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

(Mark One)

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act
- - - of 1934 For the Quarterly Period Ended June 30, 2007

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

Commission File Number: 1-8351

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in

Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Amount	Date
Capital Stock \$1 Par Value	23,915,868 Shares	June 30, 2007

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CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

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

	June 30, 2007	December 31, 2006
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,469	\$ 29,274
Accounts receivable less allowances of \$ 10,186 (2006 - \$ 10,180)	99,867	93,086
Inventories	6,752	6,578
Current deferred income taxes	19,828	17,789
Prepaid income taxes	2,604	-
Current assets of discontinued operations	-	5,418
Prepaid expenses and other current assets	8,570	9,968
	-----	-----
Total current assets	145,090	162,113
Investments of deferred compensation plans held in trust	29,360	25,713
Note receivable	14,701	14,701
Properties and equipment, at cost, less accumulated depreciation of \$ 83,315 (2006 - \$ 77,107)	72,428	70,140
Identifiable intangible assets less accumulated amortization of \$ 15,224 (2006 - \$ 13,201)	67,195	69,215
Goodwill	435,209	435,050
Noncurrent assets of discontinued operations	-	287
Other assets	15,549	16,068
	-----	-----
Total Assets	\$ 779,532	\$ 793,287
	=====	=====
LIABILITIES		
Current liabilities		
Accounts payable	\$ 46,366	\$ 49,744
Current portion of long-term debt	10,162	209
Income taxes	837	6,765
Accrued insurance	37,084	38,457
Accrued compensation	33,046	35,990
Current liabilities of discontinued operations	-	12,215
Other current liabilities	20,638	22,684
	-----	-----
Total current liabilities	148,133	166,064
Deferred income taxes	3,846	26,301
Long-term debt	268,035	150,331
Deferred compensation liabilities	28,912	25,514
Other liabilities	5,945	3,716
	-----	-----
Total Liabilities	454,871	371,926
	-----	-----
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares \$1 par; issued 29,193,268 shares (2006 - 28,849,918 shares)	29,193	28,850
Paid-in capital	261,951	252,639
Retained earnings	242,905	215,517
Treasury stock - 5,277,400 shares (2006 - 3,023,635 shares), at cost	(211,836)	(78,064)
Deferred compensation payable in Company stock	2,448	2,419
	-----	-----
Total Stockholders' Equity	324,661	421,361
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 779,532	\$ 793,287
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Continuing operations				
Service revenues and sales	\$ 271,387	\$ 249,068	\$ 541,826	\$ 492,989
Cost of services provided and goods sold (excluding depreciation)	188,716	179,103	376,963	355,138
Selling, general and administrative expenses	46,090	38,621	94,160	77,075
Depreciation	4,962	4,082	9,677	8,214
Amortization	1,294	1,317	2,609	2,613
Other operating income	-	-	(1,138)	-
Total costs and expenses	241,062	223,123	482,271	443,040
Income from operations	30,325	25,945	59,555	49,949
Interest expense	(3,400)	(4,300)	(7,142)	(9,645)
Loss on extinguishment of debt	(13,715)	-	(13,715)	(430)
Other income--net	2,188	524	3,057	2,019
Income before income taxes	15,398	22,169	41,755	41,893
Income taxes	(5,965)	(8,619)	(16,101)	(16,305)
Income from continuing operations	9,433	13,550	25,654	25,588
Discontinued operations, net of income taxes	-	(708)	-	(531)
Net income	\$ 9,433	\$ 12,842	\$ 25,654	\$ 25,057
Earnings Per Share				
Income from continuing operations	\$ 0.38	\$ 0.52	\$ 1.02	\$ 0.98
Net income	\$ 0.38	\$ 0.49	\$ 1.02	\$ 0.96
Average number of shares outstanding	24,506	26,201	25,108	26,123
Diluted Earnings Per Share				
Income from continuing operations	\$ 0.38	\$ 0.50	\$ 1.00	\$ 0.95
Net income	\$ 0.38	\$ 0.48	\$ 1.00	\$ 0.93
Average number of shares outstanding	25,080	26,846	25,684	26,815
Cash Dividends Per Share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 25,654	\$ 25,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,286	10,827
Write off of unamortized debt issuance costs	7,153	430
Noncash long-term incentive compensation	6,154	-
Provision for uncollectible accounts receivable	4,009	3,962
Amortization of debt issuance costs	751	882
Provision for deferred income taxes	376	4,679
Discontinued operations	-	531
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
Increase in accounts receivable	(11,308)	(5,924)
Decrease/(increase) in inventories	(174)	289
Decrease in prepaid expenses and other current assets	1,377	514
Decrease in accounts payable and other current liabilities	(14,838)	(18,089)
Increase in income taxes	69	1,932
Increase in other assets	(3,932)	(2,892)
Increase in other liabilities	4,540	1,973
Excess tax benefit on share-based compensation	(2,370)	(4,941)
Other sources	477	551
Net cash provided by continuing operations	30,224	19,781
Net cash provided by discontinued operations	-	3,704
Net cash provided by operating activities	30,224	23,485
Cash Flows from Investing Activities		
Capital expenditures	(13,908)	(9,222)
Net uses from the disposals of discontinued operations	(5,905)	(2,990)
Proceeds from sales of property and equipment	3,003	161
Business combinations, net of cash acquired	(62)	(814)
Other uses	(564)	(610)
Net cash used by investing activities	(17,436)	(13,475)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	300,000	-
Repayment of long-term debt	(185,643)	(84,499)
Purchases of treasury stock	(130,748)	(3,992)
Purchase of note hedges	(54,939)	-
Proceeds from issuance of warrants	27,614	-
Net increase in revolving line of credit	13,300	19,000
Debt issuance costs	(6,395)	(154)
Dividends paid	(2,997)	(3,156)
Excess tax benefit on share-based compensation	2,370	4,941
Issuance of capital stock	2,069	3,849
Increase in cash overdrafts payable	166	3,397
Other sources	610	287
Net cash used by financing activities	(34,593)	(60,327)
Decrease in Cash and Cash Equivalents	(21,805)	(50,317)
Cash and cash equivalents at beginning of year	29,274	57,133
Cash and cash equivalents at end of period	\$ 7,469	\$ 6,816

See accompanying notes to unaudited consolidated financial statements.

CHEMED CORPORATION
AND SUBSIDIARY COMPANIES
Notes to Unaudited Financial Statements

1. Basis of Presentation

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

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

2. Refinancing Transactions

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

On May 4, 2007, we used the proceeds from the 2007 Facility to fund the redemption of our \$150 million, 8.75% Senior Notes due 2011. The redemption was made pursuant to the terms of the indenture at a price of 104.375% plus accrued but unpaid interest. In connection with the redemption, we wrote-off approximately \$4.8 million in deferred debt costs. The premium payment of \$6.6 million and the write-off of deferred debt costs have been recorded as loss on extinguishment of debt in the accompanying statement of income.

On May 8, 2007, we entered into a Purchase Agreement with J.P. Morgan Securities Inc. and Citigroup Global Markets Inc. (the "Initial Purchasers") for issuance and sale of \$180 million in aggregate principal amount of our 1.875% Senior Convertible Notes due 2014 (the "Notes"). On May 9, 2007, the Initial Purchasers exercised an over-allotment option to purchase an additional \$20 million in aggregate principal amount of Notes. On May 14, 2007 a total of \$200 million in aggregate principal amount of the Notes were sold to the Initial Purchasers at a price of \$1,000 per Note, less an underwriting fee of \$27.50 per Note. The Notes are to be resold by the Initial Purchasers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act").

We received approximately \$194 million in net proceeds from the sale of the Notes after paying underwriting fees, legal and other expenses. Proceeds from the offering were used to purchase treasury shares of our stock, as discussed further in Note 3 and to pay down a portion of the 2007 Facility. We will pay interest on the Notes on May 15 and November 15 of each year, beginning on November 15, 2007. The Notes will mature on May 15, 2014. The Notes are guaranteed on an unsecured senior basis by each of our subsidiaries that is a borrower or a guarantor under any senior credit facility, as defined in the Indenture. The Notes are convertible, under certain circumstances, into our Capital Stock at a conversion rate of 12.3874 shares per \$1,000 principal amount of Notes. This conversion rate is equivalent to an initial conversion price of approximately \$80.73 per share. Prior to March 1, 2014, holders may convert their Notes under certain circumstances. On and after March 1, 2014, the Notes will be convertible at any time prior to the close of business three days prior to the stated maturity date of the Notes. Upon conversion of a Note, if the conversion value is \$1,000 or less, holders will receive cash equal to the lesser of \$1,000 or the conversion value of the number of shares of our Capital Stock. If the conversion value exceeds \$1,000, in addition to this, holders will receive shares of our Capital Stock for the excess amount. The Indenture contains customary terms and covenants that upon certain events of default, including without limitation, failure to pay when due any principal amount, a fundamental change or certain cross defaults in other agreements or instruments, occurring and continuing, either the trustee or the holders of 25% in aggregate principal amount of the Notes may declare the principal of the Notes and any accrued and unpaid interest through the date of such declaration immediately due and payable. In the case of certain events of bankruptcy or insolvency relating to any significant

subsidiary or to us, the principal amount of the Notes and accrued interest automatically becomes due and payable.

Pursuant to the guidance in Emerging Issues Task Force ("EITF") 90-19, "Convertible Bonds with Issuer Option to Settle for Cash Upon Conversion", EITF 00-19 "Accounting for Derivative Instruments Indexed to, and Potentially Settled in a Company's Own Stock" and EITF 01-6 "The Meaning of Indexed to a Company's Own Stock", the Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded options within the Notes have not been accounted for as separate derivatives.

We, our subsidiary guarantors and the Initial Purchasers also entered into a Registration Rights Agreement (the "RRA") dated May 14, 2007. Pursuant to the RRA, we agreed to, no later than the 120th day after May 14, 2007, file a shelf registration statement covering resale of the Notes and the Capital Stock issuable upon conversion pursuant to Rule 415 under the Securities Act. We will also cause the shelf registration statement to be declared effective under the Securities Act no later than the 180th day after May 14, 2007. If the shelf registration is not filed or effective by the appropriate dates, additional interest may accrue on the Notes.

On May 8, 2007 we entered into a purchased call transaction and a warrant transaction (written call) with JPMorgan Chase, National Association and Citibank, N.A. (the "Counterparties"). The purchased call options cover approximately 2,477,000 shares of our Capital Stock, which under most circumstances represents the maximum number of shares of Capital Stock that underlie the Notes. Concurrently with entering into the purchased call options, we entered into warrant transactions with each of the Counterparties. Pursuant to the warrant transactions, we sold to the Counterparties warrants to purchase in the aggregate approximately 2,477,000 shares of Capital Stock. In most cases, the sold warrants may not be exercised prior to the maturity of the Notes.

The purchased call options and sold warrants are separate contracts with the Counterparties, are not part of the terms of the Notes and do not affect the rights of holders under the Notes. A holder of the Notes will not have any rights with respect to the purchased call options or the sold warrants. The purchased call options are expected to reduce the potential dilution upon conversion of the Notes if the market value per share of the Capital Stock at the time of exercise is greater than approximately \$80.73, which corresponds to the initial conversion price of the Notes. The sold warrants have an exercise price of \$105.44 and are expected to result in some dilution should the price of our Capital Stock exceed this exercise price. See Note 7 for further detail with respect to the potential impact of these transactions on our Earnings Per Share.

Our net cost for these transactions was approximately \$27.3 million. Pursuant to EITF 00-19 and EITF 01-6, the purchased call option and the sold warrants are accounted for as equity transactions. Therefore, our net cost was recorded as a decrease in shareholders' equity in the accompanying consolidated balance sheet.

On June 29, 2007, we paid approximately \$35.5 million of the \$100 million term note under the 2007 Facility using a combination of cash on hand and a draw from the revolving credit facility. Of the amount paid in June 2007, \$33.0 million represents a prepayment. The following is a schedule by year of required long-term debt repayments as of June 30, 2007 (in thousands):

June 2008	\$	10,162
June 2009		10,059
June 2010		10,059
June 2011		10,059
June 2012		37,858
Thereafter		200,000

Total debt		278,197
Less: Current portion		(10,162)

Total long-term debt	\$	268,035
		=====

We are in compliance with all debt covenants as of June 30, 2007. We have issued \$34.3 million in standby letters of credit as of June 30, 2007 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2007, the Company has approximately \$127.4 million of unused lines of credit available and eligible to be drawn down under its revolving credit facility, excluding the expansion feature.

3. Capital Stock Transactions

On April 26, 2007, our Board of Directors authorized a \$150 million stock repurchase program. Our \$50 million stock repurchase program, authorized in July 2006, had approximately \$13.6 million remaining as of March 31, 2007. For the three and six months June 30, 2007 we repurchased 1.5 million and 2.1 million shares, respectively at a weighted average cost of \$65.26 per share and \$59.82 per share, respectively. There were no shares repurchased during the three or six months ended June 30, 2006.

4. Revenue Recognition

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

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether they are likely to exceed the annual per-beneficiary Medicare cap ("Medicare cap"). Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare cap and record the amount as a reduction to patient revenue. The Medicare cap measurement period is from September 29 through September 28 of the following year for admissions and from November 1 through October 31 of the following year for revenue. As of the date of this filing for the 2007 measurement period, no programs have a required Medicare billing reduction. Our current estimates for the projected full year 2007 measurement period anticipate no programs with a Medicare cap billing limitation. Therefore, no revenue reduction for Medicare cap has been recorded for the three or six-month period ended June 30, 2007.

5. Segments

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Service Revenues and Sales				
VITAS	\$185,701	\$171,527	\$369,750	\$337,584
Roto-Rooter	85,686	77,541	172,076	155,405
Total	\$271,387	\$249,068	\$541,826	\$492,989
Aftertax Earnings				
VITAS	\$ 14,154	\$ 12,107	\$ 29,141	\$22,787
Roto-Rooter	10,695	7,003	20,181	14,204
Total	24,849	19,110	49,322	36,991
Corporate Discontinued operations	(15,416)	(5,560)	(23,668)	(11,403)
	-	(708)	-	(531)
Net income	\$ 9,433	\$ 12,842	\$ 25,654	\$25,057

6. Patient Care Notes Receivable

We have notes receivable of \$14.7 million from Patient Care, Inc. related to our sale of this subsidiary in 2002. In February 2007, the parties amended the terms of the promissory notes receivable. The amended notes are due October 2009. The interest on the notes receivable is the higher of Patient Care's current floating rate plus 2% or 11.5% per year. Interest payments are due quarterly. As of June 30, 2007, Patient Care is current on all interest payments related to these notes.

7. Earnings per Share

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

For the Three Months Ended June 30,	Income from Continuing Operations			Net Income		
	Income	Shares	Earnings	Income	Shares	Earnings
			per Share			per Share
2007						
Earnings	\$ 9,433	24,506	\$ 0.38	\$ 9,433	24,506	\$ 0.38
			=====			=====
Dilutive stock options	-	481		-	481	
Nonvested stock awards	-	93		-	93	
Diluted earnings	\$ 9,433	25,080	\$ 0.38	\$ 9,433	25,080	\$ 0.38
	=====	=====	=====	=====	=====	=====
2006						
Earnings	\$ 13,550	26,201	\$ 0.52	\$ 12,842	26,201	\$ 0.49
			=====			=====
Dilutive stock options	-	558		-	558	
Nonvested stock awards	-	87		-	87	
Diluted earnings	\$ 13,550	26,846	\$ 0.50	\$ 12,842	26,846	\$ 0.48
	=====	=====	=====	=====	=====	=====

For the Six Months Ended June 30,	Income from Continuing Operations			Net Income		
	Income	Shares	Earnings	Income	Shares	Earnings
			per Share			per Share
2007						
Earnings	\$ 25,654	25,108	\$ 1.02	\$ 25,654	25,108	\$ 1.02
			=====			=====
Dilutive stock options	-	459		-	459	
Nonvested stock awards	-	117		-	117	
Diluted earnings	\$ 25,654	25,684	\$ 1.00	\$ 25,654	25,684	\$ 1.00
	=====	=====	=====	=====	=====	=====
2006						
Earnings	\$ 25,588	26,123	\$ 0.98	\$ 25,057	26,123	\$ 0.96
			=====			=====
Dilutive stock options	-	604		-	604	
Nonvested stock awards	-	88		-	88	
Diluted earnings	\$ 25,588	26,815	\$ 0.95	\$ 25,057	26,815	\$ 0.93
	=====	=====	=====	=====	=====	=====

Diluted earnings per share may be impacted in future periods as the result of the issuance of our \$200 million Notes and related purchased call options and sold warrants, as described in Note 2 above. Under EITF 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share" and EITF 90-19, we will not include any shares related to the Notes in our calculation of diluted earnings per share until our average stock price for a quarter exceeds the conversion price of \$80.73. At such a time in the future, we would include the number of shares in our diluted earnings per share that would be issuable using the treasury stock method. The amount of shares issuable is based upon the amount by which the average stock price for the quarter exceeds the conversion price. In addition, the purchased call option does not impact the calculation of diluted earnings per share as it is always anti-dilutive. The sold warrants become dilutive when our average stock price for a quarter exceeds the strike price of the warrant.

The following table provides examples of how changes in our stock price impact the number of shares that would be included in our diluted earnings per share calculation. It also shows the impact on the number of shares issuable upon conversion of the Notes and settlement of the purchased call options and sold warrants:

Share Price	Shares Underlying 1.875% Convertible Notes	Warrant Shares	Total Treasury Method Incremental Shares (a)	Shares Due to the Company under Notes Hedges	Incremental Shares Issued by the Company upon Conversion (b)
\$ 80.73	-	-	-	-	-
\$ 90.73	273,061	-	273,061	(273,061)	-
\$ 100.73	491,905	-	491,905	(491,905)	-
\$ 110.73	671,222	118,359	789,581	(671,222)	118,359
\$ 120.73	820,833	313,764	1,134,597	(820,833)	313,764
\$ 130.73	947,556	479,274	1,426,830	(947,556)	479,274

(a) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under U.S. GAAP.

(b) Represents the number of incremental shares to be issued by the Company upon conversion of the 1.875% Convertible Notes, assuming concurrent settlement of the note hedges and warrants.

8. Other Operating Income

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

9. Other Income -- Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Interest income	\$ 944	\$ 578	\$1,711	\$ 1,551
(Loss)/gain on trading investments of employee benefit trusts	1,237	(8)	1,450	485
Other - net	7	(46)	(104)	(17)
Total other income	\$ 2,188	\$ 524	\$3,057	\$ 2,019

10. Other Current Liabilities

Other current liabilities as of June 30, 2007 and December 31, 2006 consist of the following (in thousands):

	2007	2006
Accrued legal settlements	\$ 513	\$ 1,889
Accrued divestiture expenses	845	2,612
Accrued Medicare Cap estimate	9,503	3,373
Other	9,777	14,810
Total other current liabilities	\$ 20,638	\$ 22,684

Accrued Medicare cap as of June 30, 2007 includes \$6.6 million related to our Phoenix program that we sold in November 2006. This amount was recorded in current liabilities from discontinued operations as of December 31, 2006.

11. 2002 Executive Long-Term Incentive Plan

In February 2007, we met the cumulative earnings target specified in the LTIP and on March 9, 2007 the Compensation/Incentive Committee of the Board of Directors approved a stock grant of 100,000 shares and the related allocation to participants. The pre-tax cost of the stock grant was \$5.4 million and is included in selling, general and administrative expenses in the accompanying consolidated statement of income.

In May 2007, the Compensation/Incentive Committee of the Board of Directors approved a pool of shares to be awarded based on new earnings before interest, depreciation and amortization (EBITDA) targets. The participants of the LTIP may be awarded 80,000 shares of our capital stock if we attain adjusted EBITDA of either \$465 million for the three year period beginning January 1, 2007 or \$604 million for the four year period beginning January 1, 2007.

In June 2007, we met the \$62.00 per share stock price hurdle specified in the 2002 Long-Term Incentive Plan (LTIP) and on June 27, 2007 the Compensation/Incentive Committee of the Board of Directors approved a stock grant of 22,200 shares and the related allocation to participants. The pre-tax cost of the stock grant was \$1.6 million and is included in selling, general and administrative expenses in the accompanying statement of income.

12. Loans Receivable from Independent Contractors

The Roto-Rooter segment sublicenses with approximately sixty-one independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. As of June 30, 2007, we had notes receivable from our independent contractors totaling \$1.7 million (December 31, 2006-\$1.9 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from 5% to 8% per annum and the remaining terms of the loans range from two months to 5 years at June 30, 2007. During the three and six months ended June 30, 2007, we recorded revenues of \$5.4 million and \$10.8 million respectively (2006-\$4.6 million and \$9.5 million, respectively) and pretax profits of \$2.3 million and \$4.7 million, respectively (2006-\$1.7 million and \$3.8 million, respectively) from our independent contractors.

We have adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R "Consolidation of Variable Interest Entities--an interpretation of Accounting Research Bulletin No. 51 (revised)" ("FIN 46R") relative to our contractual relationships with the independent contractors. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated our relationships with our independent contractors based upon guidance provided in FIN 46R and have concluded that some of the contractors who have loans payable to us may be VIE's. We believe consolidation, if required, of the accounts of any VIE's for which we might be the primary beneficiary would not materially impact our financial position, results of operations or cash flows.

13. Pension and Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. Expenses for the Company's pension and profit-sharing plans, excess benefit plans and other similar plans were \$4.1 million and \$7.7 million for the three and six months ended June 30, 2007, respectively. Expenses for the Company's pension and profit-sharing plans, excess benefit plans and other similar plans were \$2.4 million and \$4.8 million for the three and six months ended June 30, 2006, respectively.

14. Litigation

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

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

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

15. **OIG Investigation**

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. We have incurred pretax expense related to complying with OIG requests and defending the litigation of \$74,000 and \$140,000 for the three and six months ended June 30, 2007, respectively (2006 - \$342,000 and \$474,000, respectively). A *qui tam* complaint filed in U.S. District Court for the Southern District of Florida was dismissed by the Court with prejudice in July 2007.

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

16. **Related Party Agreement**

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR will provide specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically for one-year terms. Either party may cancel the Agreement at the end of any term by giving written notice at least 90 days prior to the end of said term. In June 2004, VITAS entered into a pharmacy services agreement with *excellerx*. The agreement has a one-year term and automatically renews unless either party provides a 90-day written termination notice. Subsequent to June 2004, OCR acquired *excellerx*. Under both agreements, VITAS made purchases of \$8.3 million and \$16.6 million for the three and six months ended June 30, 2007, respectively (2006 - \$7.3 million and \$14.3 million, respectively) and has accounts payable of \$3.4 million at June 30, 2007.

Mr. E. L. Hutton is non-executive Chairman of the Board and a director of the Company and OCR. Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, Mr. Charles H. Erhart, Jr. and Ms. Sandra Laney are directors of both OCR and the Company. Mr. Kevin J. McNamara, President, Chief Executive Officer and a director of the Company, is a director emeritus of OCR. We believe that the terms of these agreements are no less favorable to VITAS than we could negotiate with an unrelated party.

17. **Cash Overdrafts Payable**

Included in accounts payable at June 30, 2007 are cash overdrafts payable of \$10.8 million (December 31, 2006 - \$10.6 million).

18. **Uncertain Tax Positions**

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

The cumulative effect upon adoption of FIN 48 was to reduce our accrual for uncertain tax positions by approximately \$4.7 million, which has been recorded in retained earnings as of January 1, 2007 in the accompanying consolidated balance sheet. After adoption, we had approximately \$1.3 million in unrecognized tax benefits. The majority of this amount would affect our effective tax rate, if recognized in a future period. The years ended December 31, 2003 and forward remain open for review for Federal income tax purposes at Chemed and Roto-Rooter. For VITAS, fiscal years beginning after February 24, 2004 (the date of acquisition) remain open for review for Federal income tax purposes. The earliest open year relating to any of our material state jurisdictions is the fiscal year ended December 31, 2002. During the next twelve months, we anticipate that the net change in unrecognized tax benefits will be a decrease of approximately \$150,000 to \$200,000 due to normal quarterly provisions and releases upon expiration of certain statutes of limitation.

As permitted by FIN 48, we reclassified interest related to our accrual for uncertain tax positions to separate interest accounts. We believe this change in accounting method is preferable as it more accurately classifies the impact of interest in our consolidated balance sheet and consolidated statement of income. As of June 30, 2007, we have approximately \$179,000 accrued in interest related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. For the three and six months ended June 30, 2007, we have recorded approximately \$13,000 and \$27,000, respectively for interest related to uncertain tax positions in interest expense in the accompanying consolidated statement of income.

19. Recent Accounting Statements

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

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

20. Guarantor Subsidiaries

Our 1.875% Notes are fully and unconditionally guaranteed on an unsecured, joint and severally liable basis by certain of our 100% owned subsidiaries. The following unaudited, condensed, consolidating financial data presents the composition of the parent company (Chemed), the guarantor subsidiaries and the non-guarantor subsidiaries as of June 30, 2007 and December 31, 2006 for the balance sheet, the three and six months ended June 30, 2007 and 2006 for the income statement and the six months ended June 30, 2007 and 2006 for the statement of cash flows (dollars in thousands):

Condensed Consolidating Balance Sheet

As of June 30, 2007 -----	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	\$ 2,318	\$ (1,132)	\$ 6,283	\$ -	\$ 7,469
Accounts receivable, less allowances	873	98,428	566	-	99,867
Intercompany receivables	68,060	-	-	(68,060)	-
Inventories	-	6,116	636	-	6,752
Prepaid income taxes	3,047	(102)	(341)	-	2,604
Current deferred income taxes	51	19,518	259	-	19,828
Prepaid expenses and other current assets	1,329	7,135	106	-	8,570
Total current assets	75,678	129,963	7,509	(68,060)	145,090
Investments of deferred compensation plans held in trust	13,638	15,722	-	-	29,360
Note receivable	14,701	-	-	-	14,701
Properties and equipment, at cost, less accumulated depreciation	4,501	66,167	1,760	-	72,428
Identifiable intangible assets less accumulated amortization	-	67,194	1	-	67,195
Goodwill	-	430,638	4,571	-	435,209
Other assets	12,237	2,540	772	-	15,549
Investments in subsidiaries	475,770	11,276	-	(487,046)	-
Total assets	\$ 596,525	\$ 723,500	\$ 14,613	\$ (555,106)	\$ 779,532
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ (247)	\$ 46,324	\$ 289	\$ -	\$ 46,366
Intercompany payables	-	67,338	722	(68,060)	-
Current portion of long-term debt	10,000	162	-	-	10,162
Income taxes	(1,575)	1,500	912	-	837
Accrued insurance	1,852	35,232	-	-	37,084
Accrued salaries and wages	2,016	30,407	623	-	33,046
Other current liabilities	2,426	17,996	216	-	20,638
Deferred income taxes	(27,877)	31,320	403	-	3,846
Long-term debt	267,800	235	-	-	268,035
Deferred compensation liabilities	13,826	15,086	-	-	28,912
Other liabilities	3,643	2,130	172	-	5,945
Stockholders' equity	324,661	475,770	11,276	(487,046)	324,661
Total Liabilities and Stockholders' Equity	\$ 596,525	\$ 723,500	\$ 14,613	\$ (555,106)	\$ 779,532

As of December 31, 2006

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

Condensed Consolidating Income Statement

For the six months ended June 30, 2007	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales and service revenues	\$ -	\$ 529,530	\$ 12,296	\$ -	\$ 541,826
Cost of services provided and goods sold	-	370,776	6,187	-	376,963
Selling, general and administrative expenses	10,358	81,642	2,160	-	94,160
Depreciation	243	9,135	299	-	9,677
Amortization	589	2,020	-	-	2,609
Other operating income	(1,138)	-	-	-	(1,138)
Total costs and expenses	10,052	463,573	8,646	-	482,271
Income/ (loss) from operations	(10,052)	65,957	3,650	-	59,555
Interest expense	(6,896)	(245)	(1)	-	(7,142)
Loss on extinguishment of debt	(13,715)	-	-	-	(13,715)
Other income - net	9,598	(6,627)	86	-	3,057
Income/ (loss) before income taxes	(21,065)	59,085	3,735	-	41,755
Income tax (provision)/ benefit	7,869	(22,433)	(1,537)	-	(16,101)
Equity in net income of subsidiaries	38,850	2,198	-	(41,048)	-
Net income	\$ 25,654	\$ 38,850	\$ 2,198	\$ (41,048)	\$ 25,654

For the six months ended June 30, 2006	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Net sales and service revenues	\$ -	\$ 482,894	\$ 10,095	\$ -	\$ 492,989
Cost of services provided and goods sold	-	350,128	5,010	-	355,138
Selling, general and administrative expenses	5,069	70,052	1,954	-	77,075
Depreciation	248	7,682	284	-	8,214
Amortization	605	2,006	2	-	2,613
Total costs and expenses	5,922	429,868	7,250	-	443,040
Income/ (loss) from operations	(5,922)	53,026	2,845	-	49,949
Interest expense	(9,294)	(333)	(18)	-	(9,645)
Loss on extinguishment of debt	(430)	-	-	-	(430)
Other income - net	10,804	(8,813)	28	-	2,019
Income/ (loss) before income taxes	(4,842)	43,880	2,855	-	41,893
Income tax (provision)/ benefit	1,851	(16,943)	(1,213)	-	(16,305)
Equity in net income of subsidiaries	28,048	1,642	-	(29,690)	-
Income from continuing operations	25,057	28,579	1,642	(29,690)	25,588
Discontinued Operations	-	(531)	-	-	(531)
Net income	\$ 25,057	\$ 28,048	\$ 1,642	\$ (29,690)	\$ 25,057

For the three months ended June 30, 2007	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales and service revenues	\$ -	\$ 265,235	\$ 6,152	\$ -	\$ 271,387
Cost of services provided and goods sold	-	185,671	3,045	-	188,716
Selling, general and administrative expenses	4,713	40,438	939	-	46,090
Depreciation	121	4,687	154	-	4,962
Amortization	284	1,010	-	-	1,294
Total costs and expenses	5,118	231,806	4,138	-	241,062
Income/ (loss) from operations	(5,118)	33,429	2,014	-	30,325
Interest expense	(3,273)	(126)	(1)	-	(3,400)
Loss on extinguishment of debt	(13,715)	-	-	-	(13,715)
Other income/(expense) - net	4,492	(2,343)	39	-	2,188
Income/ (loss) before income taxes	(17,614)	30,960	2,052	-	15,398
Income tax (provision)/ benefit	6,518	(11,644)	(839)	-	(5,965)
Equity in net income of subsidiaries	20,529	1,213	-	(21,742)	-
Net income	\$ 9,433	\$ 20,529	\$ 1,213	\$ (21,742)	\$ 9,433

For the three months ended June 30, 2006	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Continuing Operations					
Net sales and service revenues	\$ -	\$ 243,752	\$ 5,316	\$ -	\$ 249,068
Cost of services provided and goods sold	-	176,547	2,556	-	179,103
Selling, general and administrative expenses	2,520	35,232	869	-	38,621
Depreciation	112	3,827	143	-	4,082
Amortization	313	1,003	1	-	1,317
Total costs and expenses	2,945	216,609	3,569	-	223,123
Income/ (loss) from operations	(2,945)	27,143	1,747	-	25,945
Interest expense	(4,153)	(149)	2	-	(4,300)
Other income - net	5,102	(4,591)	13	-	524
Income/ (loss) before income taxes	(1,996)	22,403	1,762	-	22,169
Income tax (provision)/ benefit	800	(8,683)	(736)	-	(8,619)
Equity in net income of subsidiaries	14,038	1,026	-	(15,064)	-
Income from continuing operations	12,842	14,746	1,026	(15,064)	13,550
Discontinued Operations	-	(708)	-	-	(708)
Net income	\$ 12,842	\$ 14,038	\$ 1,026	\$ (15,064)	\$ 12,842

Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2007

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided/(used) by operating activities	\$ (5,430)	\$ 34,957	\$ 697	\$ 30,224
Cash Flow from Investing Activities:				
Capital expenditures	(156)	(13,437)	(315)	(13,908)
Business combinations, net of cash acquired	-	(62)	-	(62)
Net payments from sale of discontinued operations	(2,166)	(3,739)	-	(5,905)
Proceeds from sale of property and equipment	2,962	35	6	3,003
Other uses - net	(450)	(114)	-	(564)
Net cash provided/ (used) by investing activities	190	(17,317)	(309)	(17,436)
Cash Flow from Financing Activities:				
Increase/(decrease) in cash overdrafts payable	784	(618)	-	166
Change in intercompany accounts	16,723	(16,696)	(27)	-
Dividends paid to shareholders	(2,997)	-	-	(2,997)
Purchases of treasury stock	(130,748)	-	-	(130,748)
Proceeds from exercise of stock options	2,069	-	-	2,069
Excess tax benefit on share-based compensation	2,370	-	-	2,370
Purchase of note hedges	(54,939)	-	-	(54,939)
Proceeds from issuance of warrants	27,614	-	-	27,614
Net increase in revolving credit facility	13,300	-	-	13,300
Proceeds from issuance of long-term debt	300,000	-	-	300,000
Debt issuance costs	(6,395)	-	-	(6,395)
Repayment of long-term debt	(185,500)	(143)	-	(185,643)
Other sources and uses - net	19	(1)	592	610
Net cash provided/ (used) by financing activities	(17,700)	(17,458)	565	(34,593)
Net increase/(decrease) in cash and cash equivalents	(22,940)	182	953	(21,805)
Cash and cash equivalents at beginning of year	25,258	(1,314)	5,330	29,274
Cash and cash equivalents at end of period	\$ 2,318	\$ (1,132)	\$ 6,283	\$ 7,469

For the six months ended June 30, 2006	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided/(used) by operating activities	\$(11,211)	\$ 32,900	\$ 1,796	\$ 23,485
Cash Flow from Investing Activities:				
Capital expenditures	(62)	(8,810)	(350)	(9,222)
Business combinations, net of cash acquired	-	(814)	-	(814)
Net proceeds from sale of discontinued operations	(2,990)	-	-	(2,990)
Proceeds from sale of property and equipment	30	131	-	161
Other uses - net	(327)	(283)	-	(610)
Net cash used by investing activities	(3,349)	(9,776)	(350)	(13,475)
Cash Flow from Financing Activities:				
Increase in cash overdrafts payable	585	2,812	-	3,397
Change in intercompany accounts	26,449	(26,012)	(437)	-
Dividends paid to shareholders	(3,156)	-	-	(3,156)
Purchases of treasury stock	(3,992)	-	-	(3,992)
Proceeds from exercise of stock options	3,849	-	-	3,849
Excess tax benefit on share-based compensation	4,941	-	-	4,941
Net increase in revolving credit facility	19,000	-	-	19,000
Debt issuance costs	(154)	-	-	(154)
Repayment of long-term debt	(84,363)	(136)	-	(84,499)
Other sources - net	30	257	-	287
Net cash used by financing activities	(36,811)	(23,079)	(437)	(60,327)
Net increase/(decrease) in cash and cash equivalents	(51,371)	45	1,009	(50,317)
Cash and cash equivalents at beginning of year	54,871	(1,419)	3,681	57,133
Cash and cash equivalents at end of period	\$ 3,500	\$ (1,374)	\$ 4,690	\$ 6,816

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

Executive Summary

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

The following is a summary of the key operating results for the three and six months ended June 30, 2007 and 2006 (in thousands except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Consolidated service revenues and sales	\$ 271,387	\$ 249,068	\$ 541,826	\$ 492,989
Consolidated income from continuing operations	\$ 9,433	\$ 13,550	\$ 25,654	\$ 25,588
Diluted EPS from continuing operations	\$ 0.38	\$ 0.50	\$ 1.00	\$ 0.95

For the three months ended June 30, 2007 compared to 2006, the increase in consolidated service revenues and sales was driven by an 8% increase at VITAS and an 11% increase at Roto-Rooter. The increase at VITAS was primarily the result of a 7% increase in average daily census (ADC) from the second quarter of 2006 and the October 1, 2006 Medicare reimbursement rate increase. The increase at Roto-Rooter was driven primarily by a 2% increase in job count combined with an approximate 9% increase due to price and job mix changes. Consolidated income from continuing operations and diluted EPS from continuing operations decreased as a result of the \$13.7 million loss on extinguishment of debt, as described further below.

For the six months ended June 30, 2007 compared to 2006, the increase in consolidated service revenues and sales was driven by a 10% increase at VITAS and an 11% increase at Roto-Rooter. The increase at VITAS was primarily the result of an 8% increase in average daily census (ADC) from the first six months of 2006 and the October 1, 2006 Medicare reimbursement rate increase. The increase at Roto-Rooter was driven primarily by a 2% increase in job count combined with an approximate 9% increase due to price and job mix changes. Consolidated income from continuing operations and diluted EPS from continuing operations increased due to the higher sales and related gross margin which was offset by the \$13.7 million loss on extinguishment of debt, as described further below.

In the second quarter of 2007, we completed the following financing and capital transactions:

- o Entered into a new senior secured credit facility due in 2012 which includes a \$100 million term loan, a \$175 million revolving credit facility and a \$100 million expansion feature;
- o Using the proceeds from the senior secured credit facility, we retired our \$150 million, 8.75% Senior Notes at a price of 104.375% plus accrued but unpaid interest;
- o Issued \$200 million of 1.875% Senior Convertible Notes due in 2014
- o Using the proceeds from the Senior Convertible Notes, we repaid a portion of our revolving line of credit and we repurchased approximately 1.5 million shares of our outstanding capital stock.

The effect of these transactions was to reduce our overall borrowing rate and to reduce the number of shares of capital stock outstanding. In connection with these transactions, we incurred a loss on extinguishment of debt of approximately \$13.7 million related to the premium paid to retire our 8.75% Senior Notes and the write-off of deferred debt costs from the Senior Notes and replaced credit facility.

Financial Condition

Liquidity and Capital Resources

Significant changes in the balance sheet accounts from December 31, 2006 to June 30, 2007 include the following:

- o The increase in accounts receivable from \$93.1 million at December 31, 2006 to \$99.9 million at June 30, 2007 is due mainly to the timing of payments received from Medicare.
- o The increase in current portion of long-term debt and long-term debt is the result of our refinancing transactions described in detail below.
- o The decrease in long-term deferred income taxes of \$22.5 million relates mainly to the treatment of the premium payment made in conjunction with our purchased call options described below.
- o The increase in treasury stock of \$133.8 million relates mainly to our share repurchase program.

Net cash provided by continuing operations increased \$10.4 million from a source of cash by continuing operations of \$19.8 million for the first six months of 2006, to a source of cash of \$30.2 million for the first six months of 2007, due primarily to the increase in the write-off of unamortized debt issuance costs and long-term incentive compensation both of which are non-cash expenses.

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

On May 4, 2007, we used the proceeds from the 2007 Facility to fund the redemption of our \$150 million, 8.75% Senior Notes due 2011. The redemption was made pursuant to the terms of the indenture at a price of 104.375% plus accrued but unpaid interest. In connection with the redemption, we wrote-off approximately \$4.8 million in deferred debt costs. The premium payment of \$6.6 million and the write-off of deferred debt costs have been recorded as loss on extinguishment of debt in the accompanying statement of income.

On May 8, 2007, we entered into a Purchase Agreement with J.P. Morgan Securities Inc. and Citigroup Global Markets Inc. (the "Initial Purchasers") for issuance and sale of \$180 million in aggregate principal amount of our 1.875% Senior Convertible Notes due 2014 (the "Notes"). On May 9, 2007, the Initial Purchasers exercised an over-allotment option to purchase an additional \$20 million in aggregate principal amount of Notes. On May 14, 2007 a total of \$200 million in aggregate principal amount of the Notes were sold to the Initial Purchasers at a price of \$1,000 per Note, less an underwriting fee of \$27.50 per Note. The Notes are to be resold by the Initial Purchasers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act").

We received approximately \$194 million in net proceeds from the sale of the Notes after paying underwriting fees, legal and other expenses. Proceeds from the offering were used to purchase treasury shares of our stock and to pay down a portion of the 2007 Facility. We will pay interest on the Notes on May 15 and November 15 of each year, beginning on November 15, 2007. The Notes will mature on May 15, 2014. The Notes are guaranteed on an unsecured senior basis by each of our subsidiaries that is a borrower or a guarantor under any senior credit facility, as defined in the Indenture. The Notes are convertible, under certain circumstances, into our Capital Stock at a conversion rate of 12.3874 shares per \$1,000 principal amount of Notes. This conversion rate is equivalent to an initial conversion price of approximately \$80.73 per share. Prior to March 1, 2014, holders may convert their Notes under certain circumstances. On and after March 1, 2014, the Notes will be convertible at any time prior to the close of business three days prior to the stated maturity date of the Notes. Upon conversion of a Note, if the conversion value is \$1,000 or less, holders will receive cash equal to the lesser of \$1,000 or the conversion value of the number of shares of our Capital Stock. If the conversion value exceeds \$1,000, in addition to this, holders will receive shares of our Capital Stock for the excess amount. The Indenture contains customary terms and covenants that upon certain events of default, including without limitation, failure to pay when due any principal amount, a fundamental change or certain cross defaults in other agreements or instruments, occurring and continuing, either the trustee or the holders of 25% in aggregate principal amount of the Notes may declare the principal of the Notes and any accrued and unpaid interest through the date of such declaration immediately due and payable. In the case of certain events of bankruptcy or insolvency relating to any significant subsidiary or to us, the principal amount of the Notes and accrued interest automatically becomes due and

payable.

Pursuant to the guidance in Emerging Issues Task Force ("EITF") 90-19, "Convertible Bonds with Issuer Option to Settle for Cash Upon Conversion", EITF 00-19 "Accounting for Derivative Instruments Indexed to, and Potentially Settled in a Company's Own Stock" and EITF 01-6 "The Meaning of Indexed to a Company's Own Stock", the Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded options within the Notes have not been accounted for as separate derivatives.

We, our subsidiary guarantors and the Initial Purchasers also entered into a Registration Rights Agreement (the "RRA") dated May 14, 2007. Pursuant to the RRA, we agreed to, no later than the 120th day after May 14, 2007, file a shelf registration statement covering resale of the Notes and the Capital Stock issuable upon conversion pursuant to Rule 415 under the Securities Act. We will also cause the shelf registration statement to be declared effective under the Securities Act no later than the 180th day after May 14, 2007. If the shelf registration is not filed or effective by the appropriate dates, additional interest may accrue on the Notes.

On May 8, 2007 we entered into a purchased call transaction and a warrant transaction (written call) with JPMorgan Chase, National Association and Citibank, N.A. (the "Counterparties"). The purchased call options cover approximately 2,477,000 shares of our Capital Stock, which under most circumstances represents the maximum number of shares of Capital Stock that underlie the Notes. Concurrently with entering into the purchased call options, we entered into warrant transactions with each of the Counterparties. Pursuant to the warrant transactions, we sold to the Counterparties warrants to purchase in the aggregate approximately 2,477,000 shares of Capital Stock. In most cases, the sold warrants may not be exercised prior to the maturity of the Notes.

The purchased call options and sold warrants are separate contracts with the Counterparties, are not part of the terms of the Notes and do not affect the rights of holders under the Notes. A holder of the Notes will not have any rights with respect to the purchased call options or the sold warrants. The purchased call options are expected to reduce the potential dilution upon conversion of the Notes if the market value per share of the Capital Stock at the time of exercise is greater than approximately \$80.73, which corresponds to the initial conversion price of the Notes. The sold warrants have an exercise price of \$105.44 and are expected to result in some dilution should the price of our Capital Stock exceed this exercise price.

Our net cost for these transactions was approximately \$27.3 million. Pursuant to EITF 00-19 and EITF 01-6, the purchased call option and the sold warrants are accounted for as equity transactions. Therefore, our net cost was recorded as a decrease in shareholders' equity in the accompanying consolidated balance sheet.

On June 29, 2007, we paid approximately \$35.5 million of the \$100 million term note under the 2007 Facility using a combination of cash on hand and a draw from the revolving credit facility. Of the amount paid in June 2007, \$33.0 million represents a prepayment. The following is a schedule by year of required long-term debt repayments as of June 30, 2007 (in thousands):

June 2008	\$	10,162
June 2009		10,059
June 2010		10,059
June 2011		10,059
June 2012		37,858
Thereafter		200,000

Total debt		278,197
Less: Current portion		(10,162)

Total long-term debt	\$	268,035
		=====

We are in compliance with all debt covenants as of June 30, 2007. We have issued \$34.3 million in standby letters of credit as of June 30, 2007 mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of June 30, 2007, the Company has approximately \$127.4 million of unused lines of credit available and eligible to be drawn down under its revolving credit facility, excluding the expansion feature. We believe our liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements provide that we are required to meet various financial covenants, to be tested quarterly. In connection therewith, we are in compliance with all financial and other debt covenants as of June 30, 2007 and anticipate remaining in compliance throughout 2007.

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

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

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

On April 7, 2005, we announced the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. We have incurred pretax expense related to complying with OIG requests and defending the litigation of \$74,000 and \$140,000 for the three and six months ended June 30, 2007, respectively (2006 - \$342,000 and \$474,000, respectively). A qui tam complaint filed in U.S. District Court for the Southern District of Florida was dismissed by the Court with prejudice in July 2007.

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

Results of Operations

Three-months ended June 30, 2007 versus 2006-Consolidated Results

Our service revenues and sales for the second quarter of 2007 increased 9.0% versus revenues for the second quarter of 2006. Of this increase, \$14.2 million was attributable to VITAS and \$8.1 million was attributable to Roto-Rooter, as follows (dollars in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	\$ 14,026	11.6%
Continuous care	(1,476)	-5.0%
General inpatient	1,025	4.7%
Medicare cap	599	-
Roto-Rooter		
Plumbing	4,491	14.4%
Drain cleaning	2,128	6.1%
Other	1,526	13.7%
Total	\$ 22,319	9.0%

The increase in VITAS' revenues for the second quarter of 2007 versus the second quarter of 2006 is attributable to an increase in ADC of 7.4% for routine homecare and a 2.2% increase in general inpatient offset by a 6.0% decline in continuous care. ADC is a key measure we use to monitor volume growth in our hospice business. Changes in total program admissions and average length of stay for our patients are the main drivers of changes in ADC. The remainder of the revenue increase is due primarily to the annual increase in Medicare reimbursement rates in the fourth quarter of 2006. In excess of 90% of VITAS' revenues for the period were from Medicare and Medicaid. Additionally, we did not incur a Medicare cap liability during the second quarter of 2007.

The increase in the plumbing revenues for the second quarter of 2007 versus 2006 comprises an 8.8% increase in the number of jobs performed and a 5.6% increase caused by increased prices and job mix. The increase in drain cleaning revenues for the second quarter of 2007 versus 2006 comprised a 1.2% decline in the number of jobs offset by a 7.3% increase caused by increased prices and job mix. The increase in other revenues is attributable primarily to increased revenue from the independent contractor operations.

The consolidated gross margin was 30.5% in the second quarter of 2007 as compared with 28.1% in the second quarter of 2006. On a segment basis, VITAS' gross margin was 22.1% in the second quarter of 2007 and 20.3% in the second quarter of 2006. The increase in VITAS' gross margin in 2007 is primarily attributable to not having a Medicare cap liability in 2007, a reclassification of approximately \$1.6 million of costs from cost of revenue to central support in 2007, as well as excess patient care capacity in the prior year period. We corrected our excess capacity during the later part of the second quarter in 2006. The Roto-Rooter segment's gross margin was 48.6% in the second quarter of 2007 and 45.3% in the second quarter of 2006. The increase in Roto-Rooter's gross margin in 2007 is primarily attributable to better retention of service technicians, which enhances overall productivity of our workforce as well as reduces our workers' compensation costs.

Selling, general and administrative expenses ("SG&A") for the second quarter of 2007 were \$46.1 million, an increase of \$7.5 million (19.3%) versus the second quarter of 2006. The increase is due to higher revenue, which increase our variable selling expenses as well as stock-based compensation expense of \$2.5 million comprised of \$1.6 million related to the LTIP pay out in May 2007 and \$900,000 related to stock option grants made in May 2007 and June 2006. There was no material stock-based compensation expense in the second quarter of 2006.

Income from operations increased \$4.4 million from \$25.9 million in the second quarter of 2006 to \$30.3 million in the second quarter of 2007. The increase is primarily the result of the increase in sales and gross margin.

Interest expense, substantially all of which is incurred at Corporate, declined from \$4.3 million in the second quarter of 2006 to \$3.4 million in the second quarter of 2007. This decline is due primarily to the refinancing transactions in May 2007, as discussed above. Additionally, the loss on extinguishment of debt is the result of the May 2007 refinancing transactions.

Other income-net increased from \$524,000 in the second quarter of 2006 to \$2.2 million in the second quarter of 2007. The increase is attributable mainly to market gains from investments held in our deferred compensation benefit plans. The expense related to these plans is included in SG&A expense.

Our effective income tax rate was 38.9% in the second quarter of 2006 compared to 38.7% in the second quarter of 2007.

Income from continuing operations decreased \$4.1 million or 30.4% in the second quarter of 2007 as compared to the second quarter of 2006 due to the loss on extinguishment of debt. The loss on extinguishment of debt was partially offset by the increases in sales and gross margin discussed above. The \$708,000 loss from discontinued operations in the second quarter of 2006 relates to VITAS' Phoenix, AZ program that was sold in November 2006. Income from continuing operations and net income for both periods included the following aftertax special items/adjustments that (increased)/reduced aftertax earnings (in thousands):

	Three Months Ended June 30,	
	2007	2006
Loss on extinguishment of debt	\$ 8,726	\$ -
Long-term incentive compensation award	1,013	-
Stock-option expense	570	12
Legal expenses of OIG investigation	46	212
	\$ 10,355	\$ 224

Three-months ended June 30, 2007 versus 2006-Segment Results

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

	Net Income Increase/(Decrease)	
	Amount	Percent
VITAS	\$ 2,047	16.9%
Roto-Rooter	3,692	52.7%
Corporate	(9,856)	-177.3%
Discontinued operations	708	100.0%
	\$ (3,409)	-26.5%

Six-months ended June 30, 2007 versus 2006-Consolidated Results

Our service revenues and sales for the first six months of 2007 increased 9.9% versus revenues for the first six months of 2006. Of this increase, \$32.2 million was attributable to VITAS and \$16.6 million was attributable to Roto-Rooter, as follows: (dollars in thousands):

	Increase/(Decrease)	
	Amount	Percent
VITAS		
Routine homecare	\$ 32,341	13.8%
Continuous care	(2,718)	-4.6%
General inpatient	1,472	3.3%
Medicare cap	1,071	-179%
Roto-Rooter		
Plumbing	10,033	16.5%
Drain cleaning	4,462	6.2%
Other	2,176	9.4%
Total	\$ 48,837	9.9%

The increase in VITAS' revenues for the first six months of 2007 versus the first six months of 2006 is attributable to an increase in ADC of 9.4% for routine homecare and 0.5% for general inpatient care offset by a 7.1% decline in continuous care. ADC is a key measure we use to monitor volume growth in our hospice business. Changes in total program admissions and average length of stay for our patients are the main drivers of changes in ADC. The remainder of the revenue increases is due primarily to the annual increase in Medicare reimbursement rates in the fourth quarter of 2006. In excess of 90% of VITAS' revenues for the period were from Medicare and Medicaid. Additionally, we did not incur a Medicare cap liability during the first six months of 2007.

The increase in the plumbing revenues for the first six months of 2007 versus 2006 comprises a 9.3% increase in the number of jobs performed and a 7.2% increase due to increased price and job mix. The increase in drain cleaning revenues for the first six months of 2007 versus 2006 comprised a 1.0% decline in the number of jobs offset by a 7.2% increase due to increased price and job mix. The increase in other revenues is attributable primarily to increased revenue from the independent contractor operations.

The consolidated gross margin was 30.4% in the first six months of 2007 as compared with 28.0% in the first six months of 2006. On a segment basis, VITAS' gross margin was 22.5% in the first six months of 2007 and 19.9% in the first six months of 2006. The increase in VITAS' gross margin in 2007 is primarily attributable to not having a Medicare cap liability in 2007 as well as excess patient care capacity in the prior year period. We corrected our excess capacity during the later part of the second quarter in 2006. The Roto-Rooter segment's gross margin was 47.6% in the first six months of 2007 as compared to 45.4% in the first six months of 2006. The increase in Roto-Rooter's gross margin in 2007 is primarily attributable to better retention of service technicians, which enhances overall productivity of our workforce as well as reduces our workers' compensation costs.

SG&A for the first six months of 2007 were \$94.2 million, an increase of \$17.1 million (22%) versus the first six months of 2006. The increase is largely due to increased revenue which increases our variable selling expenses as well as 2007 stock-based compensation expense of \$8.5 million comprised of \$7.0 million related to the LTIP and \$1.5 million related to stock option grants made in May 2007 and June 2006. There was no material stock-based compensation expense recorded in the first six months of 2006.

Income from operations increased \$9.7 million from \$49.9 million in the first six months of 2006 to \$59.6 million in the first six months of 2007. The increase is primarily the result of the increase in sales and gross margin.

Interest expense, substantially all of which is incurred at Corporate, declined from \$9.6 million in the first six months of 2006 to \$7.1 million in the first six months of 2007. This decline is due to the reduction in debt outstanding that occurred in February 2006 when we refinanced and repaid a significant portion of our debt as well as the refinancing transactions in May 2007, as discussed above. Additionally, the loss on extinguishment of debt is the result of the May 2007 refinancing transactions.

Other income-net increased from \$2.0 million in the first six months of 2006 to \$3.1 million in the first six months of 2007. The increase is attributable mainly to market gains from investments held in our deferred compensation benefit plans. The expense related to these plans is included in SG&A expense.

Our effective income tax rate was 38.6% for the first six months of 2007 as compared to 38.9% for the same period of 2006.

Income from continuing operations increased \$66,000 or 0.3% in the first six months of 2007 as compared to the first six months of 2006. Increased income from continuing operations was due to increases in sales and gross margin in 2007 which were almost fully offset by the \$13.7 million loss on extinguishment of debt. The \$531,000 loss from discontinued operations in the first six months of 2006 relates to VITAS' Phoenix, AZ program that was sold in November 2006. Income from continuing operations and net income for both periods included the following aftertax special items/adjustments that (increased)/reduced aftertax earnings (in thousands):

	Six Months Ended June 30,	
	2007	2006
Loss on extinguishment of debt	\$ 8,726	\$ 273
Long-term incentive compensation award	4,427	-
Stock-option expense	941	12
Gain on sale of Florida call center	(724)	-
Legal expenses of OIG investigation	87	294
Other	(296)	-
	<u>\$ 13,161</u>	<u>\$ 579</u>

Six-months ended June 30, 2007 versus 2006-Segment Results

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

	Increase/(Decrease)	
	Amount	Percent
VITAS	\$ 6,354	27.9%
Roto-Rooter	5,977	42.1%
Corporate	(12,265)	-107.6%
Discontinued operations	531	-100.0%
	<u>\$ 597</u>	<u>2.4%</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
OPERATING STATISTICS				
Net revenue (a)				
Homecare	\$ 134,794	\$ 120,768	\$ 266,341	\$ 234,000
Inpatient	22,745	21,720	46,207	44,736
Continuous care	28,162	29,638	56,730	59,447
Total before Medicare cap allowance	185,701	172,126	369,278	338,183
Medicare cap allowance	-	(599)	472	(599)
Total	\$ 185,701	\$ 171,527	\$ 369,750	\$ 337,584
Net revenue as a percent of total before Medicare cap allowance				
Homecare	72.6%	70.2 %	72.0%	69.2 %
Inpatient	12.2	12.6	12.5	13.2
Continuous care	15.2	17.2	15.4	17.6
Total before Medicare cap allowance	100.0	100.0	99.9	100.0
Medicare cap allowance	-	(0.3)	0.1	(0.2)
Total	100.0%	99.7 %	100.0%	99.8 %
Average daily census ("ADC") (days)				
Homecare	6,915	6,275	6,851	6,104
Nursing home	3,574	3,488	3,574	3,424
Routine homecare	10,489	9,763	10,425	9,528
Inpatient	413	404	419	417
Continuous care	504	537	514	553
Total	11,406	10,704	11,358	10,498
Total Admissions	13,658	12,987	27,768	26,760
Total Discharges	13,359	12,528	27,416	25,825
Average length of stay (days)	76.6	68.0	76.8	70.3
Median length of stay (days)	13.0	13.0	13.0	13.0
ADC by major diagnosis				
Neurological	33.0%	33.1 %	33.2%	33.1 %
Cancer	19.7	20.0	19.7	20.2
Cardio	14.6	15.0	14.6	14.9
Respiratory	6.9	7.2	6.9	7.2
Other	25.8	24.7	25.6	24.6
Total	100.0%	100.0 %	100.0%	100.0 %
Admissions by major diagnosis				
Neurological	18.0%	19.6 %	18.6%	20.1 %
Cancer	35.9	35.0	35.0	34.4
Cardio	12.9	13.2	13.1	13.6
Respiratory	7.7	7.0	7.8	7.5
Other	25.5	25.2	25.5	24.4
Total	100.0%	100.0 %	100.0%	100.0 %
Direct patient care margins (b)				
Routine homecare	51.1%	49.5 %	50.9%	48.6 %
Inpatient	18.9	20.9	19.5	22.0
Continuous care	17.7	20.3	18.9	19.3
Homecare margin drivers (dollars per patient day)				
Labor costs	\$ 48.96	\$ 48.31	\$ 49.04	\$ 49.77
Drug costs	7.82	8.39	7.99	7.90
Home medical equipment	5.78	5.51	5.77	5.52
Medical supplies	2.11	2.11	2.14	2.10
Inpatient margin drivers (dollars per patient day)				
Labor costs	\$ 262.37	\$ 258.32	\$ 257.35	\$ 252.87
Continuous care margin drivers (dollars per patient day)				
Labor costs	\$ 484.13	\$ 463.62	\$ 474.21	\$ 458.96
Bad debt expense as a percent of revenues	0.9%	0.9 %	0.9%	0.9 %
Accounts receivable -- days of revenue outstanding	37.5	40.1	N.A.	N.A.

- (a) VITAS has 6 large (greater than 450 ADC), 15 medium (greater than 200 but less than 450 ADC) and 23 small (less than 200 ADC) hospice programs. There are two programs with Medicare cap cushion of less than 10% for the 2007 measurement period.
- (b) Amounts exclude indirect patient care and administrative costs, as well as Medicare cap billing limitation.

Recent Accounting Statements

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

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

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Regarding Forward-Looking Information

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. Our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposure relates to interest rate risk exposure through variable interest rate borrowings. At June 30, 2007, we had \$77.8 million of variable rate debt outstanding. A 1% change in the interest rate on our variable interest rate borrowings would have a \$778,000 full-year impact on our interest expense. At June 30, 2007, we believe the fair value of our Senior Convertible Notes approximates book value.

Item 4. Controls and Procedures

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

PART II OTHER INFORMATION

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

The following table shows the repurchase activity related to our share repurchase programs for the six months ended June 30, 2007:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
July 2006 Program				
January 1 through January 31, 2007	67,379	\$ 36.41	260,777	\$ 40,432,944
February 1 through February 28, 2007	111,900	\$ 46.86	372,677	\$ 35,189,260
March 1 through March 31, 2007	446,800	\$ 48.29	819,477	\$ 13,614,888
First Quarter Total - July 2006 Program	626,079	\$ 46.76		
April 1 through April 30, 2007	-	\$ -	819,477	\$ 13,614,888
May 1 through May 31, 2007	220,072	\$ 61.87	1,039,549	\$ -
Second Quarter Total - July 2006 Program	220,072	\$ 61.87		
April 2007 Program				
April 1 through April 30, 2007	-	\$ -	-	\$ 150,000,000
May 1 through May 31, 2007	1,272,928	\$ 65.85	1,272,928	\$ 66,174,828
June 1 through June 30, 2007	8,500	\$ 64.98	1,281,428	\$ 65,622,526
Second Quarter Total - April 2007 Program	1,281,428	\$ 65.85		

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

Item 4. Submission of Matters to a Vote of Security Holders

A. Chemed Corporation held its annual meeting of stockholders on May 21, 2007.

B. The names of directors elected at this annual meeting are as follows:

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

C. The stockholders then ratified the selection by the Board of Directors of PricewaterhouseCoopers LLP as independent accountants for the Company and its consolidated subsidiaries for the year 2007: 23,116,944.439 votes were cast in favor of the proposal, 259,886.606 votes were cast against it, 44,282.993 votes abstained, and there were no broker non-votes.

With respect to the election of directors, the number of votes cast for each nominee was as follows:

	For	Withheld
	-----	-----
Edward L. Hutton	22,831,898.521	589,215.517
Kevin J. McNamara	22,968,046.374	453,067.664
Charles H. Erhart, Jr.	22,641,814.115	779,299.923
Joel F. Gemunder	22,222,996.649	1,198,117.389
Patrick P. Grace	23,036,708.604	384,405.434
Thomas C. Hutton	22,850,660.094	570,453.944
Walter L. Krebs	23,198,194.086	222,919.952
Sandra E. Laney	22,449,273.878	971,840.160
Timothy S. O'Toole	22,742,609.374	678,504.664
Donald E. Saunders	23,196,244.654	224,869.384
George J. Walsh III	22,974,863.654	446,250.384
Frank E. Wood	23,201,572.481	219,541.557

Item 6. Exhibits

Exhibit No.	Description
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31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Arthur V. Tucker, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Chemed Corporation

(Registrant)

Dated: August 3, 2007

By: Kevin J. McNamara

Kevin J. McNamara
(President and Chief Executive Officer)

Dated: August 3, 2007

By: David P. Williams

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

Dated: August 3, 2007

By: Arthur V. Tucker, Jr.

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

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

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

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

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ David P. Williams

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

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

I, Arthur V. Tucker, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial report to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

/s/ Arthur V. Tucker, Jr.

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

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2007 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2007

/s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2007 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2007

/s/ David P. Williams

David P. Williams
(Vice President and Chief
Financial Officer

CERTIFICATION BY ARTHUR V. TUCKER, JR.
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report of Form 10-Q for the quarter ending June 30, 2007 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2007

/s/ Arthur V. Tucker, Jr.

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

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