and seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On November 14, 2013, Mildred A. North filed suit in the United States District Court for the Southern District of Ohio, *North, derivatively on behalf of Chemed Corp. v. Kevin McNamara, et al.*, No. 13 Civ. 833 (MDB) (S.D. Ohio). She sued Kevin McNamara, David Williams, Timothy O'Toole, Joel Gemunder, Patrick Grace, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, George Walsh III, Frank Wood and Thomas Hutton, together with the Company as nominal defendant. Plaintiff alleges that, between February 2010 and the present, the individual defendants breached their fiduciary duties as officers and directors of Chemed by, among other things, (a) allegedly causing VITAS to submit improper and ineligible claims to Medicare and Medicaid; and (b) allegedly misrepresenting the state of Chemed's internal controls. The suit alleges claims for breach of fiduciary duty, abuse of control and gross mismanagement against the individual defendants. The complaint also alleges unjust enrichment and insider trading against Messrs. McNamara, Williams and O'Toole. Plaintiff seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On January 29, 2014 defendants in *North* filed a motion to transfer that case to Delaware under 28 U.S.C § 1404(a). On February 12, 2014, defendants in *KBC* filed a motion to dismiss that case pursuant to Federal Rules of Civil Procedure 23.1 and 12(b)(6). On September 19, 2014, the Ohio court granted defendants' motion to transfer *North* to Delaware. Following that decision and in light of that transfer, on September 29, 2014, the Delaware court denied without prejudice defendants' motion to dismiss *KBC,* and referred both cases to Magistrate Judge Burke.

On October 15, 2014, Plaintiff KBC filed a motion to consolidate *KBC* with *North*. On February 2, 2015 the court granted the motion for consolidation in full, appointing Plaintiff KBC the sole lead plaintiff and its counsel, the sole lead and liaison counsel. The court ordered that both cases will proceed under the caption *In re Chemed Corp. Shareholder and Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.). Plaintiff KBC has designated its pending complaint as the operative complaint in the consolidated proceedings. Defendants subsequently renewed their motion to dismiss those claims and allegations. On December 23, 2015, Magistrate Judge Burke issued a Report & Recommendation recommending that (1) defendants' motion to dismiss be granted; (2) plaintiff be given 14 days from the date of affirmance by the district court to file an amended complaint addressing deficiencies with regard to their duty of loyalty claim; and (3) failure to do so should give rise to dismissal with prejudice. The Report and Recommendation remains subject to review and affirmance by the district court judge overseeing the matter. On January 11, 2016, Lead Plaintiff KBC filed Objections to the Report and Recommendations. Defendants filed a response on January 28, 2016.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

See also the OIG matters pending against VITAS under Other Healthcare Regulations, above.

Item 4. Mine Safety Disclosures

None

Executive Officers of the Company

Name	Age	Office	First Elected
Kevin J. McNamara	62	President and Chief Executive Officer	August 2, 1994 (1)
Timothy S. O'Toole	60	Executive Vice President	May 18, 1992 (2)
Spencer S. Lee	60	Executive Vice President	May 15, 2000 (3)
David P. Williams	55	Executive Vice President and Chief Financial Officer	March 5, 2004 (4)
Arthur V. Tucker, Jr.	66	Vice President and Controller	February 1, 1989 (5)

(1) Mr. K. J. McNamara is President and Chief Executive Officer of the Company and has held these positions since August 1994 and May 2001, respectively. Previously, he served as an Executive Vice President, Secretary and General Counsel of the Company, since November 1993, August 1986 and August 1986, respectively. He previously held the position of Vice President of the Company, from August 1986 to May 1992.

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

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

(4) Mr. D. P. Williams is an Executive Vice President and the Chief Financial Officer of the company and has held these positions since August 10, 2007 and March 5, 2004, respectively. Mr. Williams is also Senior Vice President and Chief Financial Officer of Roto-Rooter Group, Inc., and has held these positions since January 1999.

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

Each executive officer holds office until the annual election at the next annual organizational meeting of the Board of Directors of the Company which is scheduled to be held on May 16, 2016.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Capital Stock (par value $1 per share) is traded on the New York Stock Exchange under the symbol CHE. The range of the high and low sale prices on the New York Stock Exchange and dividends paid per share for each quarter of 2014 and 2015 are set forth below.

	Closing		Dividends Paid
	High	Low	Per Share
2014			
First Quarter	$ 89.45	73.31	$ 0.20
Second Quarter	93.72	83.27	0.20
Third Quarter	107.31	93.64	0.22
Fourth Quarter	110.83	98.25	0.22
2015			
First Quarter	$ 123.42	101.14	$ 0.22
Second Quarter	132.80	115.25	0.22
Third Quarter	152.23	129.21	0.24
Fourth Quarter	158.74	128.41	0.24

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

As of February 16, 2016, there were approximately 1,881 stockholders of record of the Company's Capital Stock. This number only includes stockholders of record and does not include stockholders with shares beneficially held in nominee name or within clearinghouse positions of brokers, banks or other institutions.

During 2015, the number of shares of Capital Stock repurchased by the Company, the weighted average price paid for each share, the cumulative shares repurchased under each program and the dollar amounts remaining under each program were as follows:

Company Purchase of Shares of Capital Stock

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2015	-	$ -	6,074,819	$ 11,808,785
February 1 through February 28, 2015	-	-	6,074,819	11,808,785
March 1 through March 31, 2015	-	-	6,074,819	$ 111,808,785
First Quarter Total	-	$ -		
April 1 through April 30, 2015	31,239	$ 116.66	6,106,058	$ 108,163,534
May 31 through May 31, 2015	218,761	119.38	6,324,819	82,047,193
June 1 through June 30, 2015	-	-	6,324,819	$ 82,047,193
Second Quarter Total	250,000	$ 119.05		
July 1 through July 31, 2015	-	$ -	6,324,819	$ 82,047,193
August 1 through August 31, 2015	50,000	138.40	6,374,819	75,127,293
September 1 through September 30, 2015	85,765	131.87	6,460,584	$ 63,817,207
Third Quarter Total	135,765	$ 134.28		
October 1 October 31, 2015	-	$ -	6,460,584	$ 63,817,207
November 1 through November 30, 2015	-	-	6,460,584	63,817,207
December 1 through December 31, 2015	75,000	151.09	6,535,584	$ 52,485,644
Fourth Quarter Total	75,000	$ 151.09		

On March 13, 2015, our Board of Directors authorized an additional $100 million under February 2011 Repurchase Program.

As of December 31, 2015, the number of stock options and performance share units outstanding under the Company's equity compensation plans, the weighted average exercise price of outstanding options, and the number of securities remaining available for issuance were as follows:

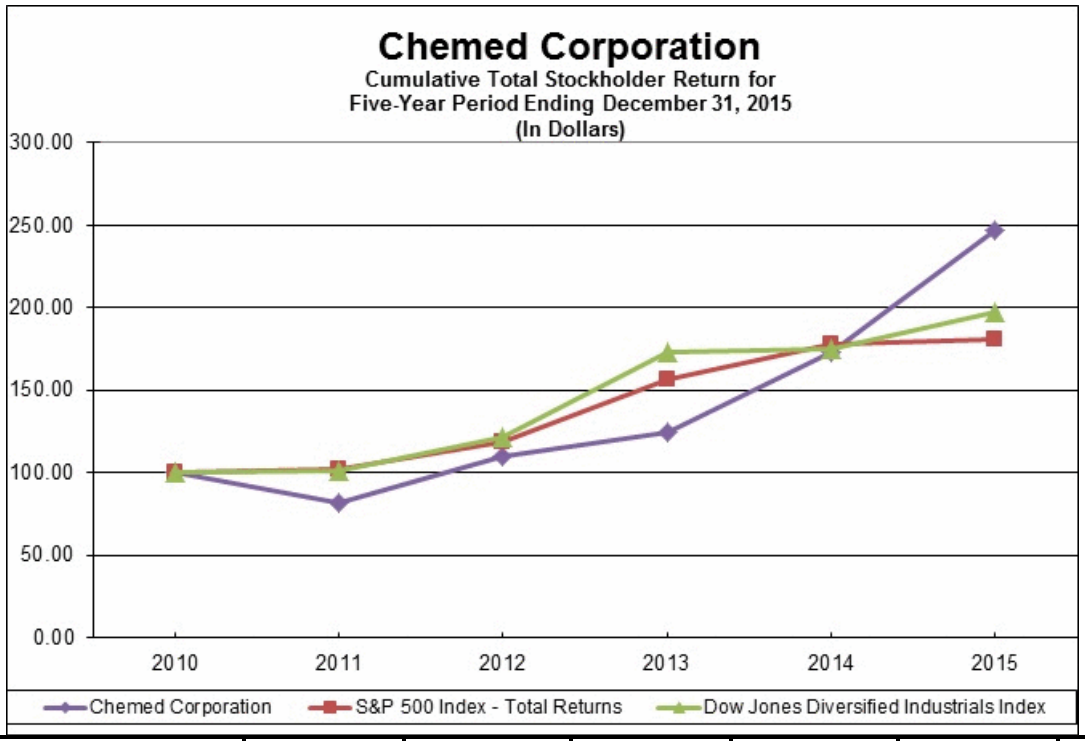
EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Equity compensation plans approved by stockholders (1)	1,640,251	$ 95.43	1,527,806

(1) Amount includes 76,376 shares allocated to certain employees which vest upon attainment of specified earnings per share targets and specified total shareholder return targets.

Comparative Stock Performance

The graph below compares the yearly percentage change in the Company's cumulative total stockholder return on Capital Stock (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the period December 31, 2010, to December 31, 2015, assuming dividend reinvestment, and (B) the difference between the Company's share price at December 31, 2010 and December 31, 2015; by (ii) the share price at December 31, 2010) with the cumulative total return, assuming reinvestment of dividends, of the (1) S&P 500 Stock Index and (2) Dow Jones Industrial Diversified Index.



December 31,	2010	2011	2012	2013	2014	2015
Chemed Corporation	100.00	81.44	110.30	124.50	173.21	247.25
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75
Dow Jones Diversified Industrials	100.00	100.80	121.77	173.08	174.90	197.36

Item 6. Selected Financial Data

The information called for by this Item for the five years ended December 31, 2015 is set forth on page 103 of the 2015 Annual Report to Stockholders and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information called for by this Item is set forth on pages 107 through 125 of the 2015 Annual Report to Stockholders and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest term note and line of credit. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), increases or decreases the Company's annual interest expense by $100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

The market value of the Company's long-term debt at December 31, 2015 is approximately $91.3 million which equals the carrying value of $91.3 million as all outstanding debt is at a variable interest rate.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 26, 2016, appearing on pages 80 through 100 of the 2015 Annual Report to Stockholders, along with the Supplementary Data (Unaudited Summary of Quarterly Results) appearing on pages 101-102, are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of and with the participation of the Company's President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective and are reasonably designed to ensure that all material information relating to the Company required to be included in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Refer to Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm on pages 74 and 75 of the Company's 2015 Annual Report to Stockholders, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The directors of the Company are:

Kevin J. McNamara
Joel F. Gemunder
Patrick P. Grace
Thomas C. Hutton
Walter L. Krebs
Andrea R. Lindell
Thomas P. Rice
Donald E. Saunders
George J. Walsh III
Frank E. Wood

The additional information required under this Item is set forth in the Company's 2016 Proxy Statement and in Part I hereof under the caption "Executive Officers of the Registrant" and is incorporated herein by reference.

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

Item 11. Executive Compensation

Information required under this Item is set forth in the Company's 2016 Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item is set forth in the Company's 2016 Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required under this Item is set forth in the Company's 2016 Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Audit Fees

PricewaterhouseCoopers LLP billed the Company $1,926,000 for 2014 and $1,933,000 for 2015. These fees were for professional services rendered for the integrated audit of the Company's annual financial statements and of its internal control over financial reporting, review of the financial statements included in the Company's Forms 10-Q and review of documents filed with the SEC.

Audit-Related Fees

PricewaterhouseCoopers LLP billed the Company $130,000 and $134,000 for 2014 and 2015, respectively, for audit-related services. These services were related primarily to the audit of one of VITAS' Florida subsidiaries.

Tax Fees

No such services were rendered in 2014 or 2015.

All Other Fees

No such other services were rendered in 2014 or 2015.

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

PART IV

Item 15 **Exhibits and Financial Statement Schedule**

Exhibits

3.1	Certificate of Incorporation of Chemed Corporation.*
3.2	Certificate of Amendment to Certificate of Incorporation.*
3.3	By-Laws of Chemed Corporation, as amended February 19, 2016
10.1	1999 Long-Term Employee Incentive Plan as amended through May 20, 2002.*,**
10.2	2002 Executive Long-Term Incentive Plan, as amended May 18, 2004.*,**
10.3	2004 Stock Incentive Plan.*,**
10.4	2006 Stock Incentive Plan, as amended August 11, 2006.*,**
10.5	2010 Stock Incentive Plan.*,**
10.6	2015 Stock Incentive Plan**
10.7	Employment Agreement with David P. Williams dated December 1, 2006.*,**
10.8	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009.*,**
10.9	Employment Agreement with Timothy S. O'Toole dated May 6, 2007.*,**
10.10	First Amendment to Employment Agreement with Timothy S. O'Toole dated July 9, 2009.*,**
10.10	Employment Agreement with Kevin J. McNamara dated May 3, 2008.*,**
10.12	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009.*,**
10.13	Excess Benefits Plan, as restated and amended, effective June 1, 2001.*,**
10.14	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2001.*,**
10.15	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003.*,**
10.16	Non-Employee Directors' Deferred Compensation Plan.*,**
10.17	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999.*,**
10.18	First Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective September 6, 2000.*,**
10.19	Second Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 2001.*,**
10.20	Third Amendment to Chemed/Roto-Rooter Savings & Retirement Plan, effective December 12, 2001.*,**
10.21	Directors Emeriti Plan.*,**
10.22	Chemed Corporation Change in Control Severance Plan, as amended July 9, 2009.*,**

10.23	Chemed Corporation Senior Executive Severance Policy, as amended July 9, 2009.*,**
10.24	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998.*,**
10.25	Roto-Rooter Deferred Compensation Plan No. 2.*,**
10.26	Form of Performance-Based Restricted Stock Units Award*,**
10.27	Form of Restricted Stock Award.*,**
10.28	Form of Stock Option Grant, pre-2013.*,**
10.29	Form of Stock Option Grant, 2013.*,**
10.30	Form of Stock Option Grant, 2013.*,**
10.31	Form of Stock Option Grant, 2015
10.32	Third Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders as of June 30, 2014, exhibits and schedules thereto.*
12	Computation of Ratio of Earnings to Fixed Charges.
13	2015 Annual Report to Stockholders.
14	Policies on Business Ethics of Chemed Corporation
21	Subsidiaries of Chemed Corporation.
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Arthur V. Tucker, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

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

**Management contract or compensatory plan or arrangement.

Financial Statement Schedule

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

SIGNATURES

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

February 26, 2016

CHEMED CORPORATION

By /s/ Kevin J. McNamara
Kevin J. McNamara
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Kevin J. McNamara Kevin J. McNamara	President and Chief Executive Officer and a Director (Principal Executive Officer)	
/s/ David P. Williams David P. Williams	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	
/s/ Arthur V. Tucker, Jr. Arthur V. Tucker, Jr.	Vice President and Controller (Principal Accounting Officer)	February 26, 2016
Joel F. Gemunder* Patrick P. Grace* Thomas C. Hutton* Walter L. Krebs* Andrea R. Lindell*	Thomas P. Rice* Donald E. Saunders* George J Walsh III* Frank E. Wood*	- -Directors

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

February 26, 2016
Date

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

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
2013, 2014 AND 2015

* Indicates page numbers in Chemed Corporation 2015 Annual Report to Stockholders

The consolidated financial statements of Chemed Corporation listed above, appearing in the 2015 Annual Report to Stockholders, are incorporated herein by reference. The Financial Statement Schedule should be read in conjunction with the consolidated financial statements listed above. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto as listed above.

Report of Independent Registered Public Accounting
Firm on Financial Statement Schedule

To the Board of Directors and Stockholders of Chemed Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 26, 2016 appearing in the 2015 Annual Report to Stockholders of Chemed Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 26, 2016

SCHEDULE II

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

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS (CHARGED) CREDITED TO COSTS AND EXPENSES	ADDITIONS (CHARGED) CREDITED TO OTHER ACCOUNTS	DEDUCTIONS (a)	BALANCE AT END OF PERIOD
Allowances for doubtful accounts (b)					
For the year 2015	$ (14,728)	$ (14,435)	$ (1,169)	$ 17,088	$ (13,244)
For the year 2014	$ (12,590)	$ (13,079)	$ (840)	$ 11,781	$ (14,728)
For the year 2013	$ (10,892)	$ (10,690)	$ (1,318)	$ 10,310	$ (12,590)

(a) With respect to allowances for doubtful accounts, deductions include accounts considered uncollectible or written off, payments, companies divested, etc.

(b) Classified in consolidated balance sheet as a reduction of accounts receivable.

INDEX TO EXHIBITS

Exhibit Number		File No. and Filing Date	Page Number or Incorporation by Reference Previous Exhibit No.
3.1	Certificate of Incorporation of Chemed Corporation	Form S-3 Reg. No. 33-44177 11/26/91	4.1
3.2	Certificate of Amendment to Certificate of Incorporation	Form 8-K 5/16/06	3.1
3.3	By-Laws of Chemed Corporation as amended February 19, 2016	Form 8-K 2/19/16	
10.1	1999 Long Term Employee Incentive Plan as amended through May 20, 2002	Form 10-K 3/28/03, **	10.16
10.2	2002 Executive Long-Term Incentive Plan, as amended May 18, 2004	Form 10-Q 8/19/04, **	10.16
10.3	2004 Stock Incentive Plan	Proxy Statement 3/25/04, **	A
10.4	2006 Stock Incentive Plan, as amended August 11, 2006	Form 10-Q 8/14/06, **	10.1
10.5	2010 Stock Incentive Plan	Form 8-K 5/18/10, **	99.1
10.6	2015 Stock Incentive Plan	Form S-8 7/15/15, **	4.5
10.7	Employment Agreement with David P. Williams dated December 1, 2006.	Form 8-K 12/1/06, **	10.01
10.8	First Amendment to Employment Agreement with David P. Williams dated July 9, 2009.	Form 10-Q 10/30/09, **	10.2
10.9	Employment Agreement with Timothy S. O'Toole dated May 6, 2007.	Form 8-K 5/7/07, **	10.02
10.10	First Amendment to Employment Agreement with Timothy S. O'Toole dated July 9, 2009.	Form 10-Q 10/30/09, **	10.3
10.11	Employment Agreement with Kevin J. McNamara dated May 3, 2008.	Form 8-K 5/6/08, **	10.01
10.12	First Amendment to Employment Agreement with Kevin J. McNamara dated July 9, 2009.	Form 10-Q 10/30/09, **	10.1

10.13	Excess Benefits Plan, as restated and amended, effective June 1, 2001	Form 10-K 3/12/04, **	10.24
10.14	Amendment No. 1 to Excess Benefits Plan, effective July 1, 2002	Form 10-K 3/12/04, **	10.25
10.15	Amendment No. 2 to Excess Benefits Plan, effective November 7, 2003	Form 10-K 3/12/04, **	10.26
10.16	Non-Employee Directors' Deferred Compensation Plan	Form 10-K 3/24/88, **	10.10
10.17	Chemed/Roto-Rooter Savings & Retirement Plan, effective January 1, 1999	Form 10-K 3/25/99, **	10.25
10.18	First Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective September 6, 2000	Form 10-K 3/28/02, **	10.22
10.19	Second Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective January 1, 2001	Form 10-K 3/28/02, **	10.23
10.20	Third Amendment to Chemed/ Roto-Rooter Savings & Retirement Plan effective December 12, 2001	Form 10-K 3/28/02, **	10.24
10.21	Directors Emeriti Plan	Form 10-Q 5/12/88, **	10.11
10.22	Change in Control Severance Plan as amended July 9, 2009.	Form 10-Q 10/30/09, **	10.5
10.23	Senior Executive Severance Policy as amended July 9, 2009.	Form 10-Q 10/30/09, **	10.4
10.24	Roto-Rooter Deferred Compensation Plan No. 1, as amended January 1, 1998	Form 10-K 3/28/01, **	10.37
10.25	Roto-Rooter Deferred Compensation Plan No. 2	Form 10-K 3/28/01, **	10.38
10.26	Form of Performance Based Restricted Stock Unit Award	Form 10-K 2/27/14, **	10.32
10.27	Form of Restricted Stock Award	Form 10-K 3/28/05, **	10.50
10.28	Form of Stock Option Grant Pre-2013	Form 10-K	10.51
10.29	Form of Stock Option Grant – 2013	Form 10-K 2/27/14, **	10.35
10.30	Form of Stock Option Grant – 2015	*	
10.31	Third Amended and Restated Credit Agreement by and among Chemed Corporation, JP Morgan Chase Bank NA, and other lenders As of June 30, 2014 exhibits and schedules thereto.	Form 8-K 7/2/14	10.1

12	Computation of Ratio of Earnings to Fixed Charges	*
13	2015 Annual Report to Stockholders	*
14	Policies on Business Ethics of Chemed Corporation	Form 10-K 2/27/14
21	Subsidiaries of Chemed Corporation	*
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101.SCH	XBRL Extension Schema	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*
101.LAB	XBRL Taxonomy Extension Label Linkbase	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*

* Filed herewith.
** Management contract or compensatory plan or arrangement.

EXHIBIT 3.3

BY-LAWS

of

CHEMED CORPORATION

(As amended through **February 19, 2016**)

AMENDED AND RESTATED BY-LAWS

of

CHEMED CORPORATION

(a Delaware Corporation)

ARTICLE I
Meeting of Stockholders

Section 1.01. Place. Meetings of stockholders shall be held at such places, within or without the State of Delaware, as shall be specified in the respective notices or waivers of notice thereof.

Section 1.02. Annual Meetings. An annual meeting of stockholders for the election of directors and the transaction of such other business as may come before it shall be held at 11:00 o'clock in the forenoon, or at such other hour as may be stated in the notice thereof, on (i) the third Monday of May in each year unless such day is a holiday, in which case it shall be held on the next day following that is not a holiday or (ii) on such other date in such year as the Board of Directors shall determine.

Section 1.03. Special Meetings. **(a)** Special meetings of stockholders, for any purpose or purposes, may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary, and shall be called by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary upon the written request of a majority of the Board of Directors or of the holders of record of shares having a majority of the voting power of the stock of the corporation then entitled to vote for the election of directors; provided that any such written stockholder request shall be made in accordance with the procedures set forth in Section 1.03(b).

(b) Any stockholder or stockholders seeking to have the Chairman of the Board, the Chief Executive Officer, the President or the Secretary call a special meeting of the stockholders pursuant to Section 1.03(a) shall deliver a written request (the "Meeting Request") in proper form to the Chairman of the Board, the Chief Executive Officer, the President or the Secretary at the corporation's principal executive offices. Such Meeting Request shall (i) be signed by stockholders holding not less than a majority of the voting power of the stock of the corporation then entitled to vote for the election of directors as of the date such request is received by the corporation, (ii) specify whether the purpose of the special meeting is the election of directors and/or the conduct of other business and (iii) if the stockholder or stockholders are proposing that business other than, or in addition to, the election of directors be so conducted, include a description of the nature of the proposed business and the exact text of any such proposal or business (including the text of any proposed resolutions).

After receipt by the corporation of a Meeting Request in proper form, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary shall duly call a special meeting of the stockholders for a date no later than 90 days after the receipt of such Meeting Request, for the purpose or purposes specified in the Meeting Request and any other purposes specified by the Board of Directors. The corporation shall promptly provide written notice of such special meeting, and the purpose or purposes thereof, to the stockholders in accordance with Section 1.04.

If the Board of Directors shall determine that any Meeting Request was not properly made in accordance with this Section 1.03(b) or that the subject matter is not a proper purpose for action by the stockholders under applicable law, then the Chairman of the Board, the Chief Executive Officer, the President or the Secretary shall not be required to call a special meeting of the stockholders pursuant to Section 1.03(a). If none of the stockholders who submitted a Meeting Request appears or sends a Qualified Representative, the corporation need not present such matters for a vote.

Section 1.04. Notice and Waiver of Notice. Unless otherwise provided by law, notice of each annual meeting or special meeting of stockholders, stating the time, place and purpose or purposes thereof, shall be given to each stockholder entitled to vote at such meeting, not less than ten nor more than sixty days before the day on which the meeting is to be held, by any manner permitted by applicable law. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice of any meeting of stockholders need not be given to any person who may become a stockholder of record after the record date for such meeting fixed pursuant to Section 7.03, nor to any person who shall attend the meeting in person or by proxy nor to any stockholder who shall sign a waiver of such notice in writing either before, after or at the time of such meeting. Except as otherwise provided by law, notice of any adjourned meeting of stockholders need not be given.

Section 1.05. List of Stockholders. The Secretary, or other officer of the corporation who has charge of the stock ledger of the corporation, shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to such meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation, and such list shall be produced and kept at the time and place of such meeting during the whole time thereof, and may be inspected by any stockholder who is present. Except as required by law the stock ledger shall be the only evidence of permitted examiners of such list.

Section 1.06. Quorum Adjournment and Postponement. **(a)** At all meetings of stockholders, the holders of record, present in person or by proxy, of shares having a majority of the voting power of the stock of the corporation entitled to vote thereat, shall be necessary and sufficient to constitute a quorum for the transaction of business. A stockholder shall be treated as being present at a meeting if (i) present in person at the meeting or (ii) represented at the meeting by a valid proxy, whether such proxy card is marked as casting a vote or abstaining or is left blank.

(b) In the absence of a quorum, the Chairman of the Board or the holders of record of shares having a majority of the voting power of the stock of the corporation present in person or by proxy at the time and place of the meeting, or of any adjournment thereof, may adjourn the meeting from time to time, without notice other than announcement at the time and place of such meeting or adjournment, until a quorum shall be present. At any adjourned session of any such meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly organized meeting may continue to transact any business for which a quorum existed at the commencement of such meeting until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(c) Any previously-scheduled meeting of stockholders may be postponed by the Board of Directors upon public notice given prior to the time previously scheduled for such meeting.

Section 1.07. Voting. (a) When a quorum is present at any meeting of stockholders, the vote of the holders of shares having a majority of the voting power of the stock of the corporation present and entitled to vote at such meeting shall decide any question brought before such meeting, unless the question is one upon which, by express provision of law or of the Certificate of Incorporation or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

(b) Each stockholder shall at every meeting of stockholders be entitled to one vote for each share of the capital stock of the corporation registered in such stockholder's name on the books of the corporation at the record date fixed as provided in Section 7.03.

(c) At all meetings of stockholders, a stockholder may vote either in person or by proxy as may be permitted by applicable law; provided, however, that no proxy shall be voted after one year from its date unless the proxy provides for a longer period. Any proxy to be used at a meeting of stockholders must be delivered to the Secretary or his representative at the principal executive offices of the corporation at or before the time of the meeting.

(d) The vote on any matter, including the election of directors, need not be by written ballot. Any written ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

Section 1.08. Consent in Lieu of Meeting. **(a)** Any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, shall be signed by the holders of record of shares having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and delivered to the corporation by delivery to its registered office in the state of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(b) For the corporation to determine the stockholders entitled to take corporate action by written consent without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date for such purpose. The Board of Directors shall promptly, but in all events within ten days after the date on which such request is received by the Secretary, adopt a resolution fixing such record date. If no record date has been fixed by the Board of Directors within ten days of the date on which such a request is received, the record date for determining stockholders entitled to take corporate action by written consent without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery in the manner set forth in Section 1.08(a). If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to take corporate action by written consent without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required hereby to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the corporation as set forth in Section 1.08(a).

(d) A facsimile, electronic mail message, telegram, cablegram or other electronic transmission (each an "electronic transmission") consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes hereof if such electronic transmission sets forth or is delivered with information from which the corporation can determine: (i) that the electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery as set forth in Section 1.08(a). Notwithstanding the foregoing limitations on delivery, consents given by electronic transmission may be otherwise delivered to the principal place of business of the corporation or to the Secretary as provided by resolution of the Board of Directors.

(e) Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing and all purposes for which the original writing could be used; provided that such is a complete reproduction of the entire original writing.

(f) In the event of the delivery to the corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or any related revocations, the Secretary shall provide for their safekeeping. The Secretary, or such other officer of the corporation as the Board of Directors may designate, shall, as promptly as practicable, conduct a ministerial review of the validity of the consents and/or any related revocations deemed necessary and appropriate; provided, however, that if the corporate action to which the written consent relates is the removal or replacement of one or more members of the Board of Directors, the Secretary, or such other officer of the corporation as the Board of Directors may designate, shall promptly designate two persons, who may be employees of the corporation, but who shall not be members of the Board of Directors or officers of the corporation, to serve as inspectors with respect to such written consent and such inspectors shall discharge the functions of the Secretary, or such other officer of the corporation as the Board of Directors may designate, under this Section 1.08.

(g) No action by written consent without a meeting shall be effective until such date as the Secretary, such other officer of the corporation as designated by the Board of Directors or the inspectors as appointed in accordance with Section 1.08(f), as applicable, completes its review, determines that such consents represent not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and so certifies to the Board of Directors for entry in the records of the corporation.

(h) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation as provided herein.

(i) Any stockholder giving a written consent, or the stockholder's proxyholder, may revoke the consent in any manner permitted by applicable law.

Section 1.09. Notice of Stockholder Business and Nominations.

(a) Annual Meeting of Stockholders. (i) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the corporation's notice of meeting (or any supplement thereto) delivered pursuant to Section 1.04, (B) by or at the direction of the Board of Directors (or any duly authorized committee thereof), (C) by any stockholder who is entitled to vote at the meeting on the election of directors or such business (as applicable), who complies with the notice procedures set forth in this Section 1.09 and who is a stockholder of record at the time such notice is delivered to the Secretary, or (D) in the case of certain nominations of persons for election to the Board of Directors, pursuant to Section 1.11 of this Article 1.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(i) of this Section 1.09, the stockholder must have given timely notice in writing to the Secretary and, in the case of business other than nominations, such other business must otherwise be a proper matter for stockholder action under applicable law. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that if no annual meeting was held in the preceding year or if the date of the annual meeting is advanced by more than 30 days, or delayed by more than 90 days, from such anniversary date, timely notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which the public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 1.09(a)(ii).

(iii) A stockholder's written notice to the Secretary for the conduct of business (other than nominations of persons for election to the Board of Directors) shall set forth as to each proposed matter:

(1) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and the text of the proposal (including the complete text of any resolution(s) proposed for consideration and, in the event that such business includes a proposal to amend these By-Laws, the complete text of the proposed amendment); and

(2) any interest of the stockholder or any Stockholder Associated Person in such business; and

(B) As to the stockholder giving such notice and, where noted below, each Stockholder Associated Person, the stockholder's notice shall set forth the following:

(1) the name and address, as they appear on the record books of the corporation, of the stockholder proposing such business and the name and address of any Stockholder Associated Person;

(2) (a) a description of each agreement, arrangement or understanding (whether written or oral) with any Stockholder Associated Person, (b) the class or series and number of equity and other securities of the corporation which are, directly or indirectly, held of record or beneficially owned (as determined under Regulation 13D (or any successor provision thereto) under the Securities Exchange Act of 1934, as amended (such act, and any successor statute thereto, and the rules and regulations promulgated thereunder are collectively referred to herein as the "Exchange Act")) by such stockholder and by any Stockholder Associated Person and documentary evidence of such record or beneficial ownership and (c) a list of all of the derivative securities (as defined under Rule 16a-1 under the Exchange Act or any successor provision thereto) and other derivatives or similar agreements or arrangements with an exercise or conversion privilege or a periodic or settlement payment or payments or mechanism at a price or in an amount or amounts related to any security of the corporation or with a value derived or calculated in whole or in part from the value of the corporation or any security of the corporation, in each case, directly or indirectly held of record or beneficially owned by such stockholder or any Stockholder Associated Person and each other direct or indirect opportunity of such stockholder or any Stockholder Associated Person to profit or share in any profit derived from any increase or decrease in the value of any security of the Corporation, in each case, regardless of whether (x) such interest conveys any voting rights in such security to such stockholder or Stockholder Associated Person, (y) such interest is required to be, or is capable of being, settled through delivery of such security or (z) such person may have entered into other transactions that hedge the economic effect of such interest (any such interest described in this clause (2)(c) being a "Derivative Interest");

(3) the name of each person with whom such stockholder or Stockholder Associated Person has any agreement, arrangement or understanding (whether written or oral) (a) for the purposes of acquiring, holding, voting (except pursuant to a revocable proxy given to such person in response to a public proxy or consent solicitation made generally by such person to all holders of shares of the corporation) or disposing of any shares of capital stock of the corporation, (b) to cooperate in obtaining, changing or influencing the control of the corporation (except independent financial, legal and other advisors acting in the ordinary course of their respective businesses), (c) with the effect or intent of increasing or decreasing the voting power of, or that contemplates any person voting together with, any such stockholder or Stockholder Associated Person with respect to any shares of the capital stock of the corporation or any business proposed by the stockholder or (d) otherwise in connection with any business proposed by a stockholder and a description of each such agreement, arrangement or understanding (any agreement, arrangement or understanding described in this clause (3) being a "Voting Agreement");

(4) details of all other material interests of each stockholder or any Stockholder Associated Person in such proposal or any security of the corporation or Derivative Interests (including any rights to dividends or performance-related fees based on any increase or decrease in the value of such security or Derivative Interests) (collectively, "Other Interests");

(5) a description of all economic terms of all such Derivative Interests, Voting Agreements or Other Interests and copies of all agreements and other documents (including master agreements, confirmations and all ancillary documents and the names and details of counterparties to, and brokers involved in, all such transactions) relating to each such Derivative Interest, Voting Agreement or Other Interest;

(6) a list of all transactions by such stockholder and any Stockholder Associated Person involving any securities of the corporation or any Derivative Interests, Voting Agreements or Other Interests within the six-month period prior to the date of the notice;

(7) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Regulation 14A of the Exchange Act (or any successor provision thereto);

(8) a representation that the stockholder is a holder of record of capital stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business; and

(9) a representation as to whether the stockholder or any Stockholder Associated Person intends, or is part of a group that intends, to (a) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies or votes from stockholders in support of such proposal.

(iv) A stockholder's written notice to the Secretary pursuant to clause (C) of paragraph (a)(i) of this Section 1.09 for nominations of directors shall set forth:

(A) as to each person whom the stockholder proposes to nominate for election or reelection as a director:

(1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in a contested election (even if a contested election is not involved), or is otherwise required, in each case pursuant to Regulation 14A of the Exchange Act (or any successor provision thereto) (including such person's written consent to be named in the proxy statement as a nominee and to serve as a director if elected);

(2) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings (whether written or oral) during the past three years, and any other material relationships, between or among such stockholder or Stockholder Associated Person, if any, and such proposed nominee or his respective affiliates and associates (each as defined under Regulation 12B of the Exchange Act (or any successor provision thereto)), or others acting in concert therewith, including all information required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K (or any successor provision thereto) if the stockholder making the nomination and any Stockholder Associated Person on whose behalf the nomination is made, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(3) a completed and signed Director Questionnaire; and

(4) a completed and signed Director Representation and Agreement; and

(B) as to the stockholder giving notice and, where referred to in Sections 1.09(a)(iii)(B)(1)-(9) or noted below, each Stockholder Associated Person, the written notice of the stockholder shall set forth the following:

(1) the information that would have been required by Sections 1.09(a)(iii)(B)(1)-(9) if Section (a)(iii)(B) were applicable to nominations of persons for election to the Board of Directors and the references therein to "proposing such business", "business proposed" and "such proposal" were to "proposing such nomination", "nominees for election to the Board of Directors" and "such nomination", respectively;

(2) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election (even if a contested election is not involved) pursuant to Regulation 14A of the Exchange Act (or any successor provision thereto);

(3) a representation that the stockholder is a holder of record of capital stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination; and

(4) a representation as to whether the stockholder or any Stockholder Associated Person intends, or is part of a group that intends, to (a) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the outstanding capital stock of the corporation required to elect the nominee or (b) otherwise solicit proxies or votes from stockholders in support of such nomination.

(v) For purposes of this Section 1.09, the following terms have the following meanings:

(A) "Director Questionnaire" as defined in Section 2.02(b).

(B) "Director Representation and Agreement" as defined in Section 2.02(b).

(C) "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act (or any successor provisions thereto).

(D) "Stockholder Associated Person" of any stockholder means (1) any beneficial owner of shares of stock of the corporation on whose behalf any proposal or nomination is made by such stockholder; (2) any affiliates or associates of such stockholder or any beneficial owner described in clause (1); and (3) each other person with whom any of the persons described in the clauses (1) and (2) either is acting in concert with respect to the corporation or has any agreement, arrangement or understanding (whether written or oral) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy given to such person in response to a public proxy solicitation made generally by such person to all stockholders entitled to vote at any meeting) or disposing of any capital stock of the corporation or to cooperate in obtaining, changing or influencing the control of the corporation (except independent financial, legal and other advisors acting in the ordinary course of their respective businesses).

(b) Special Meetings of Stockholders. Business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the corporation's notice of meeting delivered pursuant to Section 1.04. At a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting, nominations of persons for election to the Board of Directors may be made (A) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (B) by any stockholder of the corporation who is a stockholder of record at the time the notice provided for in this Section 1.09(b) is delivered to the Secretary, who is entitled to vote for the election of directors at such meeting and who complies with the notice procedures set forth in this Section 1.09(b). Any stockholder entitled to vote in an election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the corporation's notice of meeting for a special meeting of stockholders, if (i) the stockholder's notice required by this Section 1.09(b) shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the 90th day prior to such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made by the corporation, and (ii) such stockholder's notice contains the information that would have been required by Section 1.09(a)(iv) if Section 1.09(a)(iv) were applicable to nominations of persons for election to the Board of Directors made in connection with a special meeting of the stockholders. No public announcement of an adjournment or postponement of a special meeting shall commence a new time period (or extend any time period) for the giving of such a stockholder's notice.

(c) General. (ii) Only such persons nominated in accordance with this Section 1.09 or Section 1.11, where applicable, shall be eligible to be elected at an annual or special meeting of stockholders to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance this Section 1.09. Except as otherwise provided by the Certificate of Incorporation, these By-Laws or applicable law, and in furtherance of Section 1.10, the person presiding over the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed in accordance with this Section 1.09 (including whether any stockholder or beneficial owner on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, proxies or votes in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by Section 1.09(a)(iii)(B)(9) and Section 1.09(a)(iv)(B)(4) or Section 1.11, where applicable, and (B) if any proposed nomination or business was not so made or proposed in compliance with this Section 1.09 or Section 1.11, where applicable, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 1.09, unless otherwise required by applicable law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders to present a nomination or, in the case of an annual meeting, proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of these By-Laws, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders ("Qualified Representative").

(ii) (Notwithstanding the foregoing provisions of this Section 1.09, (A) a stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 1.09 and (B) nothing in this Section 1.09 shall be deemed to affect any rights of any stockholder to request inclusion of proposals for business (other than nominations of persons for election to the Board of Directors) in the corporation's proxy statement if the stockholder has notified the corporation of its intention to present a proposal at an annual meeting of stockholders in compliance with the Exchange Act, and if such stockholder's proposal has been included in a proxy statement prepared by the corporation to solicit proxies for such annual meeting, such stockholder shall be deemed to have satisfied the notice requirements of this Section 1.09 with respect to such proposal.

(iii) A notice delivered by or on behalf of any stockholder under Section 1.09(a) or 1.09(b) shall be deemed to be not in compliance with such Section 1.09(a) or 1.09(b), and not be effective if, after delivery of such notice, any information or document required to be included in such notice changes or is amended, modified or supplemented, prior to the date of the meeting and such information and/or document is not delivered to the corporation by way of a further written notice as promptly as practicable following the event causing such change in information or amendment, modification or supplement, and where such event occurs within 45 days of the date of the relevant meeting, within five business days after such event; provided, however, that the Board of Directors shall have the authority to waive any such non-compliance if the Board of Directors determines that such action is appropriate in the exercise of its fiduciary duties.

Section 1.10. Inspectors of Elections; Opening and Closing the Polls. **(a)** To the extent required by applicable law, the Board of Directors by resolution or the Chairman of the Board shall appoint one or more inspectors, who may be employees of the corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. Each inspector, before discharging his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware.

(b) Meetings of the stockholders shall be presided over by the Chairman of the Board, or if he is not present, by the Chief Executive Officer, or if he is not present, by the President, the Chief Operating Officer (if one has been elected) or a Vice President, as designated by the Board of Directors, or if none of such officers is present, by another person designated by the Board of Directors to preside over the meeting. The Secretary, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor an Assistant Secretary is present, then a secretary shall be appointed by the person presiding over the meeting. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to adjourn the meeting and to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the person presiding over the meeting, may include the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as such presiding person shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The person presiding over any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered.

Section 1.11. Proxy Access.

a) The corporation shall include in its proxy statement for an annual meeting of the stockholders the name, together with the required information specified below, of any person nominated for election to the Board by a stockholder that satisfies, or by a group of no more than 20 stockholders that together satisfy, the requirements of this Section 1.11, and who expressly elect at the time of providing the notice required by this Section 1.11 to have its nominee included in the corporation's proxy statement pursuant to this Section 1.11. For purposes of this Section 1.11, the information that the corporation will be required to include in its proxy statement is: (i) the information concerning the nominee and the stockholder or group of stockholders who nominated such nominee that is required to be disclosed in the corporation's proxy statement by the regulations promulgated under the Exchange Act and (ii) if such stockholder or group of stockholders so elects, a statement pursuant to paragraph (j) of this Section 1.11. No person may be a member of more than one group of persons constituting a group that satisfies the requirements of this Section 1.11.

b) For nominations pursuant to this Section 1.11 to be properly submitted by a stockholder or group of stockholders, such stockholder or group of stockholders must give timely written notice of such nominations to the Secretary. To be considered timely, a stockholder's notice, together with the other information required by this Section 1.11, must be received by the Secretary at the principal executive offices of the corporation not less than 120 calendar days nor more than 150 calendar days before the anniversary date of the corporation's proxy statement released to stockholders in connection with the prior year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the stockholder to be timely must be so delivered or received not earlier than the 150th day prior to such annual meeting and not later than the close of business on the later of the 120th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

c) The number of stockholder nominees nominated pursuant to this Section 1.11 (including any nominees that were submitted by a stockholder or group of stockholders for inclusion in the corporation's proxy statement pursuant to this Section 1.11, but either are subsequently withdrawn or that the Board decides to nominate as Board nominees) appearing in the corporation's proxy statement with respect to an annual meeting of stockholders, shall not exceed the greater of (i) two or (ii) 20% of the number of directors in office as of the last day on which notice of a nomination in accordance with the procedures set forth in this Section 1.11 may be received by the Secretary pursuant to this Section 1.11, or if such amount is not a whole number, the closest whole number below 20%. In the event that one or more vacancies for any reason occur on the Board after the last day on which notice of a nomination in accordance with the procedures set forth in this Section 1.11 may be received by the Secretary pursuant to this Section 1.11, but before the date of the annual meeting of stockholders, and the Board resolves to reduce the size of the Board in connection therewith, the maximum number of stockholder nominees nominated pursuant to this Section 1.11 included in the corporation's proxy statement shall be calculated based on the number of directors in office as so reduced. Any stockholder or group of stockholders submitting more than one nominee for inclusion in the corporation's proxy statement pursuant to this Section 1.11 shall rank its nominees based on the order that such stockholder or group of stockholders desires such nominees to be selected for inclusion in the corporation's proxy statement in the event that the total number of stockholder nominees submitted by stockholders or groups of stockholders pursuant to this Section 1.11 exceeds the maximum number of stockholder nominees provided for in this Section 1.11. In the event that the number of stockholder nominees submitted by stockholders or groups of stockholders pursuant to this Section 1.11 exceeds the maximum number of stockholder nominees provided for in this Section 1.11, the highest ranking stockholder nominee who meets the requirements of this Section 1.11 from each stockholder or group of stockholders will be selected for inclusion in the corporation's proxy statement until the maximum number is reached, going in order of the amount (largest to smallest) of shares of capital stock of the corporation each stockholder or group of stockholders disclosed as owned in its respective notice of a nomination submitted to the corporation in accordance with the procedures set forth in this Section 1.11. If the maximum number is not reached after the highest ranking stockholder nominee who meets the requirements of this Section 1.11 from each stockholder or group of stockholders has been selected, this process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

d) For purposes of this Section 1.11, a stockholder or group of stockholders shall be deemed to "own" only those outstanding shares of capital stock of the corporation as to which the stockholder or any member of a group of stockholders possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (x) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, (y) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding capital stock of the corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such stockholder's or affiliates' full right to vote or direct the voting of any such shares, and/or (2) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such stockholder or affiliate. A person's ownership of shares shall continue notwithstanding (i) the loaning of such shares if, during the period such shares are loaned, the person has the power to recall such loaned shares on three business days' notice; or (ii) such person having delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement if, during the period such arrangement exists, the proxy, power of attorney or other instrument or arrangement is revocable at any time by such person. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding shares of the capital stock of the corporation are "owned" for these purposes shall be determined by the Board. For purposes of this Section 1.11, the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

e) In order to make a nomination pursuant to this Section 1.11, a stockholder or group of stockholders must have owned 3% or more of the corporation's outstanding capital stock continuously for at least three years as of both the date the written notice of the nomination is delivered to or mailed and received by the corporation in accordance with this Section 1.11 and the record date for determining stockholders entitled to vote at the annual meeting of stockholders, and must continue to own at least 3% of the corporation's outstanding capital stock through the meeting date. Together with any notice of a nomination in accordance with the procedures set forth in this Section 1.11, a stockholder or group of stockholders must also provide the following information in writing to the Secretary: (i) any and all information required by Section 1.09(a)(iv) of this Article I, (ii) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within 7 calendar days prior to the date the written notice of the nomination is delivered to or mailed and received by the Secretary, the stockholder or group of stockholders owns, and has owned continuously for the preceding three years, at least 3% of the corporation's outstanding common stock, and the stockholder or group of stockholders' agreement to provide, within 5 business days after the record date for the annual meeting of stockholders, written statements from the record holder and intermediaries verifying such stockholder or group of stockholders' continuous ownership of at least 3% of the corporation's outstanding capital stock through the record date; (iii) the written consent of each stockholder nominee to being named in the proxy statement as a nominee and to serve as a director if elected; (iv) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act; and (v) in the case of a nomination by a group of shareholders, the written designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including any withdrawal of the nomination.

f) Together with any notice of a nomination in accordance with the procedures set forth in this Section 1.11, a stockholder or group of stockholders must also provide a written representation and agreement that such stockholder or group of stockholders (including each member thereof): (i) acquired at least 3% of the corporation's outstanding capital stock in the ordinary course of business and not with the intent to change or influence control of the corporation, and does not presently have such intent, (ii) presently intends to maintain qualifying ownership of at least 3% of the corporation's outstanding capital stock through the date of the annual meeting, (iii) has not nominated and will not nominate for election to the Board at the annual meeting of stockholders any person other than the nominee or nominees being nominated pursuant to this Section 1.11, (iv) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act, in support of the election of any individual as a director at the annual meeting of stockholders other than its nominee or a nominee of the Board, (v) will not distribute to any stockholder any form of proxy for the annual meeting of stockholders other than the form distributed by the corporation and (vi) will provide facts, statements and other information in all communications with the corporation and stockholders of the corporation that are or will be true and correct in all material respects and do not and will not omit a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

g) Together with any notice of a nomination in accordance with the procedures set forth in this Section 1.11, a stockholder or group of stockholders must provide a written undertaking that the stockholder or group of stockholders (including each member thereof) agrees to: (i) assume all liability stemming from any legal or regulatory violation arising out of the stockholder or group of stockholders' communications with the stockholders of the corporation or out of the information that the such stockholder or group of stockholders provided to the corporation, (ii) comply with all other laws and regulations applicable to any solicitation in connection with the annual meeting of stockholders, and (iii) indemnify and hold harmless the corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any nomination submitted by the stockholder or group of stockholders pursuant to this Section 1.11. The inspector of elections shall not give effect to the stockholder or group of stockholders' votes with respect to the election of directors if such stockholder or group of stockholders does not comply with the undertakings in paragraph (f) above or this paragraph (g).

h) Together with any notice of a nomination in accordance with the procedures set forth in this Section 1.11, a stockholder nominee must deliver to the Secretary a Director Representation and Agreement as set forth in Section 2.02(b)(ii). At the request of the corporation, the stockholder nominee must submit all completed and signed questionnaires required of directors of the corporation, including a Director Questionnaire as required by Section 2.02(b)(i).

The corporation may request such additional information as necessary to permit the Board to determine if each stockholder nominee is independent under the listing standards of the principal U.S. securities exchange upon which the capital stock of the corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board in determining and disclosing the independence of the corporation's directors, including those set forth in Section 2.02(b) of Article II. If the Board determines that a stockholder nominee is not independent under the listing standards of the principal U.S. securities exchange upon which the capital stock of the corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board in determining and disclosing the independence of the corporation's directors, the stockholder nominee will be ineligible for inclusion in the corporation's proxy statement.

i) In the event that any information or communications provided by the stockholder or group of stockholders or any stockholder nominee to the corporation or its stockholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each stockholder or group of stockholders or stockholder nominee, as the case may be, shall promptly notify the Secretary of any defect in such previously provided information and of the information that is required to correct any such defect.

j) The stockholder or group of stockholders may provide to the Secretary, at the time the information required by this Section 1.11 is provided, a written statement for inclusion in the corporation's proxy statement for the annual meeting of stockholders, not to exceed 500 words, in support of each stockholder nominee's candidacy. Notwithstanding anything to the contrary contained in this Section 1.11, the corporation may omit from its proxy statement any information or statement that it, in good faith, believes would violate any applicable law or regulation.

k) The corporation shall not be required to include, pursuant to this Section 1.11, any stockholder nominee in its proxy statement for any meeting of stockholders: (i) for which the Secretary receives a notice that a stockholder or group of stockholders has nominated a person for election to the Board pursuant to Section 1.09(a)(i)(C) of this Article I, (ii) if the stockholder nominee is, or has been within the three years preceding the date the corporation first mails to the stockholders its notice of meeting that includes the name of the stockholder nominee, an officer or director of a company that is a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, of the corporation, as determined by the Board, (iii) who is not independent under the listing standards of the principal U.S. securities exchange upon which the capital stock of the corporation is listed, any applicable rules of the Securities and Exchange Commission or any publicly disclosed standards used by the Board in determining and disclosing the independence of the corporation's directors, including those set forth in Section 2.02 of Article II, (iv) if the stockholder nominee or the stockholder or group of stockholders (including any member thereof) who has nominated such stockholder nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Securities Exchange Act of 1934, as amended, in support of the election of any individual as a director at the meeting other than such stockholder nominee or a nominee of the Board, (v) who is or becomes a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person other than the corporation that has not been disclosed to the corporation, (vi) who is named subject of a criminal proceeding (excluding traffic violations and other minor offenses) pending as of the date the corporation first mails to the stockholders its notice of meeting that includes the name of the stockholder nominee and, within the 10 years preceding such date, must not have been convicted in such a criminal proceeding, (vii) who upon becoming a member of the Board would cause the corporation to be in violation of these By-Laws, the Certificate of Incorporation, the rules and listing standards of the principal U.S. exchange upon which the capital stock of the corporation is listed or any applicable state or federal law, rule or regulation, (viii) if such stockholder nominee or the applicable stockholder or group of stockholders (including any member thereof) shall have provided information to the corporation in respect of such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, as determined by the Board, or (ix) if the stockholder or group of stockholders (including any member thereof) or applicable stockholder nominee otherwise shall have breached or contravened any of its or their agreements, representations or undertakings or failed to comply with this Section 1.11, as determined by the Board or the chairman of the annual meeting of stockholders.

l) Notwithstanding anything to the contrary set forth in this Section 1.11, the Board or the presiding director or officer of the annual meeting of stockholders shall declare a nomination by a stockholder or group of stockholders to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the corporation, if: (i) the stockholder or group of stockholders (including any member thereof) or applicable stockholder nominee otherwise shall have breached or contravened any of its or their agreements, representations or undertakings or failed to comply with this Section 1.11, as determined by the Board or the presiding director or officer of the annual meeting of stockholders, (ii) such stockholder nominee or the applicable stockholder or group of stockholders (including any member thereof) shall have provided information to the corporation in respect of such nomination that was untrue in any material respect or omitted a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, as determined by the Board or (iii) the stockholder or group of stockholders (or a qualified representative thereof) does not appear at the annual meeting of stockholders to present any nomination pursuant to this Section 1.11.

m) Any stockholder nominee who is included in the corporation's proxy statement for a particular annual meeting of stockholders but either: (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting of stockholders, or (ii) does not receive at least 25% of the votes cast in favor of the stockholder nominee's election, will be ineligible to be a stockholder nominee pursuant to this Section 1.11 for the next two annual meetings of stockholders.

n) The stockholder or group of stockholders shall file with the Securities and Exchange Commission any solicitation or other communication with the corporation's stockholders relating to the meeting at which such stockholder's or such group's nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act, or whether any exemption from filing is available for such solicitation or other communication under Regulation 14A of the Exchange Act.

ARTICLE II
Directors

Section 2.01. Number. The number of directors which shall constitute the Whole Board of Directors shall be no fewer than three nor more than forty. The first Board of Directors as of the date of these By-Laws shall consist of eleven directors. Thereafter, within the minimum and maximum above specified, the number of directors which shall constitute the Whole Board of Directors shall be determined by resolution of the Board of Directors or, in the absence thereof, shall be the number of directors elected at the preceding annual meeting of stockholders. The term "Whole Board of Directors" shall mean the total number of directors most recently determined pursuant to this Section 2.01, whether or not there exist any vacancies or unfilled previously authorized directorships.

Section 2.02. Election; Qualification. (a) Directors shall be elected at each annual meeting of stockholders, and may also be elected as provided in Section 2.04 of this Article. Except as otherwise provided by the Certificate of Incorporation, these By-laws, the rules and regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any regulation applicable to the corporation or its securities, at all meetings of stockholders for the election of directors at which a quorum is present, each director nominee shall be elected by the affirmative vote of the majority of the votes cast by the holders of record, present in person or by proxy, of shares entitled to vote for the election of directors; provided, however, that in a contested election (as defined herein), directors shall be elected by a plurality of the votes cast. For the purposes of this Section 2.02, the "affirmative vote of the majority of the votes cast" shall mean that the number of votes cast "for" a nominee's election exceeds the number of votes cast "against" that nominee's election. Abstentions and broker non-votes shall not be counted as votes cast. A direction to "withhold authority" with respect to a nominee shall be treated as a vote cast against the election of such nominee. An election shall be contested if, as determined by the Board of Directors, (i) a stockholder has nominated any person(s) for election to the Board of Directors in compliance with the requirements for stockholder nominees for director set forth in Section 1.09 or otherwise in accordance with applicable law and (ii) such nomination has not been withdrawn by such stockholder on or prior to the fourteenth day prior to the date the corporation first mails its notice of meeting. Directors need not be stockholders of the corporation.

(b) Each director of the corporation and nominee for election as a director of the corporation must, as a qualification to serve as a director, deliver to the Secretary at the principal executive offices of the corporation: (i) a written questionnaire with respect to the background and qualifications of such person and of any other person or entity on whose behalf the nomination is made (which questionnaire shall be provided by the Secretary upon written request) (a "Director Questionnaire") and (ii) a written representation and agreement (in the form provided by the Secretary upon written request) (the "Director Representation and Agreement") that such person: (A) is not, if serving as a director of the corporation, and will not become, while serving as a director of the corporation, a party to any agreement, arrangement or understanding (whether written or oral) with, and has not given any commitment or assurance to, any person or entity (1) as to how such person will act or vote on any issue or question to be considered by the Board of Directors (or any committee thereof) or (2) that could limit or interfere with such person's ability to comply with such person's duties as a director of the corporation under applicable law while serving as such that, in the case of this clause (2), has not been disclosed therein, (B) is not and will not become a party to any agreement, arrangement or understanding (whether written or oral) with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the corporation that has not been disclosed in writing to the corporation, (C) is, if serving as a director of the corporation, or would be if elected as a director of the corporation, and will be, while serving as such, in compliance with all applicable corporate governance, conflict of interest, confidentiality and securities ownership and trading policies and guidelines of the corporation (copies of which shall be provided by the Secretary upon written request) (subject to any waivers or exemptions granted pursuant to a resolution of the majority of the disinterested members of the Board of Directors) and any other policies applicable to directors of the corporation, (D) irrevocably submits such person's resignation as a director, if serving, or if elected as a director of the corporation, effective upon a finding by a court of competent jurisdiction that such person has breached the Director Representation and Agreement in any material respect and (E) irrevocably submits such person's resignation as a director, if serving, effective upon (1) such person's failure to receive the affirmative vote of a majority of the votes cast at the next stockholder meeting at which he or she faces reelection and (2) the Board of Directors' acceptance of such resignation.

(c) If any nominee for director in a non-contested election does not receive the affirmative vote of a majority of the votes cast at a stockholder meeting, and such nominee is an incumbent director, the Nominating Committee shall assess the appropriateness of such nominee continuing to serve as director and shall recommend to the Board of Directors the action to be taken with respect to the resignation such nominee submitted in accordance with Section 2.02(b)(ii)(E). In reaching its recommendation, the Nominating Committee may consider factors it deems relevant, including, but not limited to, the director's qualifications, the director's past and expected future contributions to the corporation, the stated reason or reasons why stockholders voted against such director's reelection, the overall composition of the Board of Directors, the availability of other qualified candidates for director and whether accepting the tendered resignation would cause the corporation to fail to meet any applicable rule or regulation (including New York Stock Exchange listing requirements and federal securities laws). The Nominating Committee's evaluation shall begin promptly following the certification of the voting results and shall be forwarded to the Board of Directors to permit the Board of Directors to act on it no later than 90 days following the certification of the stockholder vote. In reviewing the Nominating Committee's recommendation, the Board of Directors shall consider the factors evaluated by the Nominating Committee and such additional information and factors as the Board of Directors believes to be relevant. The corporation shall publicly disclose the Board of Directors' decision within four business days in a Form 8-K, providing an explanation of the process by which the decision was reached and, if applicable, the reasons for not accepting the director's resignation. Any director whose resignation is evaluated and decided upon pursuant to this provision shall not participate in the Nominating Committee's recommendation or Board of Directors' action regarding whether to accept the resignation offer. If a majority of the members of the Nominating Committee fail to receive the required vote in favor of their elections in the same election, then those independent directors on the Board of Directors (as most recently determined by the Board of Directors pursuant to applicable listing guidelines) who did receive the required vote shall consider the resignation offers and recommend to the Board of Directors whether to accept them.

(d) If the Board of Directors accepts a director's resignation pursuant to Section 2.02(c), or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors may fill the resulting vacancy pursuant to Section 2.04 or may decrease the size of the Board of Directors pursuant to Section 2.01.

Section 2.03. Term of Office. Each director shall serve until his successor is elected and qualified in accordance with Section 2.02, or until his death, resignation, disqualification or removal.

Section 2.04. Resignations; Removals; Filling of Vacancies. Any director may resign at any time by giving notice of such resignation to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Unless otherwise specified in such notice, such resignation shall be effective upon receipt of such notice by the Board of Directors or such officer. Any director may be removed at any time, either for or without cause, by vote of the holders of shares having a majority of the voting power of the stock of the corporation entitled to vote for the election of directors.

Vacancies in the Board of Directors, whether caused by resignation, removal, death or any other reason, and newly created directorships resulting from any increase in the authorized number of directors, may be filled either by majority vote of the directors then remaining in office (whether or not sufficient in number to constitute a quorum), or by a sole remaining director, or **in accordance with Section 2.02** at the meeting of stockholders held for that purpose. In the event that one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned effective at a future date, shall have power to fill the vacancy or vacancies which will result when such resignation or resignations become effective, the vote thereon to take effect when such resignation or resignations become effective.

Section 2.05. Powers. The business and affairs of the corporation shall be managed by the Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 2.06. Chairman of the Board. The Board of Directors may elect from its members a Chairman of the Board who shall serve until the next annual election of directors, or until his death, resignation, disqualification or removal. The Chairman of the Board shall preside at all stockholder and Board meetings and perform such duties and have such powers as from time to time may be assigned to him by the Board of Directors. The Chairman may resign at any time by giving notice of such resignation to the Board of Directors. Unless otherwise specified in such notice, such resignation shall be effective upon receipt of such notice by the Board of Directors. The Chairman of the Board may be removed from such position at any time, either for or without cause, by the affirmative vote of a majority of the Whole Board of Directors. In the event that the position of Chairman of the Board becomes vacant for any reason, the Chief Executive Officer shall assume the position of Chairman of the Board until such time as a new Chairman of the Board is elected by a majority of the Whole Board of Directors.

ARTICLE III

Meetings of the Board of Directors

Section 3.01. Place. Meetings of directors, both regular and special, may be held either within or without the State of Delaware.

Section 3.02. Annual and Regular Meetings. The annual meeting of the Board of Directors for the election of officers, and for the transaction of such business as may be deemed desirable by the directors present, shall be held in each year immediately following the annual meeting of stockholders, at the place of such meeting, or at such time and place as the retiring Board of Directors may have designated. If the annual meeting of the Board of Directors is so held, no notice thereof need be given. If the annual meeting of the Board of Directors shall not be so held in any year, such meeting shall be held as soon after the annual meeting of stockholders as practicable, upon notice as required for special meetings of the Board of Directors under Section 3.03. The Board of Directors from time to time may provide for the holding of regular meetings and fix the times and places of such meetings, and no notice need be given of regular meetings held at the times and places so fixed.

Section 3.03. Special Meetings and Notice Thereof; Waiver of Notice. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary, and shall be called by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary upon the written request of any two directors, such written request to state the purpose or purposes of the meeting and to be delivered to the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Each such special meeting shall be held at such place, date and time as shall be designated by the officer or directors calling such meeting. Notice of each special meeting of the Board of Directors shall be mailed to each director, postage prepaid, addressed to him at his residence or his usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, radio or cable or shall be telephoned or delivered to him personally not later than the day before the meeting is to be held. Notice of any special meeting need not be given to any director who shall attend such meeting in person or who shall waive notice thereof in writing or by telegram, radio or cable, either before, after or at the time of such meeting. Except as otherwise provided by law, notice of any adjourned meeting of the Board of Directors need not be given.

Section 3.04. Quorum. At each meeting of the Board of Directors (subject to the provision of Section 2.04 regarding the filling of vacancies), the presence of a majority of the total number of directors constituting the Whole Board of Directors shall constitute a quorum for the transaction of business. Except as otherwise provided in these By-Laws, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present at the time and place of any meeting or of any adjournment thereof (or if only one director be present, then that one) may adjourn the meeting from time to time, without notice other than announcement at the time and place of such meeting or adjournment, until a quorum shall be present. At any adjourned session of any such meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 3.05. Consent in lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 3.06. Participation by Telephone. Directors may participate in any meeting of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other, and such participation shall constitute such directors' presence at such meeting.

ARTICLE IV

Executive Committee and Other Committees

Section 4.01. Creation of Committee. The Board of Directors may, by action of a majority of the whole Board of Directors, designate an Executive Committee and/or one or more other committees, each consisting of one or more directors.

Section 4.02. Powers of Committee. Subject to any limitations imposed by law or by resolution adopted by a majority of the Whole Board of Directors, the Executive Committee shall have and may exercise, when the Board of Directors is not in session, all power and authority of the Board of Directors in the management of the business and affairs of the corporation, except any power or authority in reference to (a) approving or adopting, or recommending to the stockholders any action or matter, other than the election or removal of directors, expressly required by the General Corporation Law of Delaware to be submitted to stockholders for approval, or (b) adopting, amending or repealing any By-Law of the corporation. Each other committee shall have and may exercise, when the Board of Directors is not in session, such powers, not exceeding those which may be granted to the Executive Committee, as the Board of Directors shall confer.

Section 4.03. Meeting and Proceedings. Except as otherwise provided in these By-Laws or by resolutions of the Board of Directors, each committee shall adopt its own rules governing the conduct of its proceedings. All action by any committee shall be reported to the Board of Directors at the next meeting thereof and shall be subject to revision and alteration by the Board of Directors, provided that no such revision or alteration shall affect the rights of third parties. At each meeting of any committee, the presence of a majority of the total number of members constituting the committee shall constitute a quorum for the transaction of business. The vote of a majority of the members of the committee present at any meeting at which a quorum is present shall be the action of the committee.

Section 4.04. Term of Office; Resignations; Removals; Filling of Vacancies. The term of office of a member of a committee shall be as provided in the resolution of the Board of Directors designating the committee or designating him as a member but shall not exceed his term of office as a director. If prior to the end of his term of office as a member of a committee a member should cease to be a director, he shall cease to be a member of the committee. Any member of any committee may resign at any time by giving notice of such resignation to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Unless otherwise specified in such notice, such resignation shall be effective upon receipt of such notice by the Board of Directors or such officer. Any member of any committee may be removed at any time from such committee, either for or without cause by action of a majority of the Whole Board of Directors. Vacancies in any committee may be filled by the Board of Directors by action of a majority of the Whole Board of Directors.

ARTICLE V
Officers

Section 5.01. Election; Number; Qualifications; Term. The officers of the corporation shall be elected by a majority of the Whole Board of Directors, and shall include a Chief Executive Officer, a President, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers and such other officers as may be elected in the discretion of the Board of Directors. Any two or more offices may be held by the same person. Officers need not be directors or stockholders of the corporation. Each officer shall hold office until his successor is elected and qualified, or until his death, resignation, disqualification or removal.

Section 5.02. Power and Duties in General. In addition to the powers and duties prescribed by these By-Laws, the officers and assistant officers shall have such powers and duties as are usually incident to their respective offices, subject to the control of the Board of Directors.

Section 5.03. The Chief Executive Officer. The Chief Executive Officer of the corporation shall, subject to the control of the Board of Directors, have general charge of the business and affairs of the corporation and general supervision of its officers and agents and shall, in the absence of the Chairman of the Board, preside at all meetings of stockholders and of the Board of Directors at which he shall be present. He shall prepare and present reports to the Board concerning the state of the corporation's business and affairs. The Board may designate one of the other officers of the corporation to perform the duties of the Chief Executive Officer in his absence.

Section 5.04. The President. The President shall, during any absence of the Chief Executive Officer, carry out all of the duties of the Chief Executive Officer. He shall also perform such other duties as may be assigned to him by the Chief Executive Officer.

Section 5.05. The Vice Presidents. An Executive Vice President, a Senior Vice President or Vice President shall perform such duties as from time to time may be assigned to him by the Chief Executive Officer, the President or by the Board of Directors or by any committee thereunto authorized.

Section 5.06. The Secretary. The Secretary shall cause the minutes of all proceedings of the stockholders and the Board of Directors to be recorded in the minute book of the corporation, shall cause all notices to be duly given in accordance with the provisions of these By-Laws and as required by law, and shall have charge and custody of the records and the seal of the corporation.

Section 5.07. The Treasurer. The Treasurer shall have charge and custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements, shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated in accordance with these By-Laws, and shall render a report and account of the transactions of the corporation and of the financial condition of the corporation whenever so required by the Board of Directors or the Chief Executive Officer.

Section 5.08. Resignations; Removals; Filling of Vacancies. Any officer may resign at any time by giving notice of such resignation to the Board of Directors, the Chief Executive Officer, the President or the Secretary. Unless otherwise specified in such notice, such resignation shall be effective upon receipt of such notice by the Board of Directors or such officer. Any officer may be removed at any time, either for or without cause, by action of a majority of the Whole Board of Directors.

Section 5.09. Bonding. None of the officers, assistant officers and other employees, agents or representatives of the corporation shall be required to give bond unless the Board of Directors shall in its discretion require any such bond or bonds. Any bond so required shall be payable to the corporation in such amount and with such conditions and security as the Board of Directors may require.

ARTICLE VI

Instruments, Deposits, Checks, Proxies

Section 6.01. Execution of Instruments. The Chief Executive Officer, the President or any Vice President may enter into any contract or execute and deliver any instrument (including, but not limited to, any check, bill of exchange, order for the payment of money, promissory note, acceptance, evidence of indebtedness or proxy to vote with respect to shares of stock of another corporation owned by or standing in the name of the corporation) in the name and on behalf of the corporation, subject to the control of the Board of Directors. The Board of Directors may authorize any officer, employee or agent to enter into any contract or execute and deliver any such instrument in the name and on behalf of the corporation, and such authorization may be general or confined to specific instances. To the extent authorized by the Board of Directors, the signature of any such person may be a facsimile.

Section 6.02. Deposits. Monies and other valuable effects of the corporation may be deposited from time to time to the credit of the corporation with such depositories as may be selected by the Board of Directors or by any committee, officer or agent of the corporation to whom power of selection may be delegated from time to time by the Board of Directors.

ARTICLE VII

Stock Certificates; Registered Holders

Section 7.01. Issuance; Signatures. Every holder of stock of the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by the Chief Executive Officer, the President or a Vice President, and by either the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by him in the corporation. If such certificate is countersigned by a transfer agent other than the corporation or one of its employees, or a registrar other than the corporation or its employees, any other signature on the certificate may be a facsimile. Stock certificates shall be in such form as shall be approved by the Board of Directors.

Section 7.02. Continuing Validity of Signatures. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any such certificate shall cease to be such officer, transfer agent or registrar, whether because of death, resignation or otherwise, before such certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 7.03. Record Date. **(a)** In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, such meeting or any adjournment thereof, ~~,~~ notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid. Any record date set to determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and shall, unless otherwise required by applicable law, not be more than 60 nor less than ten days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting and, in such case, shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 7.04. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to have the rights of a stockholder with respect thereto, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 7.05. Lost Certificates. When any certificate of stock is alleged to have been lost, destroyed or wrongfully taken, the corporation shall issue a new certificate if the owner so requests before the corporation has notice that the certificate has been acquired by a bona fide purchaser, (b) files with the corporation a sufficient indemnity bond and (c) satisfies any other reasonable requirements imposed by the corporation. The Board of Directors may waive the requirement of any such indemnity bond.

ARTICLE VIII

Miscellaneous

Section 8.01. Offices. The principal office of the corporation in the State of Delaware shall be at No. 100 West Tenth Street, Wilmington, Delaware. The corporation may also have offices at other places within or without the State of Delaware.

Section 8.02. Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of January in each year, and shall end on the 31st day of December in such year.

Section 8.03. Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced.

Section 8.04. Compensation of Directors. The Board of Directors shall have authority to fix the compensation of directors (including the Chairman of the Board). The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and/or a stated salary as director. No such payment shall preclude any director or committee member from serving the corporation in any other capacity and receiving compensation therefore. Members of committees may be allowed like compensation for attending committee meetings.

Section 8.05. Compensation of Officers and Employees. The compensation of officers and, to the extent the Board of Directors shall deem advisable, the compensation of all other employees, agents and representatives of the corporation shall be fixed by the Board of Directors of in accordance with procedures adopted by it. Compensation may be contingent and/or measured in whole or in part by the profits of the corporation and its subsidiaries or a segment thereof. Bonuses, other extra or incentive compensation, deferred compensation and retirement benefits may be paid. Such amounts may be payable in cash, stock of the corporation or other property. The Board of Directors may delegate the authority contained in this section to such directors, officers, employees or agents of the corporation as the Board of Directors deems advisable.

Section 8.06. Amendment of By-Laws. The By-Laws may be altered, amended or repealed from time to time, and new By-Laws may be made and adopted, by action of a majority of the Whole Board of Directors or by the stockholders.

Section 8.07. Forum Selection. Unless the corporation consents in writing to the selection of an alternative forum, a state or federal court located within the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer or other employee of the corporation to the corporation or the corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the certificate of incorporation or the by-laws of the corporation or (iv) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to such court having personal jurisdiction over the indispensable parties named as defendants therein.

ARTICLE IX

Indemnification

Section 9.01. Right to Indemnification. The corporation shall to the fullest extent permitted by applicable law as then in effect indemnify each person (the "Indemnitee") who was or is involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by, or in the right of, the corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such Proceeding. Such indemnification shall be a contract right and shall include the right to receive payment in advance of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect.

Section 9.02. Insurance, Contracts and Funding. The corporation may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines and amounts paid in settlement as specified in Section 9.01 of this Article or incurred by any Indemnitee in connection with any Proceeding referred to in Section 9.01 of this Article, to the fullest extent permitted by applicable law as then in effect. The corporation may enter into contracts with any director or officer of the corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 9.03. Indemnification; Not Exclusive Right. The right of indemnification provided in this Article shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Article shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnification under this Article and shall be applicable to Proceedings commenced or continuing after the adoption of this Article, whether arising from acts or omissions occurring before or after such adoption.

Section 9.04. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Article:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the corporation within 20 days after the receipt by the corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Article.

(b) Procedure for Determination of Entitlement to Indemnification. **(i)** To obtain indemnification under this Article, an Indemnitee shall submit to the Secretary of the corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Article shall be determined in one of the following ways: (a) by a majority vote of the Disinterested Directors (as hereinafter defined), if they constitute a quorum of the Board of Directors; (b) by a written opinion on Independent Counsel (as hereinafter defined) if (x) a Change of Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (c) by the stockholders of the corporation (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board of Directors, presents the issue of entitlement to indemnification to the stockholders for their determination); or (d) as provided in Section 9.04(c).

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9.04(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change of Control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which the Board of Directors does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided in this Article, the Indemnitee shall be presumed to be entitled to indemnification under this Article upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 9.04(b)(i), and thereafter the corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 9.04(b) to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the corporation of the request therefore together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification and the Indemnitee shall be entitled to such indemnification unless (a) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (b) such indemnification is prohibited by law. The termination of any Proceeding described in Section 9.01, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not apposed to the best interests of the corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Remedies of Indemnitee. (i) In the event that a determination is made pursuant to Section 9.04(b) that the Indemnitee is not entitled to indemnification under this Article, (a) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (b) any such judicial proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (c) in any such judicial proceeding or arbitration the corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Article.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 9.04(b) or (c), that the Indemnitee is entitled to indemnification, the corporation shall be obligated to pay the amounts constituting such indemnification within five days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless (a) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (b) such indemnification is prohibited by law. In the event that (c) advancement of expenses is not timely made pursuant to Section 9.04(a) or (d) payment of indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 9.04(b) or (c), the Indemnitee shall be entitled to seek judicial enforcement of the corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (a) or (b) of this clause (ii)(a "disqualifying Event"); provided, however, that in any such action the corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9.04(d) that the procedures and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the corporation is bound by all the provisions of this Article.

(iv) In the event that the Indemnitee, pursuant to this Section 9.04(d), seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Article, the Indemnitee shall be entitled to recover from the corporation, and shall be indemnified by the corporation against, any expenses actually and reasonably incurred by him if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For the purposes of this Section 9.04: **(i)** "Change in Control" means a change in control of the corporation of a nature that would be required to be reported in response to Item 6(e) of Section 14A of Regulation 14A promulgated under the Securities Exchange Act (or any successor provision thereto), whether or not the corporation is then subject to such reporting requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act (or any successor provision thereto)) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act (or any successor provision thereto)), directly or indirectly, of securities of the corporation representing 5 percent or more of the combined voting power of the corporation's then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such acquisition; (b) the corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the corporation's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

(ii) "Disinterested Director" means a director of the corporation who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (i) the corporation or the Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a claim for indemnification under this Article. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under the law of the State of Delaware, would have a conflict of interest in representing either the corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article.

Section 9.05. Severability. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article (including, without limitation, all portions of any paragraph of this Article containing any such provisions held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article (including, without limitation, all portions of any paragraph of this Article containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 9.06. Amendment. No provision of this Article shall be amended retroactively. In no case shall any amendment of this Article occur without thirty days' advance written notice to all Indemnitees.

EXHIBIT 10

Chemed Corporation
Form of Stock Option Grant – 2015

Date

Name
Address
City, State ZIP Code

Dear ,

In accordance with the 2015 Stock Incentive Plan (the "Plan") of Chemed Corporation (the "Corporation"), you are hereby granted an option to purchase _____ shares of the capital stock, par value $1.00 per share, of the Corporation upon the following terms and conditions.

(1) The purchase price shall be $_____per share. Payment thereof shall be made in cash or, subject to the next sentence, by delivery to the Corporation of shares of capital stock of the Corporation which shall be valued at their Fair Market Value on the date of exercise, or in a combination of cash and such shares. Your right to pay the purchase price, in whole or in part, by delivery to the Corporation of shares of capital stock of the Corporation is expressly subject to temporary or permanent revocation or withdrawal at any time and from time to time by action of the Board of Directors of the Corporation without any requirement that advance notice of such revocation or withdrawal be given to you.

(2) Subject to the provisions of paragraphs (3) and (7), this option is exercisable in whole or in part at any time and from time to time as follows:

_____ Shares on or after [Date]

_____ Shares on or after [Date]

_____ Shares on or after [Date]

Once an installment becomes exercisable, it may be exercised at any time in whole or part until the expiration or termination of this option. Neither this option nor any right hereunder may be assigned or transferred by you, except by will, the laws of descent and distribution, pursuant to a qualified Domestic Relations order, or to a permitted transferee. It may be exercised during your life only by you or by a permitted transferee. Within fifteen (15) months after your death it may be exercised only by your estate, by a permitted transferee, or by a person who acquired the right to exercise the option by bequest or inheritance or by reason of your death. At the time of each exercise of this option, you or the person or persons exercising the option shall, if requested by the Corporation, give assurances, satisfactory to counsel to the Corporation, that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Corporation may deem desirable to assure compliance with all applicable legal requirements.

(2) This option, to the extent that it shall not have been exercised, shall terminate when you cease to be an employee of the Corporation or a Subsidiary, unless you cease to be an employee because of your resignation with the consent of the Incentive Committee or because of your death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary. If you cease to be an employee because of such resignation, this option shall terminate upon the expiration of three months after you cease to be an employee, except as provided in the next sentence. If you cease to be an employee because of your death, incapacity or retirement under a retirement plan of the Corporation or a Subsidiary, or if you cease to be an employee because of your resignation with the consent of the Incentive Committee and die during the three-month period referred to in the preceding sentence, this option shall terminate fifteen (15) months after you ceased to be an employee. Where this option is exercised more than three months after termination of employment, as aforesaid, only those installments which shall have become exercisable prior to the expiration of three months after you ceased to be an employee, whether by death or otherwise, may be exercised. A leave of absence for military or governmental service or for other purposes shall not, if approved by the Incentive Committee be deemed a termination of employment within the meaning of this paragraph (3), provided, however, that this option may not be exercised during any such leave of absence. Notwithstanding the foregoing provisions of this paragraph (3) or any provision of the Plan, this option shall not be exercisable after the expiration of five years from the date this option is granted.

(3) Upon the occurrence of a Change in Control (as defined in the Chemed Corporation Change in Control Severance Plan, the "CIC Severance Plan"), the Corporation shall cause the surviving entity to issue replacement options or stock appreciation rights in the surviving entity's common stock ("Replacement Award"). Such Replacement Award shall provide you with substantially the same economic value and benefits as provided by this option, including (i) an aggregate purchase price equal to the aggregate purchase price of this option, (ii) an aggregate spread determined immediately after such Change in Control equal to the aggregate spread of this option as determined immediately prior to such Change in Control, and (iii) a ratio of purchase price to the Fair Market Value of the shares subject to such Replacement Award, as determined immediately after the Change in Control, that is equal to the ratio of the purchase price of this option to the Fair Market Value of the Corporation's Capital Stock, as determined immediately prior to the Change in Control. Notwithstanding anything to the contrary contained herein, the substitution of the Replacement Award for this option shall be done in a manner that complies with Section 409A of the Code. To the extent such Replacement Award is not fully exercisable, it shall become exercisable on the date this option would otherwise have become exercisable under the terms of this option, subject to your continued employment with the surviving or successor entity through such date, provided, however, that such Replacement Award will become exercisable immediately if your employment is terminated by the surviving or successor entity without Cause or by you for Good Reason (as defined in the CIC Severance Plan). Such Replacement Award shall become exercisable immediately prior to any transaction with respect to the surviving or successor entity (or parent or subsidiary company thereof) of substantially similar character to a Change in Control. Upon such substitution, this option shall terminate and be of no further force and effect, provided however that if such Replacement Award is not issued for any reason or if the common stock of the surviving entity is not publicly traded on a United States exchange at the date of the Change in Control, then this option shall become exercisable in full upon the occurrence of the Change in Control. By accepting this grant, you explicitly agree that, to the extent there is a conflict between the terms of this Section 4 and the CIC Severance Plan or the Plan, the terms of this Section 4 shall apply.

(5) The number and class of shares or other securities covered by this option and the price to be paid therefore shall be subject to adjustment as, and under the circumstances, provided in Section 8 of the Plan.

(6) This option may be exercised only by serving written notice on the Secretary or Treasurer of the Corporation. The Corporation shall deliver the shares to you against payment; provided, however, no share shall be issued or transferred pursuant to this option unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of the counsel to the Corporation, been complied with. Any Federal, state or local withholding taxes applicable to any compensation you may realize by reason of the exercise of the option or any subsequent disposition of the shares acquired on exercise shall, upon request, be remitted to the Corporation or the Subsidiary by which you are employed at the time of exercise or sale, as the case may be. You shall have the rights of a stockholder only as to stock actually delivered to you

(7) If you are or become an employee of a Subsidiary, the Corporation's obligations hereunder shall be contingent on the approval of the Plan and this option by the Subsidiary and the Subsidiary's agreement that (a) the Corporation may administer the Plan on its behalf, and (b) upon the exercise of the option, it will purchase from the Corporation the shares subject to the exercise at their Fair Market Value on the date of exercise, such shares to be then transferred by the Subsidiary to the holder of this option upon payment by the holder of the purchase price to the Subsidiary. Where appropriate, such approval and agreement of the Subsidiary shall be indicated by its signature below. The obligation of the Subsidiary so undertaken may be waived by the Corporation.

(8) The Plan is hereby incorporated by reference. Each term which is defined in the Plan and used in this option shall have the same meaning in this option as it has in the Plan. This option is granted subject to the Plan and, unless otherwise stated herein, shall be construed to conform to the Plan. The Corporation may cancel, forfeit or recoup any rights or benefits of, or payments to, you hereunder, including but not limited to any Capital Stock issued by the Corporation upon exercise of this option or the proceeds from the sale of any such Capital Stock, under any current or future compensation recovery policy that it may establish and maintain from time to time to meet listing requirements that may be imposed in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise.

Very truly yours,

CHEMED CORPORATION

By: _____
Naomi C. Dallob
Chief Legal Officer

Receipt Acknowledged: _____
Employee

EXHIBIT 12

CHEMED CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in thousands, except ratios)

	2011	2012	2013	2014	2015
Pretax income from continuing operations	$ 140,556	$ 145,819	$ 123,829	$ 162,754	$ 180,126
Additions:					
Fixed charges	26,656	28,021	28,032	21,388	16,985
Amortization of capitalized interest	438	435	435	435	435
Adjusted income	$ 167,650	$ 174,275	$ 152,296	$ 184,577	$ 197,546
Fixed Charges:					
Interest expense	$ 13,888	$ 14,723	$ 15,035	$ 8,186	$ 3,645
Interest component of rental expense	12,768	13,298	12,997	13,202	13,340
Fixed charges	$ 26,656	$ 28,021	$ 28,032	$ 21,388	$ 16,985
Ratio of earnings to fixed charges (a)	6.3 x	6.2 x	5.4 x	8.6 x	11.6 x

(a) For purposes of computing the ratio of earnings to fixed charges, pretax income from continuing operations has been added to fixed charges and adjusted for capitalized interest to derive adjusted income. Fixed charges consist of interest expense on debt (including the amortization of deferred financing costs), prepayment penalties on the early extinguishment of debt and one-third (the proportion deemed representative of the interest component) of rental expense. Fixed charge amounts include interest from both continuing and discontinued operations.

EXHIBIT 13

Financial Review

Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, including the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015, based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2015, based on criteria in *Internal Control—Integrated Framework* issued by COSO.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, as stated in their report which appears on page 75.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Chemed Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Chemed Corporation and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cincinnati, OH
February 26, 2016

CONSOLIDATED STATEMENT OF INCOME

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)

For the Years Ended December 31,	**2015**	2014	2013
Service revenues and sales	**$ 1,543,388**	$ 1,456,282	$ 1,413,329
Cost of services provided and goods sold (excluding depreciation)	**1,087,610**	1,034,673	1,008,808
Selling, general and administrative expenses	**237,821**	222,589	215,564
Depreciation	**32,369**	29,881	27,698
Amortization	**1,130**	720	1,644
Other operating expenses (Note 21)	**-**	-	26,221
Total costs and expenses	**1,358,930**	1,287,863	1,279,935
Income from operations	**184,458**	168,419	133,394
Interest expense	**(3,645)**	(8,186)	(15,035)
Other income/(expenses)--net (Note 10)	**(687)**	2,521	5,470
Income before income taxes	**180,126**	162,754	123,829
Income taxes (Note 11)	**(69,852)**	(63,437)	(46,602)
Net Income	**$ 110,274**	$ 99,317	$ 77,227
Earnings Per Share (Note 15)			
Net Income	**$ 6.54**	$ 5.79	$ 4.24
Average number of shares outstanding	**16,870**	17,165	18,199
Diluted Earnings Per Share (Note 15)			
Net Income	**$ 6.33**	$ 5.57	$ 4.16
Average number of shares outstanding	**17,422**	17,840	18,585

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

CONSOLIDATED BALANCE SHEET

Chemed Corporation and Subsidiary Companies

(in thousands, except shares and per share data)

December 31,	2015	2014
Assets		
Current assets		
Cash and cash equivalents (Note 9)	**$ 14,727**	$ 14,132
Accounts receivable less allowances of $13,244 (2014 - $14,728)	**106,262**	124,607
Inventories	**6,314**	6,168
Current deferred income taxes (Note 11)	**-**	15,414
Prepaid income taxes	**10,653**	2,787
Prepaid expenses	**12,852**	11,456
Total current assets	**150,808**	174,564
Investments of deferred compensation plans held in trust (Notes 14 and 16)	**49,481**	49,147
Properties and equipment, at cost, less accumulated depreciation (Note 12)	**117,370**	105,336
Identifiable intangible assets less accumulated amortization of $32,866 (2014 - $32,772) (Note 6)	**55,111**	56,027
Goodwill	**472,322**	466,722
Other assets	**7,233**	8,136
Total Assets	**$ 852,325**	$ 859,932
Liabilities		
Current liabilities		
Accounts payable	**$ 43,695**	$ 46,849
Current portion of long-term debt (Note 3)	**7,500**	6,250
Income taxes (Note 11)	**-**	5,818
Accrued insurance	**43,972**	40,814
Accrued compensation	**52,817**	50,718
Accrued legal	**1,233**	753
Other current liabilities	**22,119**	24,352
Total current liabilities	**171,336**	175,554
Deferred income taxes (Note 11)	**21,041**	29,945
Long-term debt (Note 3)	**83,750**	141,250
Deferred compensation liabilities (Note 14)	**49,467**	48,684
Other liabilities	**13,478**	13,143
Total Liabilities	**339,072**	408,576
Commitments and contingencies (Notes 13 and 18)		
Stockholders' Equity		
Capital stock - authorized 80,000,000 shares $1 par; issued 33,985,316 shares (2014 - 33,337,297 shares)	**33,985**	33,337
Paid-in capital	**603,006**	538,845
Retained earnings	**865,845**	771,176
Treasury stock - 17,187,540 shares (2014 - 16,446,572 shares), at cost	**(991,978)**	(894,285)
Deferred compensation payable in Company stock (Note 14)	**2,395**	2,283
Total Stockholders' Equity	**513,253**	451,356
Total Liabilities and Stockholders' Equity	**$ 852,325**	$ 859,932

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Chemed Corporation and Subsidiary Companies

(in thousands)

For the Years Ended December 31,	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 110,274**	$ 99,317	$ 77,227
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	**33,499**	30,601	29,342
Provision for uncollectible accounts receivable	**14,247**	13,173	10,907
Noncash portion of long-term incentive compensation	**6,644**	2,569	1,301
Provision/(benefit) for deferred income taxes (Note 11)	**6,325**	6,978	(6,988)
Stock option expense	**5,445**	4,802	6,042
Amortization of restricted stock awards	**2,107**	2,471	3,046
Directors' stock awards	**540**	480	480
Amortization of debt issuance costs	**523**	826	1,751
Amortization of discount on convertible notes	**-**	3,392	8,674
Changes in operating assets and liabilities, excluding amounts acquired in business combinations:			
Decrease/(increase) in accounts receivable	**4,132**	(45,785)	(9,009)
Decrease/(increase) in inventories	**(142)**	535	355
Decrease/(increase) in prepaid expenses	**(1,290)**	6,362	(6,317)
Increase/(decrease) in accounts payable and other current liabilities	**476**	(26,304)	39,860
Increase/(decrease) in income taxes	**344**	11,279	(2,461)
Increase in other assets	**(47)**	(4,769)	(6,507)
Increase in other liabilities	**1,320**	8,484	6,713
Excess tax benefit on stock-based compensation	**(14,042)**	(5,172)	(3,982)
Other sources	**1,145**	1,040	413
Net cash provided by operating activities	**171,500**	110,279	150,847
Cash Flows from Investing Activities			
Capital expenditures	**(44,135)**	(43,571)	(29,324)
Business combinations, net of cash acquired (Note 7)	**(6,614)**	(250)	(2,257)
Other sources	**432**	294	235
Net cash used by investing activities	**(50,317)**	(43,527)	(31,346)
Cash Flows from Financing Activities			
Payments on revolving line of credit	**(153,200)**	(336,350)	-
Proceeds from revolving line of credit	**103,200**	386,350	-
Purchases of treasury stock	**(59,323)**	(110,019)	(92,911)
Capital stock surrendered to pay taxes on stock-based compensation	**(15,734)**	(7,524)	(5,348)
Dividends paid	**(15,605)**	(14,255)	(14,148)
Proceeds from exercise of stock options (Note 4)	**15,424**	23,910	17,122
Excess tax benefit on stock-based compensation	**14,042**	5,172	3,982
Payments on other long-term debt	**(6,250)**	(189,456)	-
Increase/(decrease) in cash overdraft payable	**(1,177)**	9,714	(11,415)
Proceeds from other long-term debt	**-**	100,000	-
Retirement of warrants	**-**	(2,648)	-
Debt issuance costs	**-**	(914)	(1,108)
Other uses	**(1,965)**	(1,018)	(788)
Net cash used by financing activities	**(120,588)**	(137,038)	(104,614)
Increase/(decrease) in cash and cash equivalents	**595**	(70,286)	14,887
Cash and cash equivalents at beginning of year	**14,132**	84,418	69,531
Cash and cash equivalents at end of year	**$ 14,727**	$ 14,132	$ 84,418

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Chemed Corporation and Subsidiary Companies

(in thousands, except per share data)	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2012	$ 31,589	$ 437,364	$ 623,035	$ (640,732)	$ 2,035	$ 453,291
Net income	-	-	77,227	-	-	77,227
Dividends paid ($.76 per share)	-	-	(14,148)	-	-	(14,148)
Stock awards and exercise of stock options (Note 4)	656	44,366	-	(18,851)	-	26,171
Purchases of treasury stock (Note 20)	-	-	-	(92,911)	-	(92,911)
Other	-	(719)	-	(140)	119	(740)
Balance at December 31, 2013	32,245	481,011	686,114	(752,634)	2,154	448,890
Net income	-	-	99,317	-	-	99,317
Dividends paid ($.84 per share)	-	-	(14,255)	-	-	(14,255)
Stock awards and exercise of stock options (Note 4)	809	61,469	-	(31,237)	-	31,041
Purchases of treasury stock (Note 20)	-	-	-	(110,019)	-	(110,019)
Retirement of warrants	-	(2,645)	-	-	-	(2,645)
Other	283	(990)	-	(395)	129	(973)
Balance at December 31, 2014	**33,337**	**538,845**	**771,176**	**(894,285)**	**2,283**	**451,356**
Net income	**-**	**-**	**110,274**	**-**	**-**	**110,274**
Dividends paid ($.92 per share)	**-**	**-**	**(15,605)**	**-**	**-**	**(15,605)**
Stock awards and exercise of stock options (Note 4)	**648**	**66,077**	**-**	**(38,257)**	**-**	**28,468**
Purchases of treasury stock (Note 20)	**-**	**-**	**-**	**(59,323)**	**-**	**(59,323)**
Other	**-**	**(1,916)**	**-**	**(113)**	**112**	**(1,917)**
Balance at December 31, 2015	**$ 33,985**	**$ 603,006**	**$ 865,845**	**$ (991,978)**	**$ 2,395**	**$ 513,253**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

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

PRINCIPLES OF CONSOLIDATION

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

We have analyzed the provisions of the Financial Accounting Standards Board ("FASB") authoritative guidance on the consolidation of variable interest entities relative to our contractual relationships with Roto-Rooter's independent contractors and franchisees. The guidance requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. Based upon the guidance provided by the FASB, we have concluded that neither the independent contractors nor the franchisees are VIEs.

CASH EQUIVALENTS

Cash equivalents comprise short-term, highly liquid investments, including money market funds that have original maturities of three months or less.

ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable are recorded at the principal balance outstanding less estimated allowances for uncollectible accounts. For the Roto-Rooter segment, allowances for trade accounts receivable are generally provided for accounts more than 90 days past due, although collection efforts continue beyond that time. Due to the small number of loans receivable outstanding, allowances for loan losses are determined on a case-by-case basis. For the VITAS segment, allowances for accounts receivable are provided on accounts based on expected collection rates by payer types. The expected collection rate is based on both historical averages and known current trends. Final write-off of overdue accounts or loans receivable is made when all reasonable collection efforts have been made and payment is not forthcoming. We closely monitor our receivables and periodically review procedures for granting credit to attempt to hold losses to a minimum.

We make appropriate provisions to reduce our accounts receivable balance for any governmental or other payer reviews resulting in denials of patient service revenue. We believe our hospice programs comply with all payer requirements at the time of billing. However, we cannot predict whether future billing reviews or similar audits by payers will result in material denials or reductions in revenue.

CONCENTRATION OF RISK

As of December 31, 2015 and 2014, approximately 49% and 61%, respectively, of VITAS' total accounts receivable balance were due from Medicare and 41% and 31%, respectively, of VITAS' total accounts receivable balance were due from various state Medicaid programs. Combined accounts receivable from Medicare and Medicaid represent approximately 80% of the consolidated net accounts receivable in the accompanying consolidated balance sheet as of December 31, 2015.

As further described in Note 19, we have agreements with one vendor to provide specified pharmacy services for VITAS and its hospice patients. In 2015 and 2014, respectively, purchases made from this vendor represent in excess of 90% of all pharmacy services used by VITAS.

INVENTORIES

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

DEPRECIATION AND PROPERTIES AND EQUIPMENT

Depreciation of properties and equipment is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the remaining lease terms (excluding option terms) or their useful lives. Expenditures for maintenance, repairs, renewals and betterments that do not materially prolong the useful lives of the assets are expensed as incurred. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected currently in other income, net.

Expenditures for major software purchases and software developed for internal use are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. For software developed for internal use, external direct costs for materials and services and certain internal payroll and related fringe benefit costs are capitalized in accordance with the FASB's authoritative guidance on accounting for the costs of computer software developed or obtained for internal use.

The weighted average lives of our property and equipment at December 31, 2015, were:

Buildings and building improvements	10.9 yrs.
Transportation equipment	10.8
Machinery and equipment	5.4
Computer software	4.6
Furniture and fixtures	4.8

GOODWILL AND INTANGIBLE ASSETS

The table below shows a rollforward of Goodwill (in thousands):

	Vitas	Roto-Rooter	Total
Balance at December 31, 2013	$ 328,450	$ 138,421	$ 466,871
Business combinations	-	198	198
Foreign currency adjustments	-	(198)	(198)
Program closing	(149)	-	(149)
Balance at December 31, 2014	$ 328,301	$ 138,421	$ 466,722
Business combinations	-	5,944	5,944
Foreign currency adjustments	-	(344)	(344)
Balance at December 31, 2015	$ 328,301	$ 144,021	$ 472,322

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. The weighted average lives of our identifiable, definite-lived intangible assets at December 31, 2015, were:

Covenants not to compete	6.5 yrs.
Reaquired franchise rights	6.1
Referral networks	10.0
Customer lists	13.3

The date of our annual goodwill and indefinite-lived intangible asset impairment analysis is October 1. The VITAS trade name is considered to have an indefinite life. We also capitalize the direct costs of obtaining licenses to operate either hospice programs or plumbing operations subject to a minimum capitalization threshold. These costs are amortized over the life of the license using the straight line method. Certificates of Need ("CON"), which are required in certain states for hospice operations, are generally granted without expiration and thus, we believe them to be indefinite-lived assets subject to impairment testing.

We consider that Roto-Rooter Corp. ("RRC"), Roto-Rooter Services Co. ("RRSC") and VITAS are appropriate reporting units for testing goodwill impairment. We consider RRC and RRSC separate reporting units but one operating segment. This is appropriate as they each have their own set of general ledger accounts that can be analyzed at "one level below an operating segment" per the definition of a reporting unit in FASB guidance.

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2015. Based on our assessment, we do not believe that it is more likely than not that our reporting units or indefinite-lived assets fair values are less than their carrying values.

LONG-LIVED ASSETS

If we believe a triggering event may have occurred that indicates a possible impairment of our long-lived assets, we perform an estimate and valuation of the future benefits of our long-lived assets (other than goodwill, the VITAS trade name and capitalized CON costs) based on key financial indicators. If the projected undiscounted cash flows of a major business unit indicate that properties and equipment or identifiable, definite-lived intangible assets have been impaired, a write-down to fair value is made.

OTHER ASSETS

Debt issuance costs are included in other assets. Issuance costs related to revolving credit agreements are amortized using the straight line method, over the life of the agreement. All other issuance costs are amortized using the effective interest method over the life of the debt.

REVENUE RECOGNITION

Both the VITAS segment and Roto-Rooter segment recognize service revenues and sales when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. Sales of Roto-Rooter products, including drain cleaning machines and drain cleaning solution, comprise less than 3% of our total service revenues and sales for each of the three years in the period ended December 31, 2015.

CHARITY CARE

VITAS provides charity care, in certain circumstances, to patients without charge when management of the hospice program determines that the patient does not have the financial wherewithal to make payment. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care.

The cost of providing charity care during the years ended December 31, 2015, 2014 and 2013, was $7.6 million, $7.3 million and $7.5 million, respectively and is included in cost of services provided and goods sold. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care.

SALES TAX

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

GUARANTEES

In the normal course of business, Roto-Rooter enters into various guarantees and indemnifications in our relationships with customers and others. These arrangements include guarantees of services for periods ranging from one day to one year and product satisfaction guarantees. At December 31, 2015 and 2014, our accrual for service guarantees and warranty claims was $340,000 and $350,000 respectively.

OPERATING EXPENSES

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

ADVERTISING

We expense the production costs of advertising the first time the advertising takes place. The costs of telephone directory listings are expensed when the directories are placed in circulation. These directories are generally in circulation for approximately one year, at which point they are typically replaced by the publisher with a new directory. We generally pay for directory placement assuming it is in circulation for one year. If the directory is in circulation for less than or greater than one year, we receive a credit or additional billing, as necessary. We do not control the timing of when a new directory is placed in circulation. We pay for and expense the cost of internet advertising and placement on a "per click" basis. Advertising expense for the year ended December 31, 2015, was $36.4 million (2014 – $32.8 million; 2013 - $31.0 million).

COMPUTATION OF EARNINGS PER SHARE

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per share reflect the dilutive impact of our outstanding stock options and nonvested stock awards. Stock options whose exercise price is greater than the average market price of our stock are excluded from the computation of diluted earnings per share.

STOCK-BASED COMPENSATION PLANS

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period on a straight-line basis.

INSURANCE ACCRUALS

For our Roto-Rooter segment and Corporate Office, we initially self-insure for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator ("TPA") processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped at $750,000. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors ("LDF") by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

For the VITAS segment, we initially self-insure for workers' compensation claims. Currently, VITAS' exposure on any single claim is capped at $1,000,000. For VITAS' self-insurance accruals for workers' compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $750,000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable.

TAXES ON INCOME

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

In November 2015, the FASB issued ASU No. 2015-17 which simplifies the balance sheet classification required for deferred tax balances. It allows for a company's deferred tax assets and liabilities to be netted into a noncurrent account, either asset or liability, by jurisdiction. The ASU is required to be adopted for annual periods beginning after December 15, 2016 and the interim periods within that annual period. Early adoption is permitted. Companies have the choice to adopt prospectively or retrospectively. In order to simplify our balance sheet classification required for deferred tax balances, we adopted the ASU for our annual balance sheet as of December 31, 2015 on a prospective basis. Prior periods have not been retrospectively adjusted. We do not believe that this change results in a material comparability issue between years on our balance sheet

We are subject to income taxes in Canada, U.S. federal and most state jurisdictions. Significant judgment is required to determine our provision for income taxes. Our financial statements reflect expected future tax consequences of such uncertain positions assuming the taxing authorities' full knowledge of the position and all relevant facts.

CONTINGENCIES

As discussed in Note 18, we are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We record legal fees associated with legal and regulatory actions as the costs are incurred. We disclose material loss contingencies that are probable but not reasonably estimable and those that are at least reasonably possible.

ESTIMATES

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

CLASSIFICATION ADJUSTMENTS

In 2015, we classified $2.1 million of non-cash restricted stock award amortization in selling, general and administrative expenses. We also recorded classifications adjustments of $2.5 million and $3.0 million to decrease amortization and increase selling, general and administrative expenses in our Consolidated Statement of Income for 2014 and 2013, respectively, related to non-cash restricted stock award amortization. This classification adjustment does not impact income from operations, income before income taxes, net income, earnings per share, net cash provided by operating activities or our Consolidated Balance Sheet. We believe the impact of the classification adjustments are immaterial to our consolidated financial statements for the current and prior periods.

2. Hospice Revenue Recognition

VITAS recognizes revenue at the estimated realizable amount due from third-party payers, which are primarily Medicare and Medicaid. Payers may deny payment for services in whole or in part on the basis that such services are not eligible for coverage and do not qualify for reimbursement. We estimate denials each period and make adequate provision in the financial statements. The estimate of denials is based on historical trends and known circumstances and does not vary materially from period to period on an aggregate basis. Medicare billings are subject to certain limitations, as described below.

The allowance for doubtful accounts for VITAS comprises the following (in thousands):

	Medicare	Medicaid	Commercial	Other	Total
Beginning Balance January 1, 2013	$ 3,875	$ 5,194	$ 2,204	$ 22	$ 11,295
Bad debt provision	1,901	4,902	2,026	1,992	10,821
Write-offs	(1,452)	(4,342)	(2,877)	(1,269)	(9,940)
Other/Contractual adjustments	490	145	684	(445)	874
Ending Balance December 31, 2014	**4,814**	**5,899**	**2,037**	**300**	**13,050**
Bad debt provision	**286**	**8,096**	**2,969**	**2**	**11,353**
Write-offs	**(1,863)**	**(8,089)**	**(2,819)**	**(642)**	**(13,413)**
Other/Contractual adjustments	**562**	**93**	**687**	**(174)**	**1,168**
Ending Balance December 31, 2015	**$ 3,799**	**$ 5,999**	**$ 2,874**	**$ (514)**	**$ 12,158**

VITAS is subject to certain limitations on Medicare payments for services. Specifically, if the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services in 2015, 2014 or 2013.

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

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

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

During the year ended December 31, 2015 we recorded a $165,000 Medicare cap reversal of amounts recorded in the fourth quarter of 2014 for one program's projected 2015 measurement period liability. During the year ended December 31, 2014, we recorded a net Medicare cap liability of $1.3 million for two programs' projected 2014 and 2015 measurement period liability offset by the reversal of one program's 2011 measurement period projected Medicare cap liability. During the year ended December 31, 2013, we reversed the Medicare cap liability for amounts recorded in the fourth quarter of 2012 for three programs' projected 2013 measurement period liability. During 2013 this reversal was offset by the Medicare cap liability for two programs' projected 2014 measurement period liability. The net pretax expense/(income) was ($165,000), $1.3 million, and $7.0 million for fiscal years 2015, 2014 and 2013, respectively.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, CMS determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS has received notification from our third party intermediary that an additional $1.9 million is owed for Medicare cap in two programs arising during the 2013 and 2014 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current "as if" methodology. We have not recorded a reserve as of December 31, 2015 for the $1.9 million potential exposure. We have appealed CMS's methodology change with the appropriate regulatory appeal board.

Shown below is the Medicare cap liability activity for the years ended December 31, 2015 and 2014, (in thousands):

	2015	2014
Beginning Balance January 1,	**$ 6,112**	$ 8,260
2015 measurement period	**(165)**	165
2014 measurement period	**-**	1,451
2011 measurement period	**-**	(325)
Payments	**(4,782)**	(3,439)
Ending Balance December 31,	**$ 1,165**	$ 6,112

3. Long-Term Debt and Lines of Credit

On May 15, 2014, we retired our Senior Convertible Notes (the "Notes") outstanding. We paid the $187.0 million of principal outstanding using a combination of cash on hand and our existing revolving credit facility. In addition, we issued 249,000 Chemed shares in conjunction with the conversion feature of the Notes. At the time we issued the Notes, we had entered into a purchased call transaction to offset any potential economic dilution resulting from the conversion feature in the Notes. As a result, we received 266,000 Chemed shares from the exercise of the purchased call transaction. The issuance of shares under the conversion feature of the Notes, as well as the receipt of shares from the purchased call transaction were recorded as adjustments to paid-in capital during 2014.

At the time we issued the Notes we also sold warrants for the right to purchase approximately 2,477,000 Chemed shares in the future. During 2014, we settled these warrants with one counterparty representing half of the total warrants issued for $2.6 million in cash. The amount paid was recorded as an adjustment to paid-in capital. During 2014, Chemed's stock price exceeded the exercise price of the remaining outstanding sold warrants resulting in the Company, on December 8, 2014, issuing 35,166 of common shares to the other counterparty in full settlement of the warrants. Pursuant to authoritative guidance, the settlement of the sold warrants was accounted for as an equity transaction.

On June 30, 2014, we replaced our existing credit agreement with the Third Amended and Restated Credit Agreement ("2014 Credit Agreement"). Terms of the 2014 Credit Agreement consist of a five-year, $350 million revolving credit facility and a $100 million term loan. The 2014 Credit Agreement has a floating interest rate that is currently LIBOR plus 113 basis points.

The debt outstanding at December 31, 2015 and 2014 consists of the following (in thousands):

	December 31,	
	2015	2014
Revolver	**$ -**	$ 50,000
Term loan	**91,250**	97,500
Total	**91,250**	147,500
Current portion of term loan	**(7,500)**	(6,250)
Long-term debt	**$ 83,750**	$ 141,250

Scheduled principal payments of the term loan are as follows:

2016	$ 7,500
2017	8,750
2018	10,000
2019	65,000
	$ 91,250

Capitalized interest was not material for any of the periods shown. Summarized below are the total amounts of interest paid during the years ended December 31 (in thousands):

2015	**$ 2,988**
2014	4,322
2013	4,744

Debt issuance costs associated with the existing credit agreement were not written off as the lenders and their relative percentage participation in the facility did not change. With respect to the 2014 Credit Agreement, deferred financing costs were $0.9 million. The 2014 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement	Chemed
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	0.54 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00	2.18 to 1.00
Annual Operating Lease Commitment	< $50.0 million	$25.5 million

We are in compliance with all debt covenants as of December 31, 2015. We have issued $37.8 million in standby letters of credit as of December 31, 2015 for insurance purposes. Issued letters of credit reduce our available credit under the 2014 Credit Agreement. As of December 31, 2015, we have approximately $312.2 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

4. Stock-Based Compensation Plans

We have three stock incentive plans under which 6.8 million shares can be issued to key employees and directors through a grant of stock options, stock awards and/or performance stock units ("PSUs"). The Compensation/Incentive Committee ("CIC") of the Board of Directors administers these plans.

We grant stock options, stock awards and PSUs to our officers, other key employees and directors to better align their long-term interests with those of our shareholders. We grant stock options at an exercise price equal to the market price of our stock on the date of grant. Options vest evenly annually over a three-year period. Those granted in 2015 have a contractual life of 5 years; those granted prior to 2015 have a contractual life of 10 years. Restricted stock awards granted in 2015 vest ratably annually over a three year period; previous restricted stock awards generally cliff vest over a three- or four-year period. Unrestricted stock awards generally are granted to our non-employee directors annually at the time of our annual meeting. PSUs are contingent upon achievement of multi-year earnings targets or market targets. Upon achievement of targets, PSUs are converted to unrestricted shares of Capital stock.

We recognize the cost of stock options, stock awards and PSUs on a straight-line basis over the service life of the award, generally the vesting period. We include the cost of all stock-based compensation in selling, general and administrative expense.

In May 2015, the CIC granted 4,437 unrestricted shares of Capital stock to the Company's outside directors.

PERFORMANCE AWARDS

In November 2013, February 2014 and February 2015, the CIC granted PSUs contingent upon the achievement of certain total stockholder return ("TSR") targets as compared to the TSR of a group of peer companies for the three-year measurement period, at which date the awards may vest. We utilize a Monte Carlo simulation approach in a risk-neutral framework with inputs including historical volatility and the risk-free rate of interest to value these TSR awards. We amortize the total estimated cost over the service period of the award.

In November 2013, February 2014, and February 2015, the CIC granted PSUs contingent on the achievement of certain earnings per share ("EPS") targets over the three-year measurement period. At the end of each reporting period, we estimate the number of shares we believe will ultimately vest and record that expense over the service period of the award.

Comparative data for the PSUs include:

	2015 Awards	2014 Awards	2013 Awards
TSR Awards			
Shares granted	**10,761**	10,340	16,149
Per-share fair value	**$ 142.55**	$ 112.60	$ 139.51
Volatility	**25.2%**	30.8%	21.2%
Risk-free interest rate	**0.93%**	0.33%	0.25%
EPS Awards			
Shares granted	**10,761**	14,061	16,149
Per-share fair value	**$ 113.14**	$ 82.80	$ 139.51
Common Assumptions			
Service period (years)	**2.9**	2.9	2.2
Three-year measurement period ends December 31,	**2017**	2016	2015

The following table summarizes total stock option, stock award and PSU activity during 2015:

	Stock Options				Stock Awards		Performance Units (PSUs)	
		Weighted Average		Aggregate				
	Number of Options	Exercise Price	Remaining Contractual Life (Years)	Intrinsic Value (thousands)	Number of Awards	Weighted Average Grant-Date Price	Number of Nonvested Target Units	Weighted Average Grant-Date Price
Outstanding at January 1, 2014	1,768,174	$ 73.14			140,510	$ 67.71	56,699	$ 81.91
Granted	422,750	157.36			36,987	121.75	21,522	127.85
Exercised/Vested	(611,786)	62.03			(80,011)	68.36	-	-
Canceled/ Forfeited	(15,263)	89.64			(754)	79.50	(1,845)	98.56
Outstanding at December 31, 2015	1,563,875	100.09	6.3	$ 82,056	96,732	87.75	44,692	110.58
Vested and expected to vest at December 31, 2015	1,563,875	100.09	6.3	82,056	96,732	87.75	127,061 *	97.68
Exercisable at December 31, 2015	768,261	70.41	6.1	61,756	n.a.	n.a.	n.a.	n.a.

* Amount includes 46,610 share units which vested and were converted to Capital Stock and distributed in the first quarter of 2016. The shares that vested in 2016 had a weighted average grant-date fair value of $71.69 per share and an estimated fair value of $139.51.

We estimate the fair value of stock options using the Black-Scholes valuation model. We determine expected term, volatility, dividend yield and forfeiture rate based on our historical experience. We believe that historical experience is the best indicator of these factors.

Comparative data for stock options, stock awards and PSUs include (in thousands, except per-share amounts):

	Years Ended December 31,		
	2015	2014	2013
Total compensation cost of stock-based compensation plans charged against income	**$ 14,737**	$ 10,323	$ 10,868
Total income tax benefit recognized in income for stock based compensation plans	**5,416**	3,794	3,994
Total intrinsic value of stock options exercised	**45,600**	26,344	16,922
Total intrinsic value of stock awards vested during the period	**12,065**	4,564	4,298
Per-share weighted averaged grant-date fair value of stock awards granted	**121.75**	88.48	77.13

The assumptions we used to value stock option grants are as follows:

	2015	2014	2013
Stock price on date of issuance	**$ 157.36**	$ 106.59	$ 70.30
Grant date fair value per share	**$ 29.46**	$ 21.58	$ 14.79
Number of options granted	**422,750**	410,800	392,274
Expected term (years)	**4.0**	4.8	4.9
Risk free rate of return	**1.57%**	1.59%	1.39%
Volatility	**22.20%**	22.60%	24.90%
Dividend yield	**0.6%**	0.8%	1.1%
Forfeiture rate	**-**	-	-

Other data for stock options, stock awards and PSUs for 2015 include (dollar amounts in thousands):

	Stock Options	Stock Awards	PSUs
Total unrecognized compensation related to nonvested options, stock awards and PSUs at the end of year	$ 18,421	$ 3,849	$ 3,515
Weighted average period over which unrecognized compensation cost of nonvested options, stock awards and PSUs to be recognized (years)	2.4	2.1	1.7
Actual income tax benefit realized from options exercised or stock awards and PSUs vested	$ 16,786	$ 3,667	$ 2,397
Aggregate intrinsic value of stock options, stock awards and PSUs vested and expected to vest	$ 82,056	$ 14,586	$ 19,160

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

The ESPP allows eligible participants to purchase our shares through payroll deductions at current market value. We pay administrative and broker fees associated with the ESPP. Shares purchased for the ESPP are purchased on the open market and credited directly to participants' accounts. In accordance with the FASB's guidance, the ESPP is non-compensatory.

5. Segments and Nature of the Business

Our segments include the VITAS segment and the Roto-Rooter segment. Relative contributions of each segment to service revenues and sales were 72% and 28%, respectively, in 2015 and 73% and 27%, respectively, in 2014. The vast majority of our service revenues and sales from continuing operations are generated from business within the United States.

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

- The VITAS segment provides hospice services for patients with terminal illnesses. This type of care is aimed at making the terminally ill patient's end of life as comfortable and pain-free as possible. Hospice care is available to patients who have been initially certified or re-certified as terminally ill (i.e., a prognosis of six months or less) by their attending physician, if any, and the hospice physician. VITAS offers all levels of hospice care in a given market, including routine home care, inpatient care and continuous care. Over 90% of VITAS' revenues are derived through the Medicare and Medicaid reimbursement programs.

- The Roto-Rooter segment provides repair and maintenance services to residential and commercial accounts using the Roto-Rooter registered service marks. Such services include plumbing, drain cleaning and water restoration. They are delivered through company-owned and operated territories, independent contractor-operated territories and franchised locations. This segment also manufactures and sells products and equipment used to provide such services.

- We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate". Corporate administrative expense includes the stewardship, accounting and reporting, legal, tax and other costs of operating a publicly held corporation. Corporate investing and financing income and expenses include the costs and income associated with corporate debt and investment arrangements.

Segment data are set forth below (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Revenues by Type of Service			
VITAS			
Routine homecare	**$ 865,145**	$ 810,413	$ 791,735
Continuous care	**150,802**	152,206	155,409
General inpatient	**99,439**	102,876	104,968
Medicare cap	**165**	(1,290)	(6,999)
Total segment	**1,115,551**	1,064,205	1,045,113
Roto-Rooter			
Sewer and drain cleaning	**142,562**	141,078	141,283
Plumbing repair and maintenance	**188,065**	174,993	168,942
Independent contractors	**37,966**	36,496	33,030
Water restoration	**38,163**	18,480	3,042
Other products and services	**21,081**	21,030	21,919
Total segment	**427,837**	392,077	368,216
Total service revenues and sales	**$ 1,543,388**	$ 1,456,282	$ 1,413,329
Aftertax Segment Earnings/(Loss)			
VITAS	**$ 93,346**	$ 86,185	$ 76,144
Roto-Rooter	**48,573**	42,075	29,243
Total	**141,919**	128,260	105,387
Corporate	**(31,645)**	(28,943)	(28,160)
Net income	**$ 110,274**	$ 99,317	$ 77,227
Interest Income			
VITAS	**$ 7,740**	$ 6,111	$ 5,038
Roto-Rooter	**3,425**	2,931	2,096
Total	**11,165**	9,042	7,134
Corporate	**-**	10	56
Intercompany eliminations	**(10,884)**	(9,081)	(6,343)
Total interest income	**$ 281**	$ (29)	$ 847
Interest Expense			
VITAS	**$ 200**	$ 207	$ 182
Roto-Rooter	**348**	363	322
Total	**548**	570	504
Corporate	**3,097**	7,616	14,531
Total interest expense	**$ 3,645**	$ 8,186	$ 15,035
Income Tax Provision			
VITAS	**$ 56,675**	$ 53,278	$ 46,910
Roto-Rooter	**29,630**	25,808	17,560
Total	**86,305**	79,086	64,470
Corporate	**(16,453)**	(15,649)	(17,868)
Total income tax provision	**$ 69,852**	$ 63,437	$ 46,602
Identifiable Assets			
VITAS	**$ 523,717**	$ 546,031	$ 518,316
Roto-Rooter	**255,192**	251,407	241,679
Total	**778,909**	797,438	759,995
Corporate	**73,416**	62,494	133,706
Total identifiable assets	**$ 852,325**	$ 859,932	$ 893,701

	For the Years Ended December 31,		
	2015	2014	2013
Additions to Long-Lived Assets			
VITAS	**$ 23,278**	$ 21,880	$ 16,219
Roto-Rooter	**26,476**	21,595	15,202
Total	**49,754**	43,475	31,421
Corporate	**995**	346	160
Total additions to long-lived assets	**$ 50,749**	$ 43,821	$ 31,581
Depreciation and Amortization			
VITAS	**$ 19,547**	$ 19,048	$ 19,534
Roto-Rooter	**13,360**	10,975	9,273
Total	**32,907**	30,023	28,807
Corporate	**592**	578	535
Total depreciation and amortization	**$ 33,499**	$ 30,601	$ 29,342

6. Intangible Assets

Amortization of definite-lived intangible assets for the years ended December 31, 2015, 2014, 2013, was $1.1 million, $720,000 and $1.6 million, respectively. The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2016	$ 359
2017	169
2018	122
2019	96
2020	66
Thereafter	59

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

	Gross Asset	Accumulated Amortization	Net Book Value
December 31, 2015			
Referral networks	**$ 21,729**	**$ (21,473)**	**$ 256**
Covenants not to compete	**9,533**	**(9,220)**	**313**
Customer lists	**1,215**	**(1,215)**	**-**
Reaquired franchise rights	**1,260**	**(958)**	**302**
Subtotal - definite-lived intangibles	**33,737**	**(32,866)**	**871**
VITAS trade name	**51,300**	**-**	**51,300**
Rapid Rooter trade name	**150**	**-**	**150**
Operating licenses	**2,790**	**-**	**2,790**
Total	**$ 87,977**	**$ (32,866)**	**$ 55,111**
December 31, 2014			
Referral networks	$ 22,599	$ (21,626)	$ 973
Covenants not to compete	9,575	(9,209)	366
Customer lists	1,219	(1,194)	25
Reaquired franchise rights	1,106	(743)	363
Subtotal - definite-lived intangibles	34,499	(32,772)	1,727
VITAS trade name	51,300	-	51,300
Rapid Rooter trade name	150	-	150
Operating licenses	2,850	-	2,850
Total	$ 88,799	$ (32,772)	$ 56,027

7. Business Combinations

During 2015, we completed two business combinations of former franchisees within the Roto-Rooter segment for $6.6 million in cash to increase our market penetration in Pennsylvania and Nebraska. The purchase price of these acquisitions was allocated as follows (in thousands):

Identifiable intangible assets	**$**	**213**
Goodwill		**5,944**
Other assets and liabilities - net		**457**
	$	**6,614**

During 2014, we completed one business combination of a former franchisee within the Roto-Rooter segment for $250,000 in cash to increase our market penetration in Idaho. The purchase price of this acquisition was allocated as follows (in thousands):

Identifiable intangible assets	$	47
Goodwill		198
Other assets and liabilities - net		5
	$	250

During 2013, we completed one business combination of a former franchisee within the Roto-Rooter segment for $756,000 in cash to increase our market penetration in Colorado. We made one acquisition within the VITAS segment for $1.5 million in cash to increase our market penetration in Houston, Texas during 2013. The purchase price of these acquisitions was allocated as follows (in thousands):

Identifiable intangible assets	$	1,023
Goodwill		1,212
Other assets and liabilities - net		22
	$	2,257

The unaudited pro forma results of operations, assuming purchase business combinations completed in 2015 and 2014 were completed on January 1, 2014, do not materially impact the accompanying consolidated financial statements. The results of operations of each of the above business combinations are included in our results of operations from the date of the respective acquisition.

8. Discontinued Operations

At December 31, 2015 and 2014, the accrual for our estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois amounted to $1.7 million. Of the 2015 balance, $826,000 is included in other current liabilities and $901,000 is included in other liabilities (long-term). The estimated amounts and timing of payments of these liabilities follows (in thousands):

2016	$	826
2017		300
Thereafter		601
	$	1,727

We are contingently liable for additional DuBois-related environmental cleanup and related costs up to a maximum of $14.9 million. On the basis of a continuing evaluation of the potential liability, we believe it is not probable this additional liability will be paid. Accordingly, no provision for this contingent liability has been recorded. The potential liability is not insured, and the recorded liability does not assume the recovery of insurance proceeds. Also, the environmental liability has not been discounted because it is not possible to reliably project the timing of payments. We believe that any adjustments to our recorded liability will not materially adversely affect our financial position, results of operations or cash flows.

9. Cash Overdrafts and Cash Equivalents

Included in accounts payable are cash overdrafts of $9.3 million and $10.5 million as of December 31, 2015 and 2014, respectively.

From time to time throughout the year, we invest excess cash in money market funds directly with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. We had $76,000 in cash equivalents as of December 31, 2015. There was $80,000 in cash equivalents as of December 31, 2014. The weighted average rate of return for our cash equivalents was 0.20% in 2015 and 0.06% in 2014.

10. Other Income/(expense)—Net

Other income/(expense)—net from continuing operations comprises the following (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Market value gains related to deferred compensation trusts	**$ 148**	$ 3,118	$ 4,982
Loss on disposal of property and equipment	**(698)**	(640)	(320)
Interest income/ (expense)	**281**	(29)	847
Other - net	**(418)**	72	(39)
Total other income/(expense)	**$ (687)**	$ 2,521	$ 5,470

The offset for market value gains or losses of the deferred compensation trust are recorded in selling, general and administrative expenses.

11. Income Taxes

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

	For the Years Ended December 31,		
	2015	2014	2013
Current			
U.S. federal	**$ 55,026**	$ 48,577	$ 45,348
U.S. state and local	**8,104**	7,285	7,731
Foreign	**397**	597	511
Deferred			
U.S. federal, state and local	**6,323**	6,970	(6,995)
Foreign	**2**	8	7
Total	**$ 69,852**	$ 63,437	$ 46,602

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

	December 31,	
	2015	2014
Accrued liabilities	**$ 39,529**	$ 37,879
Stock compensation expense	**8,555**	11,591
Allowance for uncollectible accounts receivable	**1,729**	2,779
State net operating loss carryforwards	**1,701**	1,603
Other	**896**	807
Deferred income tax assets	**52,410**	54,659
Amortization of intangible assets	**(50,136)**	(47,946)
Accelerated tax depreciation	**(18,030)**	(15,641)
Currents assets	**(1,576)**	(1,519)
State income taxes	**(1,465)**	(698)
Market valuation of investments	**(1,375)**	(2,346)
Other	**(857)**	(1,023)
Deferred income tax liabilities	**(73,439)**	(69,173)
Net deferred income tax liabilities	**$ (21,029)**	$ (14,514)

At December 31, 2015 and 2014, state net operating loss carryforwards were $34.0 million and $31.8 million, respectively. These net operating losses will expire, in varying amounts, between 2022 and 2035. Based on our history of operating earnings, we have determined that our operating income will, more likely than not, be sufficient to ensure realization of our deferred income tax assets.

A reconciliation of the beginning and ending of year amount of our unrecognized tax benefit is as follows (in thousands):

	2015	2014	2013
Balance at January 1,	**$ 980**	$ 892	$ 2,646
Unrecognized tax benefits due to positions taken in current year	**260**	247	219
Decrease due to expiration of statute of limitations	**(188)**	(159)	(1,973)
Balance at December 31,	**$ 1,052**	$ 980	$ 892

We file tax returns in the U.S. federal jurisdiction and various states. The years ended December 31, 2012 and forward remain open for review for federal income tax purposes. The earliest open year relating to any of our major state jurisdictions is the fiscal year ended December 31, 2010. During the next twelve months, we do not anticipate a material net change in unrecognized tax benefits.

We classify interest related to our accrual for uncertain tax positions in separate interest accounts. As of December 31, 2015 and 2014, we have approximately $125,000 and $123,000, respectively, accrued in interest payable related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. Net interest expense related to uncertain tax positions included in interest expense in the accompanying consolidated statement of income is not material.

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

	For the Years Ended December 31,		
	2015	2014	2013
Income tax provision calculated using the statutory rate of 35%	**$ 63,044**	$ 56,964	$ 43,340
State and local income taxes, less federal income tax effect	**5,787**	5,536	4,323
Uncertain tax position adjustments	**-**	-	(1,782)
Nondeductible expenses	**1,438**	1,290	1,250
Other --net	**(417)**	(353)	(529)
Income tax provision	**$ 69,852**	$ 63,437	$ 46,602
Effective tax rate	**38.8%**	39.0%	37.6%

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

2015	$ 62,928
2014	44,921
2013	55,827

Provision has not been made for additional taxes on $35.1 million of undistributed earnings of our domestic subsidiaries. Should we elect to sell our interest in all of these businesses rather than to effect a tax-free liquidation, additional taxes amounting to approximately $12.9 million would be incurred based on current income tax rates.

12. Properties and Equipment

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

	December 31,	
	2015	2014
Land	**$ 5,365**	$ 4,261
Buildings and building improvements	**64,440**	61,401
Transportation equipment	**31,077**	26,904
Machinery and equipment	**83,293**	77,273
Computer software	**45,414**	51,564
Furniture and fixtures	**71,894**	66,248
Projects under development	**16,981**	3,420
Total properties and equipment	**318,464**	291,071
Less accumulated depreciation	**(201,094)**	(185,735)
Net properties and equipment	**$ 117,370**	$ 105,336

The net book value of computer software at December 31, 2015 and 2014, was $8.3 million and $10.5 million, respectively. Depreciation expense for computer software was $3.9 million, $ 4.4 million and $3.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

13. Lease Arrangements

We have operating leases that cover our corporate office headquarters, various warehouse and office facilities, office equipment and transportation equipment. The remaining terms of these leases range from monthly to eleven years, and in most cases we expect that these leases will be renewed or replaced by other leases in the normal course of business. We have no significant capital leases as of December 31, 2015 or 2014.

The following is a summary of future minimum rental payments and sublease rentals to be received under operating leases that have initial or remaining noncancelable terms in excess of one year at December 31, 2015 (in thousands):

2016	**$ 21,679**
2017	15,815
2018	12,420
2019	8,697
2020	6,189
Thereafter	14,294
Total minimum rental payments	$ 79,094

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

	For the Years Ended December 31,		
	2015	2014	2013
Total rental expense	**$ 40,021**	$ 39,606	$ 38,992

14. Retirement Plans

Retirement obligations under various plans cover substantially all full-time employees who meet age and/or service eligibility requirements. All plans providing retirement benefits to our employees are defined contribution plans. Expenses for our retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

For the Years Ended December 31,		
2015	2014	2013
$ 11,970	$ 13,838	$ 14,511

These expenses include the impact of market gains and losses on assets held in deferred compensation plans.

We have excess benefit plans for key employees whose participation in the qualified plans is limited by U.S. Employee Retirement Income Security Act requirements. Benefits are determined based on theoretical participation in the qualified plans. Benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits in shares of our capital stock. Trust assets invested in shares of our stock are included in treasury stock, and the corresponding liability is included in a separate component of stockholders' equity. At December 31, 2015, these trusts held 99,309 shares at historical average cost or $2.4 million of our stock (2014 – 99,231 shares or $2.3 million).

15. Earnings Per Share

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

For the Years Ended December 31,	Net Income	Net Income Shares	Earnings per Share
2015			
Earnings	**$ 110,274**	**16,870**	**$ 6.54**
Dilutive stock options	**-**	**394**	
Nonvested stock awards	**-**	**158**	
Diluted earnings	**$ 110,274**	**17,422**	**$ 6.33**
2014			
Earnings	$ 99,317	17,165	$ 5.79
Dilutive stock options	-	412	
Nonvested stock awards	-	149	
Conversion of Notes and impact of warrants outstanding	-	114	
Diluted earnings	$ 99,317	17,840	$ 5.57
2013			
Earnings	$ 77,227	18,199	$ 4.24
Dilutive stock options	-	278	
Nonvested stock awards	-	108	
Diluted earnings	$ 77,227	18,585	$ 4.16

During 2015, 422,000 stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price during most of the year. During 2014, 411,000 stock options were also excluded. During 2013, 358,000 stock options were also excluded.

In 2014, diluted earnings per share was impacted by the issuance of 249,000 shares of capital stock under the conversion feature of our 1.875% Senior Convertible Notes (the "Notes") on May 15, 2014. The dilutive impact of this conversion feature for 2014 was 102,000 shares.

At the time we issued the Notes, as discussed in Note 3, we also sold warrants for the right to purchase approximately 2,477,000 Chemed shares in the future. During the quarter ended June 30, 2014, we settled these warrants with one counterparty representing half of the total warrants issued for $2.6 million. The amount paid was recorded as an adjustment to paid-in capital. During the third quarter of 2014, Chemed's stock price exceeded the exercise price of the remaining outstanding sold warrants resulting in the Company, on December 8, 2014, issuing 35,166 of Capital shares to the other counterparty in full settlement of the warrants. Pursuant to authoritative guidance, the settlement of the sold warrants were accounted for as an equity transactions. The dilutive impact of the warrants was 12,000 shares for the year ended December 31, 2014.

16. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2015 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	$ 49,481	$ 49,481	$ -	$ -
Long-term debt and current portion of long-term debt	91,250	-	91,250	-

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2014 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl Inputs (Level 3)
Investments of deferred compensation plans held in trust	$ 49,147	$ 49,147	$ -	$ -
Long-term debt	147,500	-	147,500	-

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

17. Loans Receivable from Independent Contractors

At December 31, 2015, we had contractual arrangements with 69 independent contractors to provide plumbing repair, drain cleaning and water restoration services under sublicensing agreements using the Roto-Rooter name in lesser-populated areas of the United States and Canada. The arrangements give the independent contractors the right to conduct a plumbing, drain cleaning and water restoration business using the Roto-Rooter name in a specified territory in exchange for a royalty based on a percentage of labor sales, depending upon type of service this percentage ranges between 27%–32%. We also pay for certain telephone directory advertising and internet marketing in these areas, lease certain capital equipment and provide operating manuals to serve as resources for operating a plumbing, drain cleaning and water restoration business. The contracts are generally cancelable upon 90 days' written notice (without cause) or upon a few days notice (with cause). The independent contractors are responsible for running the businesses as they believe best.

Our maximum exposure to loss from arrangements with our independent contractors at December 31, 2015, is approximately $1.8 million (2014 - $1.6 million). The exposure to loss is mainly the result of loans provided to the independent contractors. In most cases, these loans are partially secured by receivables and equipment owned by the independent contractor. The interest rates on the loans range from zero to 7% per annum, and the remaining terms of the loans range from 2.5 months to 5.4 years at December 31, 2015. We recorded the following from our independent contractors (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Revenues	**$ 37,966**	$ 36,496	$ 33,030
Pretax profits	**22,176**	21,238	17,726

18. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. It is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or estimable.

Regulatory Matters and Litigation

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, *United States v. VITAS Hospice Services, LLC, et al.*, No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various qui tam lawsuits and subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

For additional procedural history of this litigation, please refer to our prior quarterly and annual filings. The net costs incurred related to U.S. v. Vitas and related regulatory matters were $5.0 million, $2.1 million and $2.1 million for 2015, 2014 and 2013 respectively.

In November 2013, two shareholder derivative lawsuits were filed against the Company's current and former directors, as well as certain of its officers, both of which are covered by the Company's commercial insurance. On November 6, 2013, KBC Asset Management NV filed suit in the United States District Court for the District of Delaware, *KBC Asset Management NV, derivatively on behalf of Chemed Corp. v. McNamara, et al.*, No. 13 Civ. 1854 (LPS) (D. Del.). It sued Kevin McNamara, Joel Gemunder, Patrick Grace, Thomas Hutton, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, Arthur Tucker, Jr., George Walsh III, Frank Wood, Timothy O'Toole, David Williams and Ernest Mrozek, together with the Company as nominal defendant. Plaintiff alleges that since at least 2004, Chemed, through VITAS, has submitted or caused the submission of false claims to Medicare. The suit alleges a claim for breach of fiduciary duty against the individual defendants, and seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On November 14, 2013, Mildred A. North filed suit in the United States District Court for the Southern District of Ohio, *North, derivatively on behalf of Chemed Corp. v. Kevin McNamara, et al.*, No. 13 Civ. 833 (MDB) (S.D. Ohio). She sued Kevin McNamara, David Williams, Timothy O'Toole, Joel Gemunder, Patrick Grace, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, George Walsh III, Frank Wood and Thomas Hutton, together with the Company as nominal defendant. Plaintiff alleges that, between February 2010 and the present, the individual defendants breached their fiduciary duties as officers and directors of Chemed by, among other things, (a) allegedly causing VITAS to submit improper and ineligible claims to Medicare and Medicaid; and (b) allegedly misrepresenting the state of Chemed's internal controls. The suit alleges claims for breach of fiduciary duty, abuse of control and gross mismanagement against the individual defendants. The complaint also alleges unjust enrichment and insider trading against Messrs. McNamara, Williams and O'Toole. Plaintiff seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On January 29, 2014 defendants in *North* filed a motion to transfer that case to Delaware under 28 U.S.C § 1404(a). On February 12, 2014, defendants in *KBC* filed a motion to dismiss that case pursuant to Federal Rules of Civil Procedure 23.1 and 12(b)(6). On September 19, 2014, the Ohio court granted defendants' motion to transfer *North* to Delaware. Following that decision and in light of that transfer, on September 29, 2014, the Delaware court denied without prejudice defendants' motion to dismiss *KBC,* and referred both cases to Magistrate Judge Burke.

On October 15, 2014, Plaintiff KBC filed a motion to consolidate *KBC* with *North*. On February 2, 2015 the court granted the motion for consolidation in full, appointing Plaintiff KBC the sole lead plaintiff and its counsel, the sole lead and liaison counsel. The court ordered that both cases will proceed under the caption *In re Chemed Corp. Shareholder and Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.). Plaintiff KBC has designated its pending complaint as the operative complaint in the consolidated proceedings. Defendants subsequently renewed their motion to dismiss those claims and allegations. On December 23, 2015, Magistrate Judge Burke issued a Report & Recommendation recommending that (1) defendants' motion to dismiss be granted; (2) plaintiff be given 14 days from the date of affirmance by the district court to file an amended complaint addressing deficiencies with regard to their duty of loyalty claim; and (3) failure to do so should give rise to dismissal with prejudice. The Report and Recommendation remains subject to review and affirmance by the district court judge overseeing the matter. On January 11, 2016, Lead Plaintiff KBC filed Objections to the Report and Recommendations. Defendants responses to those Objections were filed on January 28, 2016.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

19. Concentration of Risk

VITAS has pharmacy services agreements ("Agreements") with Enclara Pharmacia (previously Hospice Pharmacia) whereby Enclara provides specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and Enclara. VITAS made purchases from Enclara of $37.7 million, $35.6 million and $39.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. For the years ended December 31, 2015, 2014 and 2013, respectively, purchases from this vendor represent approximately 90% of all pharmacy services used by VITAS. VITAS' accounts payable to Enclara was $3.0 million at December 31, 2015. At December 31, 2014, VITAS' accounts payable to Enclara was $3.6 million..

20. Capital Stock Transactions

In March 2015, our Board of Directors authorized an additional $100 million for stock repurchase under the February 2011 repurchase program. We repurchased the following capital stock:

	For the Years Ended December 31,		
	2015	2014	2013
Total cost of repurchased shares (in thousands):	**$ 59,323**	$ 110,019	$ 92,911
Shares repurchased	**460,765**	1,182,934	1,356,344
Weighted average price per share	**$ 128.75**	$ 93.01	$ 68.50

21. Other Operating Expenses (in thousands):

	December 31,
	2013
Litigation settlement of VITAS segment	$ 10,500
Settlements of Roto-Rooter segment	15,721
Total other operating expenses	$ 26,221

22. Recent Accounting Statements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers" which provides additional guidance to clarify the principles for recognizing revenue. The standard will also be used to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide more useful information to users through improved disclosure requirements, and simplify the preparation of financial statements. The guidance is effective for fiscal years beginning after December 15, 2017. We are currently evaluating the impact of this ASU on our existing revenue recognition policies and disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "ASU No. 2014-15 - Presentation of Financial Statements-Going Concern". ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for us for the annual period ending December 31, 2016 and interim periods thereafter. We do not expect the adoption of this standard to have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, "ASU No. 2015-03 – Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 is intended to simplify the presentation of debt issuance costs. Under the new guidance, debt issuance costs will be presented as a direct deduction from the carrying value of the associated debt, consistent with the existing presentation of a debt discount. This guidance is effective for us for the annual period beginning after December 15, 2015. We do not expect the adoption of this standard to have a material impact on our consolidated financial position, results of operations or cash flows.

In August 2015, the FASB issued Accounting Standards Update No. 2015-15, "ASU No. 2015-15- Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line of Credit Arrangements". This Accounting Standards Update adds SEC paragraphs pursuant to the SEC Staff Accouncement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting. Given the absence of authoritative guidance within Update 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. We do not expect this interpretation to have a material impact on our consolidated financial position, results of operations or cash flows.

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share and footnote data)

For the Year Ended December 31, 2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales	$ 376,652	$ 381,921	$ 386,226	$ 398,589	$ 1,543,388
Gross profit (excluding depreciation)	$ 107,767	$ 111,258	$ 114,137	$ 122,616	$ 455,778
Income from operations	$ 40,571	$ 44,600	$ 50,128	$ 49,159	$ 184,458
Interest expense	(969)	(969)	(908)	(799)	(3,645)
Other income/(expense)--net	563	536	(2,355)	569	(687)
Income before income taxes	40,165	44,167	46,865	48,929	180,126
Income taxes	(15,628)	(17,192)	(18,032)	(19,000)	(69,852)
Net income (a)	$ 24,537	$ 26,975	$ 28,833	$ 29,929	$ 110,274
Earnings Per Share (a)					
Net income	$ 1.45	$ 1.60	$ 1.71	$ 1.78	$ 6.54
Average number of shares outstanding	16,914	16,880	16,865	16,819	16,870
Diluted Earnings Per Share (a)					
Net income	$ 1.40	$ 1.55	$ 1.65	$ 1.72	$ 6.33
Average number of shares outstanding	17,466	17,419	17,422	17,365	17,422

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Stock option expense	$ (1,444)	$ (1,343)	$ (813)	$ (1,845)	$ (5,445)
Long-term incentive compensation	(934)	(1,457)	(1,364)	(3,764)	(7,519)
Acquisition expenses	-	(131)	(30)	(11)	(172)
Expenses related to litigation settlements	(5)	-	-	-	(5)
Expenses related to securities litigation	-	(37)	-	-	(37)
Expenses related to the Office of Inspector General investigation	(1,274)	(1,412)	(1,151)	(1,137)	(4,974)
Total	$ (3,657)	$ (4,380)	$ (3,358)	$ (6,757)	$ (18,152)
After-tax (cost)/benefit:					
Stock option expense	$ (910)	$ (849)	$ (509)	$ (1,171)	$ (3,439)
Long-term incentive compensation	(591)	(921)	(863)	(2,377)	(4,752)
Acquisition expenses	-	(80)	(18)	(6)	(104)
Expenses related to litigation settlements	(3)	-	-	-	(3)
Expenses related to securities litigation	-	(23)	-	-	(23)
Expenses related to the Office of Inspector General investigation	(790)	(868)	(711)	(703)	(3,072)
Total	$ (2,294)	$ (2,741)	$ (2,101)	$ (4,257)	$ (11,393)

UNAUDITED SUMMARY OF QUARTERLY RESULTS

Chemed Corporation and Subsidiary Companies

(in thousands, except per share and footnote data)

For the Year Ended December 31, 2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total service revenues and sales	$ 358,300	$ 360,182	$ 358,389	$ 379,411	$ 1,456,282
Gross profit (excluding depreciation)	$ 100,481	$ 103,175	$ 101,944	$ 116,009	$ 421,609
Income from operations	$ 36,652	$ 41,519	$ 40,211	$ 50,037	$ 168,419
Interest expense	(3,815)	(2,429)	(980)	(962)	(8,186)
Other income/(expense)--net	816	756	705	244	2,521
Income before income taxes	33,653	39,846	39,936	49,319	162,754
Income taxes	(13,079)	(15,483)	(15,351)	(19,524)	(63,437)
Net income (a)	$ 20,574	$ 24,363	$ 24,585	$ 29,795	$ 99,317
Earnings Per Share (a)					
Net income	$ 1.17	$ 1.41	$ 1.44	$ 1.77	$ 5.79
Average number of shares outstanding	17,510	17,236	17,039	16,878	17,165
Diluted Earnings Per Share (a)					
Net income	$ 1.12	$ 1.36	$ 1.39	$ 1.71	$ 5.57
Average number of shares outstanding	18,305	17,880	17,627	17,469	17,840

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Pretax (cost)/benefit:					
Stock option expense	$ (1,309)	$ (1,144)	$ (977)	$ (1,372)	$ (4,802)
Noncash impact of change in accounting for convertible debt	(2,259)	(1,130)	-	-	(3,389)
Long-term incentive compensation	(373)	(613)	(1,002)	(581)	(2,569)
Acquisition expenses	(1)	-	-	(23)	(24)
Recoveries/(expenses) related to litigation settlements	(306)	(32)	234	(16)	(120)
Expenses related to securities litigation	-	(189)	(138)	-	(327)
Expenses incurred in connection with the Office of Inspector General investigation	(748)	(410)	(450)	(533)	(2,141)
Total	$ (4,996)	$ (3,518)	$ (2,333)	$ (2,525)	$ (13,372)
After-tax (cost)/benefit:					
Stock option expense	$ (822)	$ (722)	$ (615)	$ (863)	$ (3,022)
Noncash impact of change in accounting for convertible debt	(1,429)	(714)	-	-	(2,143)
Long-term incentive compensation	(236)	(388)	(634)	(367)	(1,625)
Acquisition expenses	(1)	-	-	(14)	(15)
Recoveries/(expenses) related to litigation settlements	(187)	(20)	143	(10)	(74)
Expenses related to securities litigation	-	(119)	(88)	-	(207)
Expenses incurred in connection with the Office of Inspector General investigation	(464)	(254)	(279)	(331)	(1,328)
Total	$ (3,139)	$ (2,217)	$ (1,473)	$ (1,585)	$ (8,414)

SELECTED FINANCIAL DATA

Chemed Corporation and Subsidiary Companies

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

	2015	2014	2013	2012	2011
Summary of Operations					
Continuing operations (a)					
Service revenues and sales	**$ 1,543,388**	$ 1,456,282	$ 1,413,329	$ 1,430,043	$ 1,355,970
Gross profit (excluding depreciation)	**455,778**	421,609	404,521	396,722	385,486
Depreciation	**32,369**	29,881	27,698	26,009	25,247
Amortization	**1,130**	720	1,644	1,508	1,467
Income from operations	**184,458**	168,419	133,394	156,419	153,727
Net income (b)	**110,274**	99,317	77,227	89,304	85,979
Earnings per share					
Net income	**$ 6.54**	$ 5.79	$ 4.24	$ 4.72	$ 4.19
Average number of shares outstanding	**16,870**	17,165	18,199	18,924	20,523
Diluted earnings per share					
Net income	**$ 6.33**	$ 5.57	$ 4.16	$ 4.62	$ 4.10
Average number of shares outstanding	**17,422**	17,840	18,585	19,339	20,945
Cash dividends per share	**$ 0.92**	$ 0.84	$ 0.76	$ 0.68	$ 0.60
Financial Position--Year-End					
Cash and cash equivalents	**$ 14,727**	$ 14,132	$ 84,418	$ 69,531	$ 38,081
Working capital/(deficit)	**(20,528)**	(990)	(139,330)	40,849	5,353
Current ratio	**0.88**	0.99	0.62	1.26	1.04
Properties and equipment, at cost less accumulated depreciation	**$ 117,370**	$ 105,336	$ 92,955	$ 91,934	$ 82,951
Total assets	**852,325**	859,932	893,701	859,626	795,905
Long-term debt	**83,750**	141,250	-	174,890	166,784
Stockholders' equity	**513,253**	451,356	448,890	453,291	413,684
Other Statistics					
Capital expenditures	**$ 44,135**	$ 43,571	$ 29,324	$ 35,252	$ 29,592
Number of employees	**14,406**	14,190	13,952	14,096	13,733

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

	2015	2014	2013	2012	2011
After-tax benefit/(cost):					
Stock option expense	**$ (3,439)**	$ (3,022)	$ (3,813)	$ (5,143)	$ (5,298)
Noncash impact of change in accounting for convertible debt	**-**	(2,143)	(5,448)	(5,041)	(4,664)
Long-term incentive compensation	**(4,752)**	(1,625)	(822)	(228)	(1,880)
Litigation settlements	**(3)**	(74)	(16,061)	-	-
Expenses related to litigation settlements	**-**	-	(865)	(617)	(1,397)
Expenses incurred in connection with the Office of Inspector General investigation	**(3,072)**	(1,328)	(1,333)	(752)	(737)
Acquisition expense	**(104)**	(15)	(38)	(114)	(75)
Cost to shut down HVAC operations	**-**	-	-	(649)	-
Expenses of securities litigation	**(23)**	(207)	(69)	(469)	-
Loss on extinguishment of debt	**-**	-	(294)	-	-
Severance arrangements	**-**	-	(184)	-	-
Uncertain tax position adjustments	**-**	-	1,782	-	-
Total	**$ (11,393)**	$ (8,414)	$ (27,145)	$ (13,013)	$ (14,051)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(in thousands)(unaudited)

2015	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,115,551	$ 427,837	$ -	$ 1,543,388
Cost of services provided and goods sold	862,587	225,023	-	1,087,610
Selling, general and administrative expenses	89,879	114,269	33,673	237,821
Depreciation	18,789	12,988	592	32,369
Amortization	758	372	-	1,130
Total costs and expenses	972,013	352,652	34,265	1,358,930
Income/(loss) from operations	143,538	75,185	(34,265)	184,458
Interest expense	(200)	(348)	(3,097)	(3,645)
Intercompany interest income/(expense)	7,499	3,385	(10,884)	-
Other income/(expense)—net	(816)	(19)	148	(687)
Income/(loss) before income taxes	150,021	78,203	(48,098)	180,126
Income taxes	(56,675)	(29,630)	16,453	(69,852)
Net income/(loss)	$ 93,346	$ 48,573	$ (31,645)	$ 110,274

(a) The following amounts are included in income from continuing operations (in thousands):

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (5,445)	$ (5,445)
Long-term incentive compensation	-	-	(7,519)	(7,519)
Securities litigation	-	-	(37)	(37)
Expenses related to litigation settlements	-	(5)	-	(5)
Acquisition expense	-	(172)	-	(172)
Expenses incurred in connection with the Office of Inspector General investigation	(4,974)	-	-	(4,974)
Total	$ (4,974)	$ (177)	$ (13,001)	$ (18,152)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (3,439)	$ (3,439)
Long-term incentive compensation	-	-	(4,752)	(4,752)
Securities litigation	-	-	(23)	(23)
Expenses related to litigation settlements	-	(3)	-	(3)
Acquisition expense	-	(104)	-	(104)
Expenses incurred in connection with the Office of Inspector General investigation	(3,072)	-	-	(3,072)
Total	$ (3,072)	$ (107)	$ (8,214)	$ (11,393)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(in thousands)(unaudited)

2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,064,205	$ 392,077	$ -	$ 1,456,282
Cost of services provided and goods sold	825,739	208,934	-	1,034,673
Selling, general and administrative expenses	85,184	106,960	30,445	222,589
Depreciation	18,601	10,702	578	29,881
Amortization	447	273	-	720
Total costs and expenses	929,971	326,869	31,023	1,287,863
Income/(loss) from operations	134,234	65,208	(31,023)	168,419
Interest expense	(207)	(363)	(7,616)	(8,186)
Intercompany interest income/(expense)	6,189	2,892	(9,081)	-
Other income/(expense)—net	(753)	146	3,128	2,521
Income/(loss) before income taxes	139,463	67,883	(44,592)	162,754
Income taxes	(53,278)	(25,808)	15,649	(63,437)
Net income/(loss)	$ 86,185	$ 42,075	$ (28,943)	$ 99,317

(a) The following amounts are included in income from continuing operations (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (4,802)	$ (4,802)
Noncash impact of change in accounting for convertible debt	-	-	(3,389)	(3,389)
Long-term incentive compensation	-	-	(2,569)	(2,569)
Securities litigation	-	-	(327)	(327)
Expenses related to litigation settlements	(113)	(7)	-	(120)
Acquisition expense	(1)	(23)	-	(24)
Expenses incurred in connection with the Office of Inspector General investigation	(2,141)	-	-	(2,141)
Total	$ (2,255)	$ (30)	$ (11,087)	$ (13,372)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (3,022)	$ (3,022)
Noncash impact of change in accounting for convertible debt	-	-	(2,143)	(2,143)
Long-term incentive compensation	-	-	(1,625)	(1,625)
Securities litigation	-	-	(207)	(207)
Expenses related to litigation settlements	(70)	(4)	-	(74)
Acquisition expense	(1)	(14)	-	(15)
Expenses incurred in connection with the Office of Inspector General investigation	(1,328)	-	-	(1,328)
Total	$ (1,399)	$ (18)	$ (6,997)	$ (8,414)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands)(unaudited)

2013	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,045,113	$ 368,216	$ -	$ 1,413,329
Cost of services provided and goods sold	813,600	195,208	-	1,008,808
Selling, general and administrative expenses	82,969	102,940	29,655	215,564
Depreciation	18,149	9,014	535	27,698
Amortization	1,385	259	-	1,644
Other operating expenses	10,500	15,721	-	26,221
Total costs and expenses	926,603	323,142	30,190	1,279,935
Income/(loss) from operations	118,510	45,074	(30,190)	133,394
Interest expense	(182)	(322)	(14,531)	(15,035)
Intercompany interest income/(expense)	4,288	2,055	(6,343)	-
Other income/(expense)—net	438	(4)	5,036	5,470
Income/(loss) before income taxes	123,054	46,803	(46,028)	123,829
Income taxes	(46,910)	(17,560)	17,868	(46,602)
Net income/(loss)	$ 76,144	$ 29,243	$ (28,160)	$ 77,227

(a) The following amounts are included in income from continuing operations (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (6,042)	$ (6,042)
Noncash impact of change in accounting for convertible debt	-	-	(8,613)	(8,613)
Long-term incentive compensation	-	-	(1,301)	(1,301)
Loss on extinguishment of debt	-	-	(465)	(465)
Securities litigation	-	-	(109)	(109)
Litigation settlement costs	(10,500)	(15,721)	-	(26,221)
Expenses related to litigation settlements	-	(1,425)	-	(1,425)
Severance arrangements	-	(302)	-	(302)
Acquisition expense	(58)	(4)	-	(62)
Expenses incurred in connection with the Office of Inspector General investigation	(2,149)	-	-	(2,149)
Total	$ (12,707)	$ (17,452)	$ (16,530)	$ (46,689)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (3,813)	$ (3,813)
Noncash impact of change in accounting for convertible debt	-	-	(5,448)	(5,448)
Long-term incentive compensation	-	-	(822)	(822)
Loss on extinguishment of debt	-	-	(294)	(294)
Securities litigation	-	-	(69)	(69)
Litigation settlement costs	(6,510)	(9,551)	-	(16,061)
Expenses related to litigation settlements	-	(865)	-	(865)
Severance arrangements	-	(184)	-	(184)
Acquisition expense	(36)	(2)	-	(38)
Expenses incurred in connection with the Office of Inspector General investigation	(1,333)	-	-	(1,333)
Uncertain tax position adjustments	-	-	1,782	1,782
Total	$ (7,879)	$ (10,602)	$ (8,664)	$ (27,145)

EXECUTIVE SUMMARY

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

The following is a summary of the key operating results for the years ended December 31, 2015, 2014 and 2013 (in thousands except percentages and per share amounts):

	2015	2014	2013
Consolidated service revenues and sales	**$ 1,543,388**	$ 1,456,282	$ 1,413,329
Consolidated net income	**$ 110,274**	$ 99,317	$ 77,227
Diluted EPS	**$ 6.33**	$ 5.57	$ 4.16
Adjusted net income	**$ 121,667**	$ 107,731	$ 104,372
Adjusted diluted EPS	**$ 6.98**	$ 6.07	$ 5.62
Adjusted EBITDA	**$ 235,931**	$ 212,562	$ 206,850
Adjusted EBITDA as a % of revenue	**15.3%**	14.6%	14.6%

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA") and Adjusted EBITDA are not measures derived in accordance with GAAP. We use Adjusted EPS as a measure of earnings for certain long-term incentive awards. We also use adjusted EBITDA to determine compliance with certain debt covenants. We provide non-GAAP measures to help readers evaluate our operating results, compare our operating performance with that of similar companies that have different capital structures and help evaluate our ability to meet future debt service, capital expenditure and working capital requirements. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. Reconciliations of our non-GAAP measures are presented in tables following the Critical Accounting Policies section.

2015 versus 2014

The increase in consolidated service revenues and sales from 2014 to 2015 was a result of a 9.1% increase at Roto-Rooter and a 4.8% increase at VITAS. The increase at Roto-Rooter was driven by increased market penetration of water restoration services. Roto-Rooter revenue increased 5.0% as a result of this market penetration. The remaining increase was mainly a result of revenue increases in our plumbing line of business. . The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing approximately 1.4%, a 5.5% increase in days of care offset by level of care and geographical mix shift. Consolidated net income increased 11.0% over prior year mainly as a result of increased revenue at VITAS and Roto-Rooter combined with leveraging our current infrastructure resulting in operating costs growing at a slower rate than revenue. Diluted EPS increased mainly as a result of the increase in earnings and by a decrease in the number of shares outstanding. Adjusted EBITDA increased as a percent of revenue increased by 0.7%.

2014 versus 2013

The increase in consolidated service revenues and sales from 2013 to 2014 was a result of a 6.5% increase at Roto-Rooter and a 1.8% increase at VITAS. The increase at Roto-Rooter was driven by increased market penetration of water restoration services. Roto-Rooter revenue increased 3.9% as a result of this market penetration. The remaining increase was mainly a result of revenue increases in our plumbing line of business. The increase in service revenues at VITAS was a result of Medicare reimbursement rates increasing approximately 1.4%, offset by a 2.0% decline due to sequestration (which was effective May 1, 2013), an average daily census ("ADC") increase of 1.4%, a $1.3 million net Medicare cap charge (compared to a $7.0 million charge in the same period of 2013) and level of care and geographical mix shift. Consolidated net income increased 28.6% over prior year mainly as a result of increased revenue at VITAS and Roto-Rooter as well as $16.1 million (after tax) in litigation settlements in 2013 that did not repeat in 2014. Diluted EPS increased mainly as a result of the increase in earnings and by a decrease in the number of shares outstanding. Adjusted EBITDA as a percent of revenue was essentially flat when compared to 2013.

Roto-Rooter utilizes a universal calendar of four 13 week quarters equating to a 52 week full year reporting period and then accrues for an additional one or two days of operating results in the fourth quarter to equate to a full 365 or 366 day year. In the fourth quarter of 2014, Roto-Rooter had 14 weeks of operating activity during the quarter. This additional week of operating activity, net of the accrued operating results from earlier years, resulted in Roto-Rooter recognizing an incremental $2.8 million of revenue, $0.9 million of Adjusted EBITDA and $0.5 million of net income in the fourth quarter of 2014 when compared to the fourth quarter of 2013.

Impact of Current Market Conditions

On January 1, 2016, CMS implemented a revenue neutral rebasing to the Medicare hospice reimbursement per diem. This rebasing eliminated the single tier per diem for routine home care (RHC) and replaced it with a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care, and a lower rate for days 61 and after. In addition, CMS provided for a Service Intensity Add-on (SIA) payment which provides for reimbursement of care provided by a registered nurse or social worker for RHC patients within seven days prior to death. The reimbursement for continuous care, inpatient care and respite care are not impacted by this rebasing.

The two tiered national per diem rate for RHC is $186.84 for the first 60 days and $146.83 for RHC provided to patients in hospice beyond 60 days. An individual hospice's actual per diem rate is adjusted for differences in geographic cost of living. Rebasing in 2016 would be revenue neutral to a hospice if it has 37.6% of total RHC days-of-care being provided to patients in their first 60 days of admission and 62.4% of total RHC days-of-care provided to patients after the 60 days. (Days-of-Care ratio).

Historically, VITAS had a 32/68 aggregate Days-of-Care ratio. High acuity care historically has represented 6% to 7% of VITAS' total days-of-care. VITAS high acuity days-of-care provided to patients within the first 60 days of admission represented approximately 15% of days-of-care provided to patients in the first 60 days of admission. This results in a VITAS RHC Days-of-Care ratio of approximately 29/71.

The impact to VITAS for the 2016 rebasing is estimated to reduce aggregate 2016 revenue by $16 million when compared to the single tier reimbursement model. Rebasing is estimated to reduce 2016 RHC revenue by approximately $20 million partially offset by $4 million in SIA payments.

The estimated impact from rebasing is similar to the impact of sequestration. It will have a one year impact relative to revenue and profitability growth when compared to the prior year. However, similar to sequestration, VITAS anticipates a significant portion of this $16 million reduction in revenue will be offset by increased efficiencies in 2016 and 2017 in the areas of non bedside field operations and general administration.

Including the impact of rebasing, full-year 2016 revenue growth for VITAS, prior to Medicare Cap, is estimated to be in the range of 2.5% to 3.5%. Admissions in 2016 are estimated to increase 3% and full-year Adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 14% to 15%. This guidance includes $5.0 million for Medicare Cap billing limitations

Roto-Rooter is forecasted to achieve full-year 2016 revenue growth of 3.5% to 4.5%. This revenue estimate is based upon increased job pricing of approximately 1.0% and continued growth in water restoration. Adjusted EBITDA margin for 2016 is estimated in the range of 20.0% to 21.0%.

Based upon the above, full-year 2016 adjusted earnings per diluted share, excluding non-cash expense for stock options, costs related to litigation, and other discrete items, is estimated to be in the range of $7.05 to $7.25. This compares to Chemed's 2015 reported adjusted earnings per diluted share of $6.98.

The impact of diluted earnings per share from rebasing is approximately $0.56. Excluding rebasing, 2016 guidance for adjusted earnings per diluted share would have been in the range of $7.61 to $7.81.

LIQUIDITY AND CAPITAL RESOURCES

Significant factors affecting our cash flows during 2015 and financial position at December 31, 2015, include the following:

- Our operations generated cash of $171.5 million.
- We repurchased $59.3 million of our stock in the open market using cash on hand.
- We spent $44.1 million on capital expenditures.
- A $56.3 million decrease in cash as a result of a net payment of long-term debt.
- An $18.3 million decrease in accounts receivable due to the timing of payments.
- A $12.0 million increase in properties and equipment due mainly to the purchase of water restoration equipment and the construction of a stand-alone building for a Roto-Rooter branch location.
- A $5.6 million increase in goodwill related to the purchase of the Omaha and Scranton locations at Roto-Rooter.

The ratio of total debt to total capital was 15.1% at December 31, 2015, compared with 24.6% at December 31, 2014. Our current ratio was 0.88 and 0.99 at December 31, 2015 and 2014, respectively. The decrease in the current ratio is a primarily a result of the decrease in accounts receivable and current deferred income taxes.

The 2014 Credit Agreement requires us to meet certain restrictive non-financial and financial covenants. We are in compliance with all non-financial debt covenants as of December 31, 2015. The restrictive financial covenants are defined in the 2014 Credit Agreement and include maximum leverage ratios, minimum fixed charge coverage and consolidated net worth ratios, limits on operating leases and minimum asset value limits. We are in compliance with all financial debt covenants as of December 31, 2015, as follows:

Description	Requirement	Chemed
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	0.54 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges	> 1.50 to 1.00	2.18 to 1.00
Annual Operating Lease Commitment	< $50.0 million	$25.5 million

Our 2014 Credit Agreement replaced the 2013 Credit Agreement in May 2014. We forecast to be in compliance with all debt covenants through fiscal 2016.

We have issued $37.8 million in standby letters of credit as of December 31, 2015, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of December 31, 2015, we have approximately $312.2 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. We believe our cash flow from operating activities and our unused eligible lines of credit are sufficient to fund our obligations and operate our business in the near and long term. We continually evaluate cash utilization alternatives, including share repurchase, debt repurchase, acquisitions, and increased dividends to determine the most beneficial use of available capital resources.

CASH FLOW

Our cash flows for 2015, 2014 and 2013 are summarized as follows (in millions):

	For the Years Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	**$ 171.5**	$ 110.3	$ 150.8
Capital expenditures	**(44.1)**	(43.6)	(29.3)
Operating cash after capital expenditures	**127.4**	66.7	121.5
Purchase of treasury stock in the open market	**(59.3)**	(110.0)	(92.9)
Net change in long-term debt	**(56.3)**	(39.5)	-
Business combinations	**(6.6)**	(0.3)	(2.3)
Dividends paid	**(15.6)**	(14.3)	(14.1)
Proceeds from exercise of stock options	**15.4**	23.9	17.1
Increase/(decrease) in cash overdraft payable	**(1.2)**	9.7	(11.4)
Other--net	**(3.2)**	(6.5)	(3.0)
Increase/(decrease) in cash and cash equivalents	**$ 0.6**	$ (70.3)	$ 14.9

2015 versus 2014

The net increase in cash flows generated between 2015 and 2014 of $70.9 million is mainly the result of a decrease in the purchase of treasury stock of $50.7 million (resulting in an increase in cash flow), an increase in cash provided by operating activities of $60.7 million offset by a change in the net payment of $16.8 million of long-term debt, a $10.9 million decrease in cash overdrafts payable and an $8.5 million decrease in proceeds from the exercise of stock options.

In 2015, we repurchased approximately 460,765 shares of Chemed capital stock at a weighted average price of $128.75 per share. In 2014, we repurchased approximately 1.2 million shares of Chemed stock at a weighted average price of $93.01 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

The change in net cash provided by operating activities is mainly the result of a $49.9 million increase in cash flows related to accounts receivable and a $26.8 million increase in cash flow related to accounts payable and other current liabilities offset by a $8.9 million decrease in cash flows related to excess tax benefit on stock-based compensation.

The increase in accounts payable and other current liabilities is mainly the result of the normal timing of payments with respect to accounts payable and accrued compensation.

Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

The change in overdrafts payable is also a function of the timing of cash payments made and cash receipts near year end.

2014 versus 2013

The net decrease in cash flows generated between 2014 and 2013 of $85.2 million is mainly the result of an increase in the purchase of treasury stock of $17.1 million (resulting in a decrease in cash flow), a $14.3 million increase in capital expenditures, a net payment of $39.5 million of long-term debt and a decrease in cash provided by operating activities of $40.5 million. These decreases were offset by a $21.1 million increase due to changes in overdrafts payable.

In 2014, we repurchased approximately 1.2 million shares of Chemed capital stock at a weighted average price of $93.01 per share. In 2013, we repurchased approximately 1.4 million shares of Chemed stock at a weighted average price of $68.50 per share.

The change in net cash provided by operating activities is mainly the result of a $66.2 million decrease in cash flows related to accounts payable and other current liabilities offset by an increase in the cash flows related to accounts receivable of $36.9 million.

The decrease in accounts payable and other current liabilities is mainly the result of payment in 2014 of $20.8 million of accrued but unpaid legal settlements as of December 31, 2013 and an increase in our Medicare Cap liability of $2.1 million between years. The remainder of the increase is the result of the normal timing of payments with respect to accounts payable and accrued compensation.

Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $35.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

The change in overdrafts payable is also a function of the timing of cash payments made and cash receipts near year end.

COMMITMENTS AND CONTINGENCIES

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We disclose the existence of regulatory and legal actions when we believe it is reasonably possible that a loss could occur in connection with the specific action. In most instances, we are unable to make a reasonable estimate of any reasonably possible liability due to the uncertainty of the outcome and stage of litigation. We record legal fees associated with legal and regulatory actions as the costs are incurred.

In connection with the sale of DuBois Chemicals, Inc. ("DuBois") in 1991, we provided allowances and accruals relating to several long-term costs, including income tax matters, lease commitments and environmental costs. Additionally, we retained liability for casualty insurance claims for Service America and Patient Care that were incurred prior to the respective disposal dates, 2005 and 2002. In the aggregate, we believe these allowances and accruals are adequate as of December 31, 2015. Based on reviews of our environmental-related liabilities under the DuBois sale agreement, we have estimated our remaining liability to be $1.7 million. As of December 31, 2015, we are contingently liable for additional cleanup and related costs up to a maximum of $14.9 million. We do not believe it is probable that we will be required to make any payment towards this contingent liability. Thus, no provision has been recorded in accordance with the applicable accounting guidance.

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. It is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or estimable.

On May 2, 2013, the government filed a False Claims Act complaint against the Company and certain of its hospice-related subsidiaries in the U.S. District Court for the Western District of Missouri, *United States v. VITAS Hospice Services, LLC, et al.*, No. 4:13-cv-00449-BCW (the "2013 Action"). Prior to that date, the Company received various qui tam lawsuits and subpoenas from the U.S. Department of Justice and OIG that have been previously disclosed. The 2013 Action alleges that, since at least 2002, VITAS, and since 2004, the Company, submitted or caused the submission of false claims to the Medicare program by (a) billing Medicare for continuous home care services when the patients were not eligible, the services were not provided, or the medical care was inappropriate, and (b) billing Medicare for patients who were not eligible for the Medicare hospice benefit because they did not have a life expectancy of six months or less if their illnesses ran their normal course. This complaint seeks treble damages, statutory penalties, and the costs of the action, plus interest. The defendants filed a motion to dismiss on September 24, 2013. On September 30, 2014, the Court denied the motion, except to the extent that claims were filed before July 24, 2002. On November 13, 2014, the government filed a Second Amended Complaint. The Second Amended Complaint changed and supplemented some of the allegations, but did not otherwise expand the causes of action or the nature of the relief sought against VITAS. VITAS filed its Answer to the Second Amended Complaint on August 11, 2015. The Company is not able to reasonably estimate the probability of loss or range of loss at this time.

For additional procedural history of this litigation, please refer to our prior quarterly and annual filings. The net costs incurred related to U.S. v. Vitas and related regulatory matters were $5.0 million, $2.1 million and $2.1 million for 2015, 2014 and 2013 respectively.

In November 2013, two shareholder derivative lawsuits were filed against the Company's current and former directors, as well as certain of its officers, both of which are covered by the Company's commercial insurance. On November 6, 2013, KBC Asset Management NV filed suit in the United States District Court for the District of Delaware, *KBC Asset Management NV, derivatively on behalf of Chemed Corp. v. McNamara, et al.* , No. 13 Civ. 1854 (LPS) (D. Del.). It sued Kevin McNamara, Joel Gemunder, Patrick Grace, Thomas Hutton, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, Arthur Tucker, Jr., George Walsh III, Frank Wood, Timothy O'Toole, David Williams and Ernest Mrozek, together with the Company as nominal defendant. Plaintiff alleges that since at least 2004, Chemed, through VITAS, has submitted or caused the submission of false claims to Medicare. The suit alleges a claim for breach of fiduciary duty against the individual defendants, and seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On November 14, 2013, Mildred A. North filed suit in the United States District Court for the Southern District of Ohio, *North, derivatively on behalf of Chemed Corp. v. Kevin McNamara, et al.*, No. 13 Civ. 833 (MDB) (S.D. Ohio). She sued Kevin McNamara, David Williams, Timothy O'Toole, Joel Gemunder, Patrick Grace, Walter Krebs, Andrea Lindell, Thomas Rice, Donald Saunders, George Walsh III, Frank Wood and Thomas Hutton, together with the Company as nominal defendant. Plaintiff alleges that, between February 2010 and the present, the individual defendants breached their fiduciary duties as officers and directors of Chemed by, among other things, (a) allegedly causing VITAS to submit improper and ineligible claims to Medicare and Medicaid; and (b) allegedly misrepresenting the state of Chemed's internal controls. The suit alleges claims for breach of fiduciary duty, abuse of control and gross mismanagement against the individual defendants. The complaint also alleges unjust enrichment and insider trading against Messrs. McNamara, Williams and O'Toole. Plaintiff seeks (a) a declaration that the individual defendants breached their fiduciary duties to the Company; (b) an order requiring those defendants to pay compensatory damages, restitution and exemplary damages, in unspecified amounts, to the Company; (c) an order directing the Company to implement new policies and procedures; and (d) costs and disbursements incurred in bringing the action, including attorneys' fees.

On January 29, 2014 defendants in *North* filed a motion to transfer that case to Delaware under 28 U.S.C § 1404(a). On February 12, 2014, defendants in *KBC* filed a motion to dismiss that case pursuant to Federal Rules of Civil Procedure 23.1 and 12(b)(6). On September 19, 2014, the Ohio court granted defendants' motion to transfer *North* to Delaware. Following that decision and in light of that transfer, on September 29, 2014, the Delaware court denied without prejudice defendants' motion to dismiss *KBC,* and referred both cases to Magistrate Judge Burke.

On October 15, 2014, Plaintiff KBC filed a motion to consolidate *KBC* with *North*. On February 2, 2015 the court granted the motion for consolidation in full, appointing Plaintiff KBC the sole lead plaintiff and its counsel, the sole lead and liaison counsel. The court ordered that both cases will proceed under the caption *In re Chemed Corp. Shareholder and Derivative Litigation*, No. 13 Civ. 1854 (LPS) (CJB) (D. Del.). Plaintiff KBC has designated its pending complaint as the operative complaint in the consolidated proceedings. Defendants subsequently renewed their motion to dismiss those claims and allegations. On December 23, 2015, Magistrate Judge Burke issued a Report & Recommendation recommending that (1) defendants' motion to dismiss be granted; (2) plaintiff be given 14 days from the date of affirmance by the district court to file an amended complaint addressing deficiencies with regard to their duty of loyalty claim; and (3) failure to do so should give rise to dismissal with prejudice. The Report and Recommendation remains subject to review and affirmance by the district court judge overseeing the matter. On January 11, 2016, Lead Plaintiff KBC filed Objections to the Report and Recommendations. Defendants responses to those Objections were filed on January 28, 2016.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, responding to the subpoenas and dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

CONTRACTUAL OBLIGATIONS

The table below summarizes our debt and contractual obligations as of December 31, 2015 (in thousands):

	Total	Less than 1 year	1-3 Years	4 -5 Years	After 5 Years
Long-term debt obligations (a)	$ 91,250	$ 7,500	$ 18,750	$ 65,000	$ -
Interest on long-term debt	3,509	1,140	1,946	423	-
Operating lease obligations	79,094	21,679	28,235	14,886	14,294
Purchase obligations (b)	43,695	43,695	-	-	-
Other long-term obligations (c)	60,873	2,851	5,704	2,851	49,467
Total contractual cash obligations	$ 278,421	$ 76,865	$ 54,635	$ 83,160	$ 63,761

(a) Represents the face value of the obligation.
(b) Purchase obligations primarily consist of accounts payable at December 31, 2015.
(c) Other long-term obligations comprise largely excess benefit obligations.

RESULTS OF OPERATIONS

2015 Versus 2014 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2015 versus 2014 (in thousands, except percentages):

	Favorable/(Unfavorable)	
	Amount	**Percent**
Service revenues and sales		
VITAS	$ 51,346	5%
Roto-Rooter	35,760	9
Total	87,106	6
Cost of services provided and goods sold	(52,937)	(5)
Selling, general and administrative expenses	(15,232)	(7)
Depreciation	(2,488)	(8)
Amortization	(410)	(57)
Income from operations	16,039	10
Interest expense	4,541	55
Other income - net	(3,208)	127
Income before income taxes	17,372	11
Income taxes	(6,415)	(10)
Net income	$ 10,957	11

The VITAS segment revenue increase is the result of the following (dollars in thousands):

	Amount	**Percent**
Routine homecare	$ 54,732	7%
Continuous care	(1,404)	(1)
General inpatient	(3,437)	(3)
Medicare cap	1,455	113
	$ 51,346	5

The increase in VITAS' revenue from 2014 to 2015 was a combination of Medicare reimbursement rates increasing approximately 1.4%, an increase in days of care of 5.5% driven by an increase in admissions of 2.8% and geographical and level of care mix shift. For 2015, VITAS recorded a Medicare Cap reversal of $165,000 related to eliminating the Medicare Cap billing limitation recorded in the fourth quarter of 2014.

Days of care increased as the result of the following:

	Days of Care		Increase/(Decrease)
	2015	2014	Percent
Routine homecare	**5,258,660**	4,959,658	6
Continuous Care	**206,405**	207,207	-
General inpatient	**150,424**	156,421	(4)
Total days of care	**5,615,489**	5,323,286	6

The Roto-Rooter segment revenue increase is the result of the following (dollars in thousands):

	Amount	Percent
Plumbing	$ 13,072	8%
Sewer and drain cleaning	1,484	1
Contractor operations	1,470	4
Water restoration	19,683	107
Other	51	-
	$ 35,760	9

Plumbing revenues for 2015 increased 7.5% when compared to 2014 due to a 0.4% increase in the number of jobs performed and a 7.1% increase in price and service mix. Sewer and drain cleaning revenues increased 1.1% when compared to 2014 due to a 4.2% decrease in the number of jobs performed offset by a 5.3% increase in price and service mix shift. Water restoration increased 106.5% as a result of continued expansion of this service offering into other Roto-Rooter locations. Water restoration is the remediation or removal of water and humidity after a flood. Contractor operations revenue increased 4.0% and Other Roto-Rooter revenue was essentially flat.

The consolidated gross margin excluding depreciation was 29.5% in 2015 versus 29.0% in 2014. On a segment basis, VITAS' gross margin excluding depreciation was 22.7% in 2015 and 22.4% in 2014. Roto-Rooter's gross margin excluding depreciation was 47.4% in 2015 and 46.7% in 2014.

Selling, general and administrative expenses ("SG&A") for 2015 comprise (in thousands):

	2015	2014
SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans	**$ 225,180**	$ 214,761
Long-term incentive compensation	**7,519**	2,569
Expenses related to OIG investigation	**4,974**	2,141
Impact of market value gains on liabilities held in deferred compensation trusts	**148**	3,118
Total SG&A expenses	**$ 237,821**	$ 222,589

SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans increased $10.4 million (4.9%) from 2014 to 2015. This increase was mainly a result of the increase in variable expenses caused by increased revenue, increased cash incentive compensation expense due to better operating performance as well as normal salary increases in 2015.

Depreciation expense increased $2.5 million (8.3%) in 2015 mainly due to an increase in capital expenditures in the current and prior year.

Interest expense decreased $4.5 million (55.5%) from 2014 to 2015 primarily as a result of the retirement of our Convertible Notes in 2014.

Other income/(expense)-net for 2015 and 2014 comprise (in thousands):

	2015	2014
Market value gains on assets held in deferred compensation trusts	**$ 148**	$ 3,118
Loss on disposal of property and equipment	**(698)**	(640)
Interest income/ (expense)	**281**	(29)
Other	**(418)**	72
Total other income/(expense)	**$ (687)**	$ 2,521

Our effective tax rate was 38.8% in 2015 compared to 39.0% for 2014.

Net income for both periods include the following aftertax adjustments that increased/ (reduced) aftertax earnings (in thousands):

	2015	2014
VITAS		
Costs associated with the OIG investigation	**$ (3,072)**	$ (1,328)
Litigation settlement costs	**-**	(70)
Acquisition expense	**-**	(1)
Roto-Rooter		
Expenses related to litigation settlements	**(3)**	(4)
Acquisition expense	**(104)**	(14)
Corporate		
Long-term incentive compensation	**(4,752)**	(1,625)
Noncash impact of change in accounting of convertible debt	**-**	(2,143)
Costs related to securities litigation	**(23)**	(207)
Stock option expense	**(3,439)**	(3,022)
Total	**$ (11,393)**	$ (8,414)

2015 Versus 2014 – Segment Results

The change in net income for 2015 versus 2014 is due to (in thousands, except percentages):

	Increase/(Decrease)	
	Amount	Percent
VITAS	$ 7,160	8%
Roto-Rooter	6,498	15
Corporate	(2,701)	(9)
	$ 10,957	11

VITAS' after-tax earnings were positively impacted in 2015 compared to 2014 by a $51.3 million increase in revenue. This revenue increase is a result of an increase of 5.5% in days of care, driven by a 2.8% increase in admissions and a $1.5 million revenue increase due to the Medicare cap when compared to 2014. After-tax earnings as a percent of revenue in 2015 were 8.4% as compared to 8.1% in 2014.

Roto-Rooter's after-tax earnings were positively impacted in 2015 compared to 2014 by a $19.7 million revenue increase in Roto-Rooter's water restoration line of business and a $13.1 million revenue increase in Roto-Rooter's plumbing line of business.. After-tax earnings as a percent of revenue at Roto-Rooter in 2015 were 11.4% as compared to 10.7% in 2014.

After-tax Corporate expenses for 2015 increased 9.3% when compared to 2014 mainly due to increased LTIP and bonus expense in 2015.

RESULTS OF OPERATIONS

2014 Versus 2013 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2014 versus 2013 (in thousands, except percentages):

	Favorable/(Unfavorable)	
	Amount	Percent
Service revenues and sales		
VITAS	$ 19,092	2%
Roto-Rooter	23,861	6
Total	42,953	3
Cost of services provided and goods sold	(25,865)	(3)
Selling, general and administrative expenses	(7,025)	(3)
Depreciation	(2,183)	(8)
Amortization	924	56
Other operating expenses	26,221	100
Income from operations	35,025	26
Interest expense	6,849	46
Other income - net	(2,949)	(54)
Income before income taxes	38,925	31
Income taxes	(16,835)	(36)
Net income	$ 22,090	29

The VITAS segment revenue increase is the result of the following (dollars in thousands):

	Amount	Percent
Routine homecare	$ 18,678	2%
Continuous care	(3,203)	(2)
General inpatient	(2,092)	(2)
Medicare cap	5,709	82
	$ 19,092	2

The increase in VITAS' revenue from 2013 to 2014 was a combination of Medicare reimbursement rates increasing approximately 1.4%, partially offset by a 0.5% decline due to sequestration (which was effective April 1, 2013), an increase in ADC of 1.4% driven by an increase in admissions of 2.0% and geographical and level of care mix shift. For 2014, VITAS recorded a net Medicare cap charge of $1.3 million related to eliminating the Medicare Cap billing limitation recorded in the fourth quarter of 2013 offset by two programs' projected Medicare Cap liability. This compares to $7.0 million in additional Medicare cap liability recorded in 2013. The ADC increase was driven by a 1.7% increase in routine homecare offset by a decrease of 2.9% in continuous care and a 2.3% decrease in general inpatient. ADC is a key measure we use to monitor volume growth in our hospice programs. Changes in total program admissions, discharges and average length of stay for our patients are the main drivers of changes in ADC.

The Roto-Rooter segment revenue increase is the result of the following (dollars in thousands):

	Amount	Percent
Plumbing	$ 6,051	4%
Sewer and drain cleaning	(205)	-
Contractor operations	3,466	10
Water restoration	15,438	507
Other	(889)	4
	$ 23,861	6

Plumbing revenues for 2014 increased 3.6% when compared to 2013 due to a 1.5% increase in the number of jobs performed and a 2.1% increase in price and service mix. Sewer and drain cleaning revenues were essentially flat when compared to 2013 due to a 3.5% decrease in the number of jobs performed offset by a 3.4% increase in price and service mix shift. Contractor operations revenue increased 10.5% as a result of performance of acquisitions in 2014 and 2013 and higher job count. Water restoration is a Roto-Rooter new line of business, and is the remediation of water and humidity damage after a flood.

The consolidated gross margin excluding depreciation was 29.0% in 2014 versus 28.6% in 2013. On a segment basis, VITAS' gross margin excluding depreciation was 22.4% in 2014 and 22.2% in 2013. Roto-Rooter's gross margin excluding depreciation was 46.7% in 2014 and 47.0% in 2013.

Selling, general and administrative expenses ("SG&A") for 2014 comprise (in thousands):

	2014	2013
SG&A expenses before long-term incentive compensation, OIG expenses and the impact of market gains of deferred compensation plans	**$ 214,761**	$ 207,131
Long-term incentive compensation	**2,569**	1,301
Expenses related to OIG investigation	**2,141**	2,149
Impact of market value gains on liabilities held in deferred compensation trusts	**3,118**	4,982
Total SG&A expenses	**$ 222,589**	$ 215,563

Depreciation expense increased $2.2 million (7.9%) in 2014 mainly due to an increase in capital expenditures in the prior year.

Amortization expense decreased $924,000 (56.2%) in 2014 due to a decrease in intangible amortization related to network relationships.

Other operating expenses comprise (in thousands):

	2014	2013
Litigation settlement of VITAS segment	**$ -**	$ 10,500
Settlements of Roto-Rooter segment	**-**	15,721
Total other operating expenses	**$ -**	$ 26,221

Interest expense decreased $6.8 million (45.6%) from 2013 to 2014 primarily as a result of the retirement of our Convertible Notes.

Other income-net for 2014 and 2013 comprise (in thousands):

	2014	2013
Market value gains on assets held in deferred compensation trusts	**$ 3,118**	$ 4,982
Loss on disposal of property and equipment	**(640)**	(320)
Interest income/ (expense)	**(29)**	847
Other	**72**	(39)
Total other income	**$ 2,521**	$ 5,470

Our effective tax rate was 39.0% in 2014 compared to 37.6% for 2013. This is a result of a $1.8 million credit recorded in 2013 related to the expiration of tax statutes for uncertain tax positions recorded in prior years that did not repeat in 2014.

Net income for both periods include the following aftertax adjustments that increased/ (reduced) aftertax earnings (in thousands):

	2014	2013
VITAS		
Costs associated with the OIG investigation	**$ (1,328)**	$ (1,333)
Litigation settlement	**-**	(6,510)
Litigation settlement costs	**(70)**	-
Acquisition expense	**(1)**	(36)
Roto-Rooter		
Expenses related to litigation settlements	**(4)**	(865)
Litigation settlements	**-**	(9,551)
Acquisition expense	**(14)**	(2)
Expenses of severance arrangements	**-**	(184)
Corporate		
Long-term incentive compensation	**(1,625)**	(822)
Noncash impact of change in accounting of convertible debt	**(2,143)**	(5,448)
Costs related to securities litigation	**(207)**	(69)
Stock option expense	**(3,022)**	(3,813)
Uncertain tax position adjustments	**-**	1,782
Loss on extinguishment of debt	**-**	(294)
Total	**$ (8,414)**	$ (27,145)

2014 Versus 2013 – Segment Results

The change in net income for 2014 versus 2013 is due to (in thousands, except percentages):

	Increase/(Decrease)	
	Amount	Percent
VITAS	$ 10,041	13%
Roto-Rooter	12,832	44
Corporate	(783)	(3)
	$ 22,090	29

VITAS' after-tax earnings were positively impacted in 2014 compared to 2014 by a $19.1 million increase in revenue. This revenue increase is a result of an increase of 1.4% in ADC, driven by a 2.0% increase in admissions and a $5.7 million decrease in the Medicare cap charge when compared to 2013. After-tax earnings as a percent of revenue in 2014, excluding the impact of litigation settlements in 2013, were 8.1% as compared to 8.0% in 2013.

Roto-Rooter's after-tax earnings were positively impacted in 2014 compared to 2013 by a $15.4 million revenue increase in Roto-Rooter's water restoration line of business. After-tax earnings as a percent of revenue at Roto-Rooter in 2014, excluding the impact of the litigation settlements, were 10.7% as compared to 10.5% in 2013.

After-tax Corporate expenses for 2014 increased 2.8% when compared to 2013 mainly due to the higher cost of liability insurance in 2014.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

For both the Roto-Rooter and VITAS segments, service revenues and sales are recognized when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. Sales of Roto-Rooter products, including drain cleaning machines and drain cleaning solution, comprise less than 3% of our total service revenues and sales for each of the three years in the period ended December 31, 2014.

VITAS recognizes revenue at the estimated net realizable amount due from third-party payers, which are primarily Medicare and Medicaid. Payers may deny payment for services in whole or in part on the basis that such services are not eligible for coverage and do not qualify for reimbursement. We estimate denials each period and make adequate provision in the financial statements. The estimate of denials is based on historical trends and known circumstances and generally does not vary materially from period to period on an aggregate basis. Medicare billings are subject to certain limitations, as described below.

VITAS is subject to certain limitations on Medicare payments for services. Specifically, if the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of Medicare hospice care such program provides to all patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. We have never had a program reach the inpatient cap. The majority of our programs have expected cushion in excess of 75% of the inpatient cap for the 2014 measurement period. Due to the significant cushion at each program, we do not anticipate it to be reasonably likely that any program will be subject to the inpatient cap in the foreseeable future.

VITAS is also subject to a Medicare annual per-beneficiary cap. Compliance with the Medicare cap is measured in one of two ways based on a provider by provider election. The "stream lined" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number between November 1 of each year and October 31 of the following year with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs during the relevant period.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admissions, discharge rate and median length of stay data in an attempt to determine whether they are likely to exceed the Medicare cap. Should we determine that a provider number is 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 that amount as a reduction in service revenue.

Our estimate of the Medicare cap liability is particularly sensitive to allocations made by our fiscal intermediary relative to patient transfers between hospices. We are allocated a percentage of the Medicare cap based on the total days a patient spent in hospice care. The allocation for patient transfers cannot be determined until a patient dies. As the number of days a patient spends in hospice is based on a future event, this allocation process may take several years. If the actual relationship of transfers in and transfers out for a given measurement period proves to be different for any program at or near a billing limitation, our estimate of the liability would increase or decrease on a dollar-for-dollar basis. While our method has historically been materially accurate, each program can vary during a given measurement period.

During the year ended December 31, 2015 we recorded a $165,000 Medicare cap reversal of amounts recorded in the fourth quarter of 2014 for one program's projected 2015 measurement period liability. During the year ended December 31, 2014, we recorded a net Medicare cap liability of $1.3 million for two programs' projected 2014 and 2015 measurement period liability offset by the reversal of one program's 2011 measurement period projected Medicare cap liability. During the year ended December 31, 2013, we reversed the Medicare cap liability for amounts recorded in the fourth quarter of 2012 for three programs' projected 2013 measurement period liability. During 2013 this reversal was offset by the Medicare cap liability for two programs' projected 2014 measurement period liability.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, CMS determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS has received notification from our third party intermediary that an additional $1.9 million is owed for Medicare cap in two programs arising during the 2013 and 2014 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current "as if" methodology. We have not recorded a reserve as of December 31, 2015 for the $1.9 million potential exposure. We have appealed CMS's methodology change with the appropriate regulatory appeal board. Until resolution is reached, to the extent we have a program or programs at or near the Medicare cap limit, we may be exposed to further losses which at this time cannot be reasonably estimated. Although the Company intends to exhaust its administrative appeal rights and, if necessary, vigorously defend its position through civil action, there can be no assurance that this matter will not have a material adverse affect on the Company.

Shown below is the Medicare cap liability activity for the years end December 31, 2015 and 2014 (in thousands):

	2015	2014
Beginning Balance January 1,	**$ 6,112**	$ 8,260
2015 measurement period	**(165)**	165
2014 measurement period	**-**	1,451
2011 measurement period	**-**	(325)
Payments	**(4,782)**	(3,439)
Ending Balance December 31,	**$ 1,165**	$ 6,112

Insurance Accruals

For the Roto-Rooter segment and Chemed's Corporate Office, we initially self-insure for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator ("TPA") processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped at $750,000. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors ("LDF") by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

For the VITAS segment, we initially self-insure for workers' compensation claims. Currently, VITAS' exposure on any single claim is capped at $1,000,000. For VITAS' self-insurance accruals for workers' compensation, the valuation methods used are similar to those used internally for our other business units. We are also insured for other risks with respect to professional liability with a deductible of $750.000.

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2015, 2014 and 2013, were net pretax debits/(credits) of ($1,891,000), $542,000 and ($1,487,000) respectively.

As an indication of the sensitivity of the accrued liability to reported claims, our analysis indicates that a 1% across-the-board increase or decrease in the amount of projected losses would increase or decrease the accrued insurance liability at December 31, 2015, by $2.9 million or 7.0%. While the amount recorded represents our best estimate of the casualty and workers' compensation insurance liability, we have calculated, based on historical claims experience, the actual loss could reasonably be expected to increase or decrease by approximately $2.7 million as of December 31, 2015.

Income Taxes

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

In November 2015, the FASB issued ASU No. 2015-17 which simplifies the balance sheet classification required for deferred tax balances. It allows for a company's deferred tax assets and liabilities to be netted into a noncurrent account, either asset or liability, by jurisdiction. The ASU is required to be adopted for annual periods beginning after December 15, 2016 and the interim periods within that annual period. Early adoption is permitted. Companies have the choice to adopt prospectively or retrospectively. In order to simplify our balance sheet classification required for deferred tax balances, we adopted the ASU for our annual balance sheet as of December 31, 2015 on a prospective basis. Prior periods have not been retrospectively adjusted. We do not believe that this change resulted in a material comparability issue between years on our balance sheet.

We are subject to income taxes in the federal and most state jurisdictions. We are periodically audited by various taxing authorities. Significant judgment is required to determine our provision for income taxes. We adopted FASB's authoritative guidance on accounting for uncertainty in income taxes, 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 this guidance, 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.

Goodwill and Intangible Assets

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset.

The date of our annual goodwill and indefinite-lived intangible asset impairment analysis is October 1. The VITAS trade name is considered to have an indefinite life. We also capitalize the direct costs of obtaining licenses to operate either hospice programs or plumbing operations subject to a minimum capitalization threshold. These costs are amortized over the life of the license using the straight line method. Certificates of Need (CON), which are required in certain states for hospice operations, are generally granted without expiration and thus, we believe them to be indefinite-lived assets subject to impairment testing.

We consider that RRC, RRSC and VITAS are appropriate reporting units for testing goodwill impairment. We consider RRC and RRSC as separate reporting units but one operating segment. This is appropriate as they each have their own set of general ledger accounts that can be analyzed at "one level below an operating segment" per the definition of a reporting unit in FASB guidance.

In July 2012, the FASB issued Accounting Standards Update "ASU" No. 2012-02 – Intangibles Goodwill and Other which provides additional guidance related to the impairment testing of indefinite-lived intangible assets. ASU No. 2012–02 allows an entity to first assess qualitative factors to determine whether it is necessary to perform further impairment testing. The revised guidance was effective for fiscal years beginning after September 15, 2012, but early adoption was permitted. Our impairment testing date is October 1 of each year and we adopted the new guidelines in the third quarter of 2012.

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2015. We assessed such qualitative factors as macroeconomic conditions, industry and market conditions, cost factors, financial performance and the legislative and regulatory environment. Based on our assessment, we do not believe that it is more likely than not that our reporting units' or indefinite-lived assets fair values are less than their carrying values.

Stock-based Compensation Plans

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee's requisite service period on a straight-line basis. We estimate the fair value of stock options using the Black-Scholes valuation model. We estimate the fair value and derived service periods of market based awards using a Monte Carlo simulation approach in a risk neutral framework. We determine expected term, volatility, dividend yield and forfeiture rate based on our historical experience. We believe that historical experience is the best indicator of these factors.

Contingencies

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We record legal fees associated with legal and regulatory actions as the costs are incurred. We disclose material loss contingencies that probable but not reasonably estimable and those that are at least reasonably possible.

Consolidating Summary of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands) **2015**	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 93,346**	**$ 48,573**	**$ (31,645)**	**$ 110,274**
Add/(deduct):				
Interest expense	**200**	**348**	**3,097**	**3,645**
Income taxes	**56,675**	**29,630**	**(16,453)**	**69,852**
Depreciation	**18,789**	**12,988**	**592**	**32,369**
Amortization	**758**	**372**	**-**	**1,130**
EBITDA	**169,768**	**91,911**	**(44,409)**	**217,270**
Add/(deduct):				
Intercompany interest/(expense)	**(7,499)**	**(3,385)**	**10,884**	**-**
Interest income	**(241)**	**(40)**	**-**	**(281)**
Expenses related to OIG investigation	**4,974**	**-**	**-**	**4,974**
Acquisition expenses	**-**	**172**	**-**	**172**
Expenses related to litigation settlements	**-**	**5**	**-**	**5**
Advertising cost adjustment	**-**	**(1,317)**	**-**	**(1,317)**
Stock option expense	**-**	**-**	**5,445**	**5,445**
Stock award expense	**496**	**268**	**1,343**	**2,107**
Long-term incentive compensation	**-**	**-**	**7,519**	**7,519**
Expenses related to securities litigation	**-**	**-**	**37**	**37**
Adjusted EBITDA	**$ 167,498**	**$ 87,614**	**$ (19,181)**	**$ 235,931**

2014	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 86,186	$ 42,075	$ (28,944)	$ 99,317
Add/(deduct):				
Interest expense	207	363	7,616	8,186
Income taxes	53,278	25,808	(15,649)	63,437
Depreciation	18,601	10,702	578	29,881
Amortization	447	273	-	720
EBITDA	158,719	79,221	(36,399)	201,541
Add/(deduct):				
Intercompany interest/(expense)	(6,189)	(2,892)	9,081	-
Interest income	78	(39)	(10)	29
Expenses related to OIG investigation	2,141	-	-	2,141
Acquisition expenses	1	23	-	24
Expenses related to litigation settlements	113	7	-	120
Advertising cost adjustment	-	(1,462)	-	(1,462)
Stock option expense	-	-	4,802	4,802
Stock award expense	586	252	1,633	2,471
Long-term incentive compensation	-	-	2,569	2,569
Expenses related to securities litigation	-	-	327	327
Adjusted EBITDA	$ 155,449	$ 75,110	$ (17,997)	$ 212,562

2013	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 76,144	$ 29,243	$ (28,160)	$ 77,227
Add/(deduct):				
Interest expense	182	322	14,531	15,035
Income taxes	46,910	17,560	(17,868)	46,602
Depreciation	18,149	9,014	535	27,698
Amortization	1,386	259	-	1,645
EBITDA	142,771	56,398	(30,962)	168,207
Add/(deduct):				
Intercompany interest/(expense)	(4,288)	(2,055)	6,343	-
Interest income	(750)	(41)	(56)	(847)
Expenses related to OIG investigation	2,149	-	-	2,149
Acquisition expenses	58	4	-	62
Litigation settlement	10,500	15,721	-	26,221
Expenses of litigation settlements	-	1,425	-	1,425
Advertising cost adjustment	-	(1,166)	-	(1,166)
Expenses of severance arrangements	-	302	-	302
Stock option expense	-	-	6,042	6,042
Stock award expense	716	348	1,981	3,045
Long-term incentive compensation	-	-	1,301	1,301
Expenses related to securities litigation	-	-	109	109
Adjusted EBITDA	$ 151,156	$ 70,936	$ (15,242)	$ 206,850

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	For the Years Ended December 31,		
	2015	2014	2013
Net income as reported	**$ 110,274**	$ 99,317	$ 77,227
Add/(deduct) after-tax cost of:			
Non-cash expense of change in accounting for convertible	**-**	2,143	5,448
Stock option expense	**3,439**	3,022	3,813
Expenses related to OIG investigation	**3,072**	1,328	1,333
Net expenses related to litigation settlements	**3**	74	865
Long-term incentive compensation	**4,752**	1,625	822
Expenses related to securities litigation	**23**	207	69
Acquisition expenses	**104**	15	38
Litigation settlements	**-**	-	16,061
Uncertain tax position adjustments	**-**	-	(1,782)
Loss on extinguishment of debt	**-**	-	294
Expenses of severance arrangements	**-**	-	184
Adjusted net income	**$ 121,667**	$ 107,731	$ 104,372
Diluted Earnings Per Share As Reported			
Net income	**$ 6.33**	$ 5.57	$ 4.16
Average number of shares outstanding	**17,422**	17,840	18,585
Adjusted Diluted Earnings Per Share			
Net income	**$ 6.98**	$ 6.07	$ 5.62
Average number of shares outstanding	**17,422**	17,738*	18,585

*For the purpose of computing adjusted diluted earnings per share for 2014, the estimated dilutive impact of the convertible notes prior to the conversion of these notes on May 15, 2014 (impact of 102,000) has been excluded from the computation of diluted average shares outstanding as this impact was entirely offset by the exercise of the note hedges on May 15, 2014.

The "Footnotes to Financial Statements" are integral parts of this financial information.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
OPERATING STATISTICS	**2015**	2014	**2015**	2014
Net revenue ($000)				
Homecare	**$ 224,278**	$ 209,633	**$ 865,145**	$ 810,413
Inpatient	**22,954**	25,839	**99,439**	102,876
Continuous care	**37,238**	38,405	**150,802**	152,206
Total before Medicare cap allowance	**$ 284,470**	$ 273,877	**$ 1,115,386**	$ 1,065,495
Medicare cap allowance	**-**	506	**165**	(1,290)
Total	**$ 284,470**	$ 274,383	**$ 1,115,551**	$ 1,064,205
Net revenue as a percent of total before Medicare cap allowance				
Homecare	**78.8%**	76.6%	**77.6%**	76.0%
Inpatient	**8.1**	9.4	**8.9**	9.7
Continuous care	**13.1**	14.0	**13.5**	14.3
Total before Medicare cap allowance	**100.0**	100.0	**100.0**	100.0
Medicare cap allowance	**-**	0.2	**-**	(0.1)
Total	**100.0%**	100.2%	**100.0%**	99.9%
Average daily census (days)				
Homecare	**11,707**	10,850	**11,372**	10,634
Nursing home	**3,062**	2,995	**3,035**	2,954
Routine homecare	**14,769**	13,845	**14,407**	13,588
Inpatient	**377**	427	**412**	428
Continuous care	**551**	566	**566**	568
Total	**15,697**	14,838	**15,385**	14,584
Total Admissions	**15,790**	16,313	**65,872**	64,090
Total Discharges	**15,915**	16,333	**64,900**	63,478
Average length of stay (days)	**89.8**	82.7	**81.6**	82.4
Median length of stay (days)	**17.0**	15.0	**15.0**	15.0
ADC by major diagnosis				
Neurological	**22.8%**	25.4%	**23.2%**	30.1%
Cancer	**15.6**	17.2	**16.4**	17.3
Cardio	**17.4**	17.8	**17.4**	17.0
Cerebro	**29.9**	26.4	**29.1**	20.6
Respiratory	**7.7**	7.8	**7.8**	7.9
Other	**6.6**	5.4	**6.1**	7.1
Total	**100.0%**	100.0%	**100.0%**	100.0%
Admissions by major diagnosis				
Neurological	**12.1%**	13.2%	**12.3%**	18.6%
Cancer	**31.5**	33.1	**32.0**	33.3
Cardio	**15.2**	15.2	**15.3**	14.9
Cerebro	**19.7**	17.7	**19.0**	11.5
Respiratory	**9.5**	9.3	**9.9**	9.4
Other	**12.0**	11.5	**11.5**	12.3
Total	**100.0%**	100.0%	**100.0%**	100.0%
Direct patient care margins				
Routine homecare	**54.7%**	54.9%	**53.4%**	53.8%
Inpatient	**1.3**	7.2	**5.0**	5.8
Continuous care	**16.1**	18.2	**16.1**	17.4
Homecare margin drivers (dollars per patient day)				
Labor costs	**$ 53.96**	$ 53.06	**$ 55.58**	$ 53.99
Drug costs	**6.63**	6.90	**6.68**	7.01
Home medical equipment	**6.61**	6.41	**6.57**	6.61
Medical supplies	**2.84**	3.10	**2.90**	3.18
Inpatient margin drivers (dollars per patient day)				
Labor costs	**$ 358.21**	$ 327.53	**$ 350.06**	$ 339.90
Continuous care margin drivers (dollars per patient day)				
Labor costs	**$ 596.21**	$ 582.69	**$ 592.48**	$ 585.61
Bad debt expense as a percent of revenues	**1.0%**	1.0%	**1.0%**	1.0%
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**37.5**	38.9	**N.A.**	N.A.
Days of revenue outstanding- including unapplied Medicare payments	**26.7**	33.6	**N.A.**	N.A.

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

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Such forward-looking statements and trends include, but are not limited to, the impact of laws and regulations on our operations, our estimate of future effective income tax rates and the recoverability of deferred tax assets. Variances in any or all of the risks, uncertainties, contingencies, and other factors from 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 our projections and other financial matters.

EXHIBIT 21
SUBSIDIARIES OF CHEMED CORPORATION

The following is a list of subsidiaries of the Company as of December 31, 2015: Other subsidiaries which have been omitted from the list would not, when considered in the aggregate, constitute a significant subsidiary. Each of the companies is incorporated under the laws of the state following its name. The percentage given for each company represents the percentage of voting securities of such company owned by the Company or, where indicated, subsidiaries of the Company as of December 31, 2015.

All of the majority owned companies listed below are included in the consolidated financial statements as of December 31, 2015.

Chemed RT, Inc. (Delaware, 100%)

Comfort Care Holdings Co. (Nevada, 100%)

Consolidated HVAC, Inc. (Ohio, 100% by Roto-Rooter Services Company)

Jet Resource, Inc. (Delaware, 100%)

Nurotoco of Massachusetts, Inc. (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of Massachusetts, Inc. II (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of Massachusetts, Inc. III (Massachusetts, 100% by Roto-Rooter Services Company)

Nurotoco of New Jersey, Inc. (Delaware, 80% by Roto-Rooter Services Company)

Roto RT, Inc. (Delaware, 100% by Roto-Rooter Group, Inc.)

Roto-Rooter Canada, Ltd. (British Columbia, 100% by Roto-Rooter Services Company)

Roto-Rooter Corporation (Iowa, 100% by Roto-Rooter Group, Inc.)

Roto-Rooter Development Company (Delaware, 100% by Roto-Rooter Corporation)

Roto-Rooter Group, Inc. (Delaware, 100%)

Roto-Rooter Services Company (Iowa, 100% by Roto-Rooter Group, Inc.)

RR Plumbing Services Corporation (New York, 49% by Roto-Rooter Services Company; included within the consolidated financial statements as a consolidated subsidiary)

R.R. UK, Inc. (Delaware, 100% by Roto-Rooter Group, Inc.)

VITAS Care Solutions, Inc. (Delaware, 100% by VITAS Hospice Services L.L.C.)

VITAS Healthcare Corporation (Delaware, 100% by Comfort Care Holdings Co.)

VITAS Hospice Services, L.L.C. (Delaware, 100% by VITAS Healthcare Corporation)

VITAS Healthcare Corporation of California (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Illinois (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Florida (Florida, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Ohio (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Atlantic (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare of Texas, L.P. (Texas, 99% by VITAS Holding Corporation, the limited partner, 1% by VITAS Hospice Services, L.L.C., the general partner)

VITAS Healthcare Corporation Midwest (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Healthcare Corporation of Georgia (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS HME Solutions, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS of North Florida, Inc. (Florida, 100% by VITAS Hospice Services, L.L.C.)

VITAS Holdings Corporation (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS RT, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

VITAS Solutions, Inc. (Delaware, 100% by VITAS Hospice Services, L.L.C.)

Hospice Care Incorporated (Delaware, 100% by VITAS Hospice Services, L.L.C.)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-145555) and on Form S-8 (Nos., 333-134107, 333-167733, and 333-205669) of Chemed Corporation of our report dated February 26, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2015 Annual Report to Stockholders of Chemed Corporation, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 26, 2016 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Cincinnati, Ohio
February 26, 2016

EXHIBIT 24

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 17, 2016

/s/ Joel F. Gemunder
Joel F. Gemunder

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2016

/s/ Patrick P. Grace
Patrick P. Grace

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2016

/s/ Thomas C. Hutton
Thomas C. Hutton

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2016

/s/ Thomas P. Rice
Thomas P. Rice

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 17, 2016

/s/ Donald E. Saunders
Donald E. Saunders

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 16, 2016

/s/ George J. Walsh III
George J. Walsh III

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 19, 2016

/s/ Frank E. Wood
Frank E. Wood

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 17, 2016

/s/ Walter L. Krebs
Walter L. Krebs

POWER OF ATTORNEY

The undersigned director of CHEMED CORPORATION ("Company") hereby appoints KEVIN J. MCNAMARA and NAOMI C. DALLOB as his true and lawful attorneys-in-fact for the purpose of signing the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and all amendments thereto, to be filed with the Securities and Exchange Commission. Each of such attorneys-in-fact is appointed with full power to act without the other.

Dated: February 15, 2016

/s/ Andrea R. Lindell
Andrea R. Lindell

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations, and cash flow of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by other within those entities, particularly during the period in which this report is being prepared;

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

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

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors or persons performing the equivalent function:

    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.

Dated: February 26, 2016

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations, and cash flow of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by other within those entities, particularly during the period in which this report is being prepared;

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

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors or persons performing the equivalent function:

   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.

Dated: February 26, 2016

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

EXHIBIT 31.3

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Arthur V. Tucker, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Chemed Corporation ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations, and cash flow of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by other within those entities, particularly during the period in which this report is being prepared;

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

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors or persons performing the equivalent function:

   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.

Dated: February 26, 2016

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

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURUSANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

1) The Company's Annual Report on Form 10-K for the year ending December 31, 2015 ("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: February 26, 2016

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 32.2

CERTIFICATION DAVID P. WILLIAMS
PURUSANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

1) The Company's Annual Report on Form 10-K for the year ending December 31, 2015 ("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: February 26, 2016

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

EXHIBIT 32.3

CERTIFICATION BY ARTHUR V. TUCKER, JR.
PURUSANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation ("Company"), does hereby certify that:

1) The Company's Annual Report on Form 10-K for the year ending December 31, 2015 ("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: February 26, 2016

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