

CHEMED CORP
Form PREC14A
April 17, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to 240.14a-12

Chemed Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 29, 2009

The Annual Meeting of Stockholders of Chemed Corporation will be held at The Queen City Club, 331 East Fourth Street, Cincinnati, Ohio, on May 29, 2009, at 11:00 a.m. Eastern Time for the following purposes:

- (1) To elect directors;
- (2) To ratify the selection of independent accountants by the Audit Committee of the Board of Directors; and
- (3) To transact any other business properly brought before the meeting.

The above matters are described in the Proxy Statement accompanying this Notice. You are urged, after reading the Proxy Statement, to vote your shares by proxy using one of the following methods: (a) complete, sign, date and return your WHITE proxy card in the postage-paid envelope provided or (b) vote by telephone or vote via the Internet using the instructions on your WHITE proxy card. Voting instructions are described in more detail in the Proxy Statement.

WE ALSO URGE YOU NOT TO VOTE OR SUBMIT ANY GOLD PROXY CARD SENT TO YOU BY MMI INVESTMENTS, L.P. OR ANY OF ITS AFFILIATES. YOU CAN REVOKE ANY SUCH PROXY CARD YOU MAY HAVE PREVIOUSLY SUBMITTED IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE PROXY STATEMENT.

Your vote is extremely important. If you have any questions or require any assistance with voting your shares, please contact the Board of Directors' proxy solicitor:

Innisfree M&A Incorporated
Stockholders May Call Toll-Free: (877) 825-8631
Banks and Brokers May Call Collect: (212) 750-5833

Stockholders of record at the close of business on March 31, 2009, are entitled to notice of, and to vote at, the Annual Meeting.

Naomi C.
Dallob

Secretary

[], 2009

PROXY STATEMENT

This Proxy Statement and the accompanying WHITE proxy card are furnished in connection with the solicitation by the Board of Directors (the “Board” or the “Board of Directors”) of Chemed Corporation (the “Company” or “Chemed”) of proxies to be used at the Annual Meeting of Stockholders of the Company to be held at 11:00 a.m. Eastern Time at The Queen City Club, 331 East Fourth Street, Cincinnati, Ohio, on May 29, 2009 (the “Annual Meeting”), and any adjournments or postponements thereof. The Company’s mailing address is 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726. The approximate date on which this Proxy Statement and the enclosed WHITE proxy card are first being given or sent to stockholders is [], 2009.

On March 19, 2009, the Company received notice from MMI Investments, L.P. (“MMI”) stating its intention to nominate five individuals for election to the Board at the Annual Meeting. The Company does not know whether MMI, its affiliates and certain other related parties (collectively, the “MMI Group”) will in fact solicit proxies or nominate individuals for election as directors at the Annual Meeting. Nominations by the MMI Group have NOT been endorsed by the Board. We urge you NOT to sign or return any gold proxy card that you may receive from the MMI Group. The Company is not responsible for the accuracy of any information provided by or relating to the MMI Group contained in any proxy solicitation materials filed or disseminated by the MMI Group or any other statements that they may otherwise make.

The Board unanimously recommends that you vote FOR the election of each of the Board’s nominees named on the WHITE proxy card accompanying this Proxy Statement. Please read “How to Vote” for more information on how to vote or revoke your proxy.

STOCKHOLDERS ENTITLED TO VOTE

Stockholders as recorded in the Company’s stock register on March 31, 2009 will be entitled to notice of and may vote at the Annual Meeting or any adjournments or postponements thereof. On such date, the Company had outstanding 22,583,072 shares of capital stock, par value \$1 per share (“Capital Stock”), entitled to one vote per share. The list of stockholders entitled to vote at the meeting will be open to the examination of any stockholder for any purpose relevant to the meeting during normal business hours for 10 days before the meeting at the Company’s office in Cincinnati. The list will also be available during the meeting for inspection by stockholders.

QUORUM

The Company’s bylaws provide that at all meetings of stockholders, the holders of record, present in person or by proxy, of shares of Capital Stock having a majority of the voting power entitled to vote thereat, is necessary and sufficient to constitute a quorum for the transaction of business. Abstentions, withheld votes and shares held of record by a broker or its nominee that are voted on any matter are included in determining the number of votes present. Broker shares that are not voted on any matter at the Annual Meeting will not be included in determining whether a quorum is present.

Your vote is important – we urge you to vote by proxy even if you plan to attend the Annual Meeting.

HOW TO VOTE; SUBMITTING YOUR PROXY; REVOKING YOUR PROXY

You may vote your shares either by voting in person at the Annual Meeting or by submitting a completed proxy. By submitting a proxy, you are legally authorizing another person to vote your shares. The enclosed WHITE proxy card designates Messrs. McNamara and Walsh to vote your shares in accordance with the voting instructions you indicate on your WHITE proxy card.

If you submit your executed WHITE proxy card designating Messrs. McNamara and Walsh as the individuals authorized to vote your shares, but you do not indicate how your shares are to be voted, then your shares will be voted by these individuals in accordance with the Board's recommendations, which are described in this Proxy Statement. In addition, if any other matters are properly brought up at the Annual Meeting (other than the proposals contained in this Proxy Statement), then each of these individuals will have the authority to vote your shares on those other matters in accordance with his or her discretion and judgment. The Board currently does not know of any matters to be raised at the Annual Meeting other than the proposals contained in this Proxy Statement.

We urge you to vote by doing one of the following:

Vote by Mail: You can vote your shares by mail by completing, signing, dating and returning your WHITE proxy card in the postage-paid envelope provided. In order for your proxy to be validly submitted and for your shares to be voted in accordance with your instructions, we must receive your mailed WHITE proxy card by 5:00 p.m. Eastern Time on May 28, 2009.

Vote by Telephone: You can also vote your shares by calling the number (toll-free in the United States and Canada) indicated on your WHITE proxy card at any time and following the recorded instructions. If you submit your proxy by telephone, then you may submit your voting instructions up until 12:00 a.m. Eastern Time on May 29, 2009. If you are a beneficial owner, or you hold your shares in "street name" as described below, please contact your bank, broker or other holder of record to determine whether you will be able to vote by telephone.

Vote via the Internet: You can vote your shares via the Internet by going to the Web site address for Internet voting indicated on your WHITE proxy card and following the steps outlined on the secure Web site. If you submit your proxy via the Internet, then you may submit your voting instructions up until 12:00 a.m. Eastern Time on May 29, 2009. If you are a beneficial owner, or you hold your shares in "street name", please contact your bank, broker or other holder of record to determine whether you will be able to vote via the Internet.

Please let us know whether you plan to attend the Annual Meeting by marking the appropriate box on your WHITE proxy card or by following the instructions provided when you submit your proxy by telephone or via the Internet.

If your shares are not registered in your name but in the "street name" of a bank, broker or other holder of record (a "nominee"), then your name will not appear in the Company's register of stockholders. Those shares are held in your nominee's name, on your behalf, and your nominee will be entitled to vote your shares. Your nominee is required to vote your shares in accordance with your instructions. If you do not give instructions to your nominee, your nominee will be entitled to vote your shares with respect to "discretionary" items but will not be permitted to vote your shares with respect to "non-discretionary" items (your shares are treated as "broker non-votes").

If the MMI Group solicits proxies to elect MMI's nominees to the Board at the Annual Meeting, then the election of directors will be a "non-discretionary" item for any nominee holding shares on your behalf. As a result, if you do not provide instructions as to how your shares are to be voted in the election of directors, your nominee will not be able to vote your shares in the election of directors, and your shares will not be voted for any of the Board's or MMI's nominees. We urge you to provide instructions to your nominee so that your votes may be counted on this important matter. You should vote your shares by following the instructions provided on the enclosed WHITE proxy card and returning the WHITE proxy card to your nominee to ensure that your shares will be voted on your behalf for the Board's nominees.

Your proxy is revocable. If you are a stockholder of record, after you have submitted your WHITE proxy card, you may revoke it by mail by sending a written notice to be delivered before the Annual Meeting to the Company's Secretary at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726. If you wish to revoke your submitted WHITE proxy card and submit new voting instructions by mail, then you must sign, date and mail a new WHITE proxy card with your new voting instructions, which we must receive by 5:00 p.m. Eastern Time on May 28, 2009. If you are a stockholder of record and you voted your WHITE proxy card by telephone or via the Internet, you may revoke your submitted proxy and/or submit new voting instructions by that same method, which must be received by 12:00 a.m. Eastern Time on May 29, 2009. You also may revoke your WHITE proxy card by attending the Annual Meeting and voting your shares in person. Attending the Annual Meeting without taking one of the actions above will not revoke your proxy. If you are a beneficial owner, or you hold your shares in "street name" as described above, please contact your bank, broker or other holder of record for instructions on how to change or revoke your vote.

THE BOARD RECOMMENDS THAT YOU DO NOT SIGN OR RETURN ANY GOLD PROXY CARD THAT MAY BE SENT TO YOU BY THE MMI GROUP, EVEN AS A PROTEST. Withholding authority to vote for MMI's nominees on a gold proxy card that the MMI Group may send you is not the same as voting FOR the Board's nominees. Even a vote against MMI's nominees on its gold proxy card will cancel any previous proxy submitted by you. If you have previously submitted a gold proxy card that may have been sent to you by the MMI Group, you may change any vote you may have cast in favor of MMI's nominees and vote in favor of the Board's nominees by completing, signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope provided, or by following the instructions on the WHITE proxy card to vote by telephone or via the Internet, or by attending the Annual Meeting and voting your shares in person.

Your vote is very important to the Company. If you do not plan to attend the Annual Meeting, we encourage you to read this Proxy Statement and submit your completed WHITE proxy card prior to the Annual Meeting in accordance with the above instructions so that your shares will be represented and voted in accordance with your instructions. Even if you plan to attend the Annual Meeting in person, we recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

You are entitled to attend the Annual Meeting only if you are a stockholder of record or a beneficial owner as of the close of business on March 31, 2009, or if you hold a valid proxy for the meeting. If you are a stockholder of record, an admission ticket is attached to the WHITE proxy card accompanying this Proxy Statement. Please bring this admission ticket with you to the Annual Meeting. You should be prepared to present photo identification for admission.

If your shares are held in "street name", in order for you to attend the Annual Meeting, you must bring a letter or account statement showing that you beneficially own the shares held by your nominee, as well as proper photo identification. Note that even if you attend the Annual Meeting, you cannot vote the shares that are held by your nominee unless you have a proxy from your nominee. Rather, you should vote your shares by following the instructions provided on the enclosed WHITE proxy card and returning the WHITE proxy card to your nominee to ensure that your shares will be voted on your behalf, as described above.

If you have questions or require any assistance with voting your shares, please contact the Board's proxy solicitor, Innisfree M&A Incorporated at:

Innisfree M&A Incorporated
Stockholders May Call Toll-Free: (877) 825-8631
Banks and Brokers May Call Collect: (212) 750-5833

ELECTION OF DIRECTORS

In the election of directors, every stockholder has the right to vote each share of Capital Stock owned by such stockholder on the record date for as many persons as there are directors to be elected. Eleven directors are to be elected at the Annual Meeting to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. Cumulative voting is not permitted. To be elected, a nominee must receive a plurality of the votes cast at the Annual Meeting. Because MMI has indicated that it will nominate five candidates for election to the Board, the Company expects that the number of nominees for election as directors at the Annual Meeting will exceed the number of directors to be elected at the Annual Meeting. This excess means that the 11 nominees standing for election who receive the greatest number of votes cast at the Annual Meeting will be elected as directors. Only votes cast FOR a nominee will be counted. Abstentions, votes withheld and broker non-votes will be excluded entirely from the vote.

NOMINEES

Unless otherwise indicated by your WHITE proxy card, if you return a validly completed and executed WHITE proxy card or vote your WHITE proxy card by telephone or via the Internet, your shares will be voted FOR the nominees named below. Each of the nominees named below is a current director standing for re-election, and each was elected at the Annual Meeting of Stockholders held on May 19, 2008, except for Messrs. Ernest J. Mrozek and Thomas P. Rice, who are standing for election for the first time. Mr. Timothy S. O'Toole and Ms. Sandra E. Laney are not standing for re-election. As of the date of this Proxy Statement, the Board has no reason to believe that any of the nominees named below will be unable or unwilling to serve. Each nominee named below has consented to being named in this Proxy Statement and to serve if elected.

Kevin J. McNamara
Director since 1987
Age: 55

Mr. McNamara is President and Chief Executive Officer of the Company and has held these positions since August 1994 and May 2001, respectively. Previously, he served as Executive Vice President, Secretary and General Counsel from November 1993, August 1986 and August 1986, respectively, to August 1994.

Joel F. Gemunder
Director since 1977
Age: 69

Mr. Gemunder is President and Chief Executive Officer of Omnicare, Inc., Covington, Kentucky (healthcare products and services) ("Omnicare"), and has held these positions since May 1981 and May 2001, respectively. Omnicare is a former wholly owned subsidiary of the Company that became a publicly owned corporation in 1981 and has not been a Chemed affiliate since at least 1996. He is also a director of Omnicare and Ultratech Stepper, Inc.

Patrick P. Grace
Director since 1996
Age: 53

Mr. Grace is President of MLP Capital, Inc., New York, New York, an investment holding company which has had several real estate and mining interests in the southeastern United States. He has held that position since March 1996. Since October 2008 he is also the co-founder and Managing Principal of Apollo Philanthropy Partners, L.L.C., New York, New York (philanthropic advisory services).

Thomas C. Hutton
Director since 1985
Age: 58

Mr. Hutton is a Vice President of the Company and has held this position since February 1988.

Walter L. Krebs
Director from May 1989 to
April 1991, May 1995 to May
2003 and since May 2005
Age: 76

Mr. Krebs retired as Senior Vice President-Finance, Chief Financial Officer and Treasurer of Service America Systems, Inc. (home and service warranties), a then-wholly owned subsidiary of the Company ("Service America"), in July 1999, having held the position since October 1997. Previously, he was a Director-Financial Services of DiverseyLever, Inc. (formerly known as Diversey Corporation), Detroit, Michigan (specialty chemicals) ("Diversey"), from April 1991 to April 1996. Previously, from January 1990 to April 1991, he was Senior Vice President and the Chief Financial Officer of the Company's then-wholly owned subsidiary, DuBois Chemicals, Inc. (specialty chemicals) ("DuBois").

Andrea R. Lindell
Director since May 2008
Age: 65

Ms. Lindell is Dean and a Professor of the College of Nursing at the University of Cincinnati, a position she has held since December 1990. Ms. Lindell is also Associate Senior Vice President of the Medical Center at the University of Cincinnati, a position she has held since July 1998. From September 1994 to June 2002, she also held an additional position as Interim Dean of the College of Allied Health Sciences at the University of Cincinnati. She is a director of Omnicare.

Ernest J. Mrozek
Not previously a director
Age: 55

Mr. Mrozek was Vice Chairman and Chief Financial Officer of the ServiceMaster Company, Memphis, Tennessee (residential and commercial cleaning, pest, lawn and other services), from November 2006 to March 2008, when he retired after the completion of its sale and relocation of its corporate headquarters. He also served as its President and Chief Financial Officer from January 2004 to November 2006 and as its President and Chief Operating Officer from April 2002 to January 2004. He joined the ServiceMaster Company in 1987, prior to which he spent 11 years with Arthur Andersen & Co., an international accounting firm. He is a director of G&K Services, Inc.

Thomas P. Rice
Not previously a
director
Age: 59

Mr. Rice was Chief Executive Officer of Andrx Corporation, Fort Lauderdale, Florida (specialty pharmaceuticals) (“Andrx”), from February 2004 to November 2006, when Andrx was sold to Watson Pharmaceuticals. Following the sale, Mr. Rice returned as General Manager and Partner to Columbia Investments LLC, Baltimore, Maryland, which invests in local businesses in Baltimore and which Mr. Rice co-founded in January 1996. From January 1999 to March 2003, he was President and Chief Executive Officer of Chesapeake Biological Laboratories, Inc., Solomons, Maryland (pharmaceuticals manufacturing) (“Chesapeake”). Before co-founding Columbia Investments LLC, Mr. Rice served as Executive Vice President and Chief Operating Officer of Circa Pharmaceuticals, Inc. Copiague, New York (pharmaceuticals manufacturing) (“Circa”), from June 1993 to January 1996. Mr. Rice was also the Chief Financial Officer of Circa from June 1993 to January 1995. Prior to joining Circa, Mr. Rice spent seven years as an accountant with Deloitte & Touche LLP, an international accounting firm. He was a director of Circa from June 1993 to January 1996, a director of Chesapeake from January 1997 to January 1999 and a director of Andrx from April 2003 to November 2006.

Donald E. Saunders
Director from May 1981
to May 1982, May 1983
to May 1987 and since
May 1998
Age: 64

Mr. Saunders is a Clinical Faculty Member at the Farmer School of Business, Miami University, Oxford, Ohio, and has held this position since August 2001. Mr. Saunders retired as President of DuBois, then a division of Diversey, in October 2000, having held that position since November 1993.

George J. Walsh III
Director since 1995
Age: 63

Mr. Walsh is a partner with the law firm of Thompson Hine LLP, New York, New York, and has held this position since May 2002. Prior to this date, Mr. Walsh was a partner with the law firm of Gould & Wilkie LLP, New York, New York, and held this position since January 1979. Gould & Wilkie merged with Thompson Hine on May 1, 2002. Mr. Walsh was elected the Chairman of the Board of Directors in March 2009.

Frank E. Wood
Director since 2002
Age: 66

Mr. Wood is President and Chief Executive Officer of Secret Communications, LLC, Cincinnati, Ohio (former owner and operator of radio stations, and now a venture capital fund), and has held this position since 1994. He is also co-founder and principal of The Darwin Group, Cincinnati, Ohio (venture capital firm specializing in second-stage investments), and has held this position since 1998. Since 2000, he has also served as chairman of 8e6 Technologies Corporation, Orange, California (developer of Internet filtering software). He is also a director of Tribune Company.

The Board unanimously recommends that you vote FOR the election of each of the above-named nominees.

The Company has received notice from MMI that it intends to nominate five individuals for election to the Board at the Annual Meeting. You may receive proxy solicitation materials from the MMI Group, including an opposition proxy statement and a gold proxy card. **THE BOARD URGES YOU NOT TO VOTE OR SUBMIT ANY GOLD PROXY CARD SENT TO YOU BY THE MMI GROUP.** If you have previously returned or voted a gold proxy card sent to you by the MMI Group, you may revoke it by completing, signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope provided, or by following the instructions on the WHITE proxy card to vote by telephone or via the Internet, or by attending the Annual Meeting and voting your shares in person

CORPORATE GOVERNANCE

Director Compensation

The Company's compensation program for directors who are not employees of the Company consists of annual cash fees and fully vested stock awards granted pursuant to the Chemed Corporation 1999 Stock Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "1999 Incentive Plan"), the Chemed Corporation 2002 Stock Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "2002 Incentive Plan"), the Roto-Rooter, Inc. 2004 Stock Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "2004 Incentive Plan") and the Chemed Corporation 2006 Stock Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "2006 Incentive Plan"). Directors who are not employees of the Company may also participate in the Chemed Corporation Deferred Compensation Plan for Non-Employee Directors (the "Director Deferred Compensation Plan"), which is described below. Directors who are employees of the Company do not receive cash compensation for their service as directors, but do receive annual fully vested stock awards for such service pursuant to the 1999 Incentive Plan, the 2002 Incentive Plan, the 2004 Incentive Plan and the 2006 Incentive Plan.

The Board reviews and sets the cash compensation for non-employee directors and the fully vested stock awards for all directors. In making its determination, the Board seeks input from the Compensation Committee's independent compensation consultant, Compensation Strategies, Inc., as well as certain executive officers of the Company, and considers any such input, including as to the level of compensation necessary to attract and retain qualified directors, among the factors it reviews in setting the amount of compensation. Director compensation is generally reviewed by the Board on an annual basis.

Effective May 16, 2006, each member of the Board of Directors who is not an employee of the Company is paid an annual fee of \$20,000 and a fee of \$3,000 for each Board meeting attended. Mr. Walsh is paid an additional annual fee of \$135,000 for his service as Chairman of the Board. Each member of the Board's Audit Committee (other than its chairman), Compensation/Incentive Committee (the "Compensation Committee") (other than its chairman) and Nominating Committee (including its chairman) is paid an additional annual fee of \$10,000, \$3,500 and \$7,000, respectively, for his or her service on that Committee. The chair of the Audit Committee is paid \$20,000 per year, and the chair of the Compensation Committee is paid \$5,250 per year. A Committee member also is paid \$1,000 for each Committee meeting (other than meetings of the Nominating Committee) attended unless the Committee meeting is on the same day as a meeting of the Board of Directors, in which case Committee members are paid \$500 for attendance at the Committee meeting. Messrs. McNamara, O'Toole and T. C. Hutton, who are employees of the Company, do not receive cash compensation for their service as directors, but do receive annual fully vested stock awards, as detailed below. Each member of the Board of Directors and of a Committee is additionally reimbursed for reasonable travel expenses incurred in connection with attendance at Board and Committee meetings.

In May 2008, Messrs. Gemunder, Grace, Krebs, Saunders and Wood and Ms. Laney and Ms. Lindell each received \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock. Mr. Walsh also received the cash equivalent of a fully vested stock award of 1,000 shares of Capital Stock, or \$33,750. Mr. Charles H. Erhart, Jr., who retired as a director in May 2008, received \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock in May 2008 and received an additional fully vested stock award of 2,000 shares of Capital Stock, valued at \$88,600, on August 8, 2008 in recognition of his retirement and years of service as a director. During 2008, Messrs. McNamara, O'Toole and T. C. Hutton each received \$13,500 in the form of a fully vested stock award of 400 shares of Capital Stock. Mr. E. L. Hutton, who served in the non-executive position of Chairman of the Board during 2008 and who died in March 2009, also received \$13,500 in the form of a fully vested stock award of 400 shares of Capital Stock.

In addition, the Company maintains the Director Deferred Compensation Plan in which certain directors who are not employees of the Company or of a subsidiary of the Company participate. Under such plan, which is not a tax-qualified plan, an account is established for each participant to which amounts are credited quarterly at the rate of \$4,000 per year. These amounts are used to purchase shares of Capital Stock, and all dividends are reinvested in Capital Stock. Each participant is entitled to receive the balance in his or her account within 90 days following the date he or she ceases to serve as a director. In 2008, each of Messrs. Gemunder, Grace, Krebs, Saunders, Walsh and Wood and Ms. Laney received contributions of \$4,000; Mr. Erhart received contributions of \$2,000; and Ms. Lindell received contributions of \$3,000, in each case in his or her respective account in the Director Deferred Compensation Plan.

Directors may participate in the Company's health insurance plans by paying rates offered to former employees under COBRA.

In 2008, the Company provided the following compensation to directors for their service as directors of the Company:

DIRECTOR COMPENSATION-2008 (a)

Name	Fees			Total
	or Paid in Cash (\$)	Stock Awards (\$)(b)	All Other Compensation (\$)	
Edward L. Hutton	\$ -	\$ 13,500	-	\$ 13,500
Charles H. Erhart, Jr. (c)	38,583	124,350	-	162,933
Joel F. Gemunder	42,667	37,750	-	80,417
Patrick P. Grace	59,000	37,750	-	96,750
Thomas C. Hutton (d)	-	13,500	-	13,500
Walter L. Krebs	52,500	37,750	-	90,250
Sandra E. Laney (d)	38,000	37,750	-	75,750
Andrea R. Lindell	29,167	36,750	-	65,917
Donald E. Saunders	64,500	37,750	-	102,250
George J. Walsh III	89,917	4,000	-	93,917
Frank E. Wood	42,012	37,750	-	79,762

- (a) The Director Compensation Table excludes certain executive compensation figures for (i) Messrs. McNamara and O'Toole, which are disclosed under the "—Summary Compensation Table" heading below and (ii) Messrs. E. L. Hutton and T. C. Hutton and Ms. Laney, which are disclosed under the "Certain Relationships and Transactions" heading below. Messrs. McNamara, O'Toole and T. C. Hutton, who are employees of the Company, and Mr. E. L. Hutton, who was an employee of the Company until his death in March 2009, only received fully vested stock awards for their service as directors in 2008.
- (b) Amounts for each of Messrs. Gemunder, Grace, Krebs, Saunders and Wood and Ms. Laney include contributions of \$4,000 used to purchase Capital Stock held in the Director Deferred Compensation Plan and \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock. The amount included for Mr. Erhart includes contributions of \$2,000 used to purchase Capital Stock held in the Director Deferred Compensation Plan, \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock and a special fully vested stock award of 2,000 shares of Capital Stock valued at \$88,600. The amount for Mr. Walsh includes contributions of \$4,000 used to purchase Capital Stock held in the Director Deferred Compensation Plan. The amount for Ms. Lindell includes contributions of \$3,000 used to purchase Capital Stock held in the Director Deferred Compensation Plan and \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock. The amounts for Messrs. E. L. Hutton and Mr. T. C. Hutton include \$13,500 in the form of a fully vested stock award of 400 shares of Capital Stock.
- (c) Mr. Erhart served as a director until his retirement on May 19, 2008. Following his retirement, Mr. Erhart served as a Director Emeritus until his death in January 2009. In 2008, Mr. Erhart received cash fees of \$24,583 and contributions of \$2,000 used to purchase Capital Stock held in the Director Deferred Compensation Plan for his service as a director and \$14,000 in cash compensation and \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock in his capacity as a Director Emeritus. Mr. Erhart received an additional fully vested stock award of 2,000 shares of Capital Stock, valued at \$88,600, in recognition of his retirement and years of service as a director.
- (d) At December 31, 2008, Mr. T. C. Hutton and Ms. Laney held stock option awards for the purchase of 46,000 shares and 40,000 shares, respectively, of Capital Stock, and Mr. Hutton held 2,450 shares of restricted stock. These stock option and restricted stock awards were granted to Mr. Hutton and Ms. Laney as compensation while employed by the Company and not in their capacity as directors.

Directors Emeriti

The Board of Directors has a policy of conferring the honorary designation of Director Emeritus upon former directors who made valuable contributions to the Company and whose continued advice is believed to be of value to the Board of Directors. The designation as Director Emeritus is customarily conferred by the Board on an annual basis but may be conferred at such other times and for such other periods as the Board may determine. Each Director Emeritus is furnished with a copy of all agendas and other materials furnished to members of the Board of Directors generally and is invited to attend all meetings of the Board; however, a Director Emeritus is not entitled to vote on any matters presented to the Board. A Director Emeritus is paid an annual fee of \$18,000 and \$500 for each meeting attended.

Mr. John M. Mount, who served as a director of the Company from 1986 to 1991 and from 1994 to 2003, was designated a Director Emeritus in May 2005. In 2008, the Company paid Mr. Mount \$21,000 in cash fees and granted him \$33,750 in the form of a fully vested stock award of 1,000 shares of Capital Stock for his service as a Director Emeritus. Since March 1, 2007, he has also received \$1,000 per month as a consultant to the Company. It is anticipated that, at the 2009 annual meeting of the Board of Directors, Mr. Mount will again be designated as a Director Emeritus. Mr. Erhart, who served as a director from 1970 to 2008, was designated as a Director Emeritus in May 2008. He died in January 2009. The compensation paid to Mr. Erhart in 2008 as a Director Emeritus is set forth in footnote (c) to the Director Compensation Table.

Committees and Meetings of the Board

The Company has the following Committees of the Board of Directors: Audit Committee, Compensation Committee and Nominating Committee.

Audit Committee The Audit Committee (a) is directly responsible for the appointment, compensation and oversight of a firm of independent registered accountants to audit the consolidated financial statements of the Company, (b) reviews and reports to the Board of Directors on the Company's annual financial statements and the independent accountants' report on such financial statements, (c) meets with the Company's senior financial officers, internal auditors and independent accountants to review audit plans and work regarding the Company's accounting, financial reporting and internal control systems and other non-audit services and (d) confers quarterly with senior management, internal audit staff and the independent accountants to review quarterly financial results. The Audit Committee consists of Messrs. Grace, Krebs and Saunders, with Mr. Saunders serving as chairman. Each member of the Audit Committee is independent as defined under the listing standards of the New York Stock Exchange, and the Board of Directors has determined that Mr. Saunders and Mr. Krebs qualify as "audit committee financial experts" within the meaning of the applicable United States Securities and Exchange Commission (the "SEC") regulations. The Audit Committee met six times during 2008. A copy of the Audit Committee Charter is available at www.chemed.com.

Compensation Committee The executive compensation program is administered by the Compensation Committee. The Compensation Committee makes recommendations to the Board of Directors concerning (a) base salary and annual cash incentive compensation for executives of the Company, (b) establishment of incentive compensation plans and programs generally, (c) adoption and administration of certain employee benefit plans and programs and (d) additional year-end contributions by the Company under the Chemed/Roto-Rooter Savings & Retirement Plan (as amended, supplemented or otherwise modified as of the date hereof, the "Retirement Plan"). In addition, the Compensation Committee administers the 1999 Incentive Plan, the 2002 Incentive Plan, the 2004 Incentive Plan, the 2006 Incentive Plan and the Chemed Corporation 1999 Long-Term Employee Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "1999 Long-Term Incentive Plan" and, collectively with the 1999 Incentive Plan, the 2002 Incentive Plan, the 2004 Incentive Plan and the 2006 Incentive Plan, the "Stock Incentive Plans") and the Chemed Corporation 2002 Executive Long-Term Incentive Plan (as amended, supplemented or otherwise modified as of the date hereof, the "LTIP"), under which it reviews and approves the granting of cash, stock option and stock awards. The Compensation Committee consists of Messrs. Walsh and Wood and Ms. Lindell, with Mr. Walsh serving as chairman. Each member of the Compensation Committee is independent as defined under the listing standards of the New York Stock Exchange. The Compensation Committee met five times during 2008. A copy of the Compensation Committee Charter is available on the Company's Web site, www.chemed.com.

Nominating Committee The Nominating Committee (a) recommends to the Board of Directors the candidates for election to the Board at each Annual Meeting of Stockholders of the Company, (b) recommends to the Board of Directors candidates for election by the Board to fill vacancies on the Board, (c) considers candidates submitted to the Committee by directors, officers, employees, stockholders and others and (d) performs such other functions as may be assigned by the Board. In identifying and evaluating nominees for director, the Nominating Committee considers

candidates with a wide variety of academic backgrounds and professional and business experiences. After reviewing the candidates' backgrounds and qualifications, the Nominating Committee personally interviews those candidates it believes merit further consideration. Once it has completed this process, the Nominating Committee makes its final recommendations to the Board. Stockholders wishing to submit a candidate for election to the Board should submit the candidate's name and a supporting statement to the Company's Secretary at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726. The Nominating Committee has no formal policy with regard to the consideration of director candidates recommended by stockholders because it believes such recommendations are sufficiently rare that they may be effectively considered on a case-by-case basis. The Nominating Committee consists of Messrs. Gemunder, Grace and Walsh, with Mr. Walsh serving as chairman. Each member of the Nominating Committee is independent as defined under the listing standards of the New York Stock Exchange. The Nominating Committee met once during 2008. A copy of the Nominating Committee Charter is available on the Company's Web site, www.chemed.com.

In response to MMI's announcement that it would nominate five candidates for election to the Board at the Annual Meeting, the Company approached certain of its large stockholders to seek their input on the composition of the Board and to obtain suggestions for potential nominees to stand for election as independent directors. One of the Company's largest stockholders identified three potential nominees. An outside advisor to the Company also responded to a request by the Company for recommendations and identified a fourth prospective candidate. In addition, each of the Chief Executive Officer of the Company and the Chairman of the Board suggested potential nominees, resulting in a total of six candidates. From these six potential nominees, the Nomination Committee recommended, and the Board nominated, Mr. Rice, a candidate recommended by a large stockholder of the Company, and Mr. Mrozek, the candidate recommended by the Chief Executive Officer, for election to the Board at the Annual Meeting.

Board Meetings The Board of Directors has five scheduled meetings a year, at which it reviews and discusses reports by management on the performance of the Company and its operating subsidiaries, its plans and properties, as well as immediate issues facing the Company. The Board also periodically meets during its meetings in executive session, without executives or management directors present. Such sessions have been presided over by whichever non-management director raised a topic for discussion and will, in the future, be presided over by the Chairman of the Board.

During 2008, there were six meetings of the Board of Directors. Each director attended at least 75% of the Board meetings and his or her applicable Committee meetings. While the Company does not have a formal policy with regard to Board members' attendance at the Annual Meeting of Stockholders, all members of the Board are encouraged to attend. Twelve members of the Board attended last year's Annual Meeting of Stockholders held on May 19, 2008.

Director Independence The Board and the Nominating Committee undertake an annual review of director and nominee independence. They consider transactions and relationships between each director or nominee or any member of such director's or nominee's immediate family or any other person sharing such director's or nominee's home and the Company and its subsidiaries and affiliates, including those reported under the heading "Certain Relationships and Transactions" below. The Board and the Nominating Committee also examine transactions and relationships between directors and nominees and their respective affiliates and members of the Company's senior management and their affiliates. The purpose of this review is to determine whether any such relationships or transactions are inconsistent with a determination that the director or nominee is independent under the New York Stock Exchange corporate governance listing standards.

As a result of its 2009 review, the Board and the Nominating Committee affirmatively determined that, under the New York Stock Exchange listing standards, the following directors and nominees, constituting a majority of the individuals nominated for election as directors at the Annual Meeting, are independent of the Company and its management: Messrs. Gemunder, Grace, Krebs, Mrozek, Saunders, Rice, Walsh and Wood and Ms. Lindell.

Compensation Committee Interlocks and Insider Participation The Compensation Committee is comprised of Messrs. Walsh and Wood and Ms. Lindell. No member of the Compensation Committee has any direct or indirect material interest in or relationship with the Company, other than holdings of Capital Stock as set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" below and as related to his or her position as a director. During 2008, no executive officer of the Company served on the compensation committee of any other entity where an executive officer of such entity also served on the Board of Directors, and no executive officer of the Company served on the board of directors of any other entity where an executive officer of such entity also served on the Compensation Committee.

Policies and Procedures The Audit Committee reviews all material transactions with related persons as identified by management. In February 2007, the Audit Committee adopted a written policy and set of procedures for reviewing transactions between the Company and related persons, who include directors, nominees, executive officers and any person known to be the beneficial owner of more than 5% of the Company's voting securities (each, a "related person"), any immediate family member of a related person and any person sharing the household of a related person. The policy also covers any firm, corporation or other entity in which any related person is employed or is a partner or principal, or in which such related person has a 5% or greater beneficial ownership interest. Prior to entering into a transaction with a related person, notice must be given to the Secretary of the Company containing (a) the related person's relationship to the Company and interest in the transaction, (b) the material facts of the transaction, (c) the benefits to the Company of the transaction, (d) the availability of any other sources of comparable products or services and (e) an assessment of whether the transaction is on terms comparable to those available to an unrelated third party. If the Company's Secretary and Chief Financial Officer determine that it is a related party transaction, the proposed transaction is submitted to the Audit Committee for its approval. The policy also provides for the quarterly review of related person transactions which have not previously been approved or ratified and any other such transactions which come to the attention of the Company's Chief Executive Officer, Chief Financial Officer, Controller or Secretary. If the transaction is pending or ongoing, it will be promptly submitted to the Audit Committee for approval. If the transaction is completed, it will be submitted to the Audit Committee to determine if ratification or rescission is appropriate. This policy also covers charitable contributions or pledges by the Company to non-profit organizations identified with a related person.

Code of Ethics The Board of Directors has adopted Corporate Governance Principles and Policies on Business Ethics, which, along with the charters of the Audit, Compensation/Incentive and Nominating Committees, are available on the Company's Web site under Corporate Governance — Governance Documents (www.chemed.com). Printed copies may be obtained from the Company's Secretary at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726.

Stockholder Communications Stockholders and others wishing to communicate with members of the Board should mail such communications to the Company's Secretary at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726. The Secretary will forward these communications to the Board and, if applicable, to specified individual directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis explains the material elements of the compensation of the Company's named executive officers. The Company's named executive officers for 2008 are Mr. McNamara, President and Chief Executive Officer; David P. Williams, Executive Vice President and Chief Financial Officer; Mr. O'Toole, Executive Vice President; Spencer S. Lee, Executive Vice President; and Arthur V. Tucker, Jr., Vice President and Controller.

Overview of Compensation Program

The executive compensation program is administered by the Compensation Committee. The membership of the Compensation Committee is comprised of three independent directors. The Compensation Committee is responsible for the review, approval and recommendation to the Board of Directors of matters concerning (a) base salary and annual cash incentive compensation for executives of the Company, (b) establishment of incentive compensation plans and programs generally, (c) adoption and administration of certain employee benefit plans and programs and (d) additional year-end contributions by the Company under the Retirement Plan. The recommendations of the Compensation Committee on such matters must be approved by the non-employee members of the Board of Directors. The employee members of the Board of Directors are not present when compensation recommendations

are presented to the Board of Directors and discussed, and such members do not vote on compensation issues. The Compensation Committee also administers the Stock Incentive Plans, under which it reviews and approves the granting of stock option and stock awards, and the LTIP. The Compensation Committee also has retained the services of independent compensation consultants to assist and advise it in administering the executive compensation program. Currently, Compensation Strategies, Inc., an independent compensation advisory firm, has been retained by, and reports to, the Compensation Committee. Other than its work for the Compensation Committee and advising the Board on director compensation, it does no other work for the Company.

How Compensation Decisions Are Made

Generally, in February of each year, certain senior executives of the Company, including the Chief Executive Officer, prepare recommendations for annual cash incentives and long-term equity awards to be made to Company employees, other than the Chief Executive Officer, based on the performance of the employees and the Company during the past year. The recommendations made by the Chief Executive Officer and other senior executives to the Compensation Committee, which include detailed memoranda and tally sheets, take into consideration historical compensation, including base salaries, annual incentive compensation and long-term equity awards, performance of the Company as a whole, performance of the individual business unit for which the employee is responsible and performance of the individual employee. The Compensation Committee then meets to determine the long-term equity awards for each executive and to review and consider the recommendations prepared by the Company's senior executives in order to determine the recommendations that the Compensation Committee will make to the non-employee members of the Board of Directors with respect to the amount of annual cash incentives for each executive. The Compensation Committee makes compensation recommendations to the non-employee members of the Board of Directors regarding the compensation of the Chief Executive Officer without the input of any Company employees. The Compensation Committee can exercise its discretion in modifying any recommendations of the Company's senior executives.

Base salaries of executives are reviewed generally by the Compensation Committee every 14 months and approved by the non-employee members of the Board of Directors. As a component of the review and approval process, the Compensation Committee and the non-employee members of the Board consider the recommendations of the Chief Executive Officer and certain senior executives of the Company as to the base salaries of Company executives, other than the Chief Executive Officer. The Chief Executive Officer's base salary is reviewed and determined without the input of Company employees. In determining recommended base salaries for the Company's executives, the Compensation Committee also considers each executive's then-current base salary and total incentive compensation and the individual performance of each executive during the then-past 14-month period.

The Compensation Committee directly grants compensation, such as cash, stock option and stock awards, under the Stock Incentive Plans and the LTIP.

Role of Executive Officers

The Chief Executive Officer and certain other senior executives of the Company provide recommendations to the Compensation Committee concerning compensation of Company executives, other than the Chief Executive Officer. Additionally, as part of its process, the Compensation Committee meets with the Chief Executive Officer to obtain input with respect to compensation decisions, including the performance of the Company's senior executives other than the Chief Executive Officer. In addition to meeting with the Chief Executive Officer, the Compensation Committee meets in executive session without any Company employees present.

Objectives of Compensation Program

The Company's executive compensation program is intended to achieve the objectives of aligning executives' interests with those of its stockholders by rewarding the executives for long-term growth in the value of the Capital Stock and encouraging them to hold a significant amount of the Company's equity; paying for performance through both cash and equity-based incentives that, in turn, provide greater rewards for stronger performance of the Company as a whole and the Company's business units; paying competitively in order to attract and retain senior executives; and creating incentive to maximize the long-term growth of the Company's business. To achieve these objectives, the elements of executive compensation are designed to reward past performance and establish incentive for future growth.

Elements of Compensation

The elements of the Company's executive compensation program include base salary, annual cash incentive compensation and long-term incentive compensation in the forms of stock option awards, restricted stock awards and awards under the LTIP (in the form of cash and restricted and fully vested stock awards). Components of compensation that are available generally to all Company employees, including the Company's named executive officers, are defined contribution plans and welfare benefit plans (including life insurance, health insurance, dental insurance, long-term disability benefits and, in the case of certain executives, long-term care insurance). In addition, the Chemed Corporation Excess Benefit Plan No. 1 (as amended, supplemented or otherwise modified as of the date hereof, the "Excess Benefit Plan"), the Chemed Corporation Long Term Care Insurance Plan, the Chemed Corporation Supplemental Pension and Life Insurance Plan (as amended, supplemented or otherwise modified as of the date hereof, the "Supplemental Pension Plan"), the Chemed Corporation Supplemental Severance Benefit Plan (as amended, supplemented or otherwise modified as of the date hereof, the "1986 Severance Plan") and the Roto-Rooter Deferred Compensation Plan No. 1 (as amended, supplemented or otherwise modified as of the date hereof, the "Deferred Compensation Plan") are available as components of compensation to executives and other highly compensated individuals. Base salary, annual cash incentive compensation and pension and welfare benefit plans are established by the non-employee members of the Board based on the levels that the Compensation Committee and such Board members determine are competitive and are intended to reward executives for current and past performance, while longer-term incentives, such as stock option awards, restricted stock awards and awards under the LTIP, are intended to create incentive for future growth.

Amount of Each Element of Compensation; Role of Peer Groups; Decisions Concerning Payments

The Compensation Committee exercises its discretion in recommending compensation for executives using performance standards and market studies of a peer group of companies with the assistance of Compensation Strategies, Inc. The Compensation Committee intends compensation to be linked directly to personal performance and to the Company's overall results, as well as to the results of the specific business units for which executives are responsible. The Company's executive compensation program is focused on rewarding long-term growth.

The Compensation Committee meets as often as necessary in order to carry out its duties. In 2008, the Compensation Committee met five times. The Compensation Committee periodically reviews each executive's total compensation, including base salary, annual cash incentive compensation, stock option awards, restricted stock awards, awards under the LTIP, unrealized stock option award gains, perquisites and defined contribution plan holdings (including the amounts contributed to such plans by the Company), as well as such executive's Capital Stock holdings, in recommending or setting, as applicable, each element of compensation. The Compensation Committee balances the types of compensation for each executive between fixed compensation and performance-based compensation in such a way that less robust Company performance will result in a lower total compensation to the executive. For example, compensation levels in 2008 were generally lower than in 2007 due to the achievement in 2007 of EBITDA and share price targets that resulted in awards pursuant to the LTIP while there was no such achievement or awards in 2008. In 2008, the total compensation, as set forth in the Summary Compensation Table, of all the named executive officers was lower by the following amounts: Mr. McNamara - 7.9%; Mr. Williams - 10.4%; Mr. O'Toole - 19.6%; Mr. Lee - 28.5%; and Mr. Tucker - 20.5%.

In July 2008, the Compensation Committee reviewed a market study prepared by Compensation Strategies, Inc. to determine if the levels and types of compensation paid by the Company to its management are appropriate in comparison with a peer group of companies and in the broader market. The Compensation Committee was previously relying on a market study of compensation prepared in December 2004. The companies considered to be part of the peer group in the 2008 study were:

Odyssey Healthcare Inc.

Emeritus Corp.
Healthcare Services Group
Healthways Inc.
Skilled Healthcare Group Inc.
Amedisys Inc.
Integrated Electrical Services
Rollins Inc.
Comfort Systems USA Inc.
Gentiva Health Services Inc.
Sun Healthcare Group Inc.
Lincare Holdings Inc.
Apria Healthcare Group Inc.
ABM Industries Inc.
Kindred Healthcare Inc.
Ecolab Inc.

Compensation Strategies, Inc. used regression analysis to normalize the data on annual revenues of the peer companies relative to the Company's annual revenues to ensure comparability. The market study showed that base salaries at the Company were comparable to the median level of base salaries for the peer group, and incentive compensation, which is based on Company performance, was above the median level. After studying the survey, the Compensation Committee determined that the level and balance of the Company's compensation between fixed and variable incentive compensation were appropriate considering the relative performance of the Company as compared with the peer group.

Base Salaries

Base salaries of executives are reviewed generally by the Compensation Committee every 14 months. In determining the base salaries it recommends to the non-employee members of the Board, the Compensation Committee considers recommendations by certain senior executives of the Company, except with respect to the Chief Executive Officer, for whom the Compensation Committee makes its determination without the input of Company employees. In so doing, it considers each executive's then-current base salary and total incentive compensation and evaluates the responsibilities held by each executive, and his or her experience and performance. Additionally, Compensation Strategies, Inc. has periodically reviewed base salaries and provided advice to the Compensation Committee through the peer group studies discussed above. The Compensation Committee recommends base salaries at levels it believes will attract and retain qualified executives. In 2008, the annual base salary received by the named executive officers was increased as follows: Mr. McNamara - 7.0%; Mr. Williams - 14.7%; Mr. O'Toole - 3.5%; Mr. Lee - 5.1%; and Mr. Tucker - 5.3%.

Annual Cash Incentives

Amounts of annual cash incentive compensation are recommended by the Compensation Committee to the non-employee members of the Board based on recommendations by certain senior executives of the Company, except with respect to the Chief Executive Officer, for whom the Compensation Committee makes its recommendation without the input of Company employees. In arriving at annual cash incentive compensation amounts to recommend, the Compensation Committee endeavors to reward executives whose performance enhances the operating results of their business unit and of the Company as a whole. Senior executives' awards of annual cash incentive compensation are discretionary and based on the Compensation Committee's evaluation of individual, business unit and Company performance rather than as a set target amount. The Compensation Committee believes this structure provides a significant incentive for achieving superior operating performance. The Company's operating results as compared with historical results and the performance of relevant competitors (including the peer group companies listed above) are primary considerations in determining annual cash incentive compensation. Sales and earnings growth, profitability, cash flow and return on investment are important performance measures in establishing annual cash incentive compensation amounts. For example, in establishing annual cash incentive compensation for the executive, management and senior staff personnel, the Compensation Committee reviewed 2008 profit performance as compared with both 2006 and 2007 results as one of its primary criteria. Diluted earnings per share from continuing operations, excluding early extinguishment of debt and other special items ("Adjusted EPS"), is one of the metrics considered by the Compensation Committee.

Long-Term Incentives

The Compensation Committee grants long-term incentive compensation pursuant to the Stock Incentive Plans and the LTIP. While long-term incentive compensation may be paid under the Stock Incentive Plans in the form of stock option awards and restricted and fully vested stock awards, currently all of the long-term incentive awards granted pursuant to such plans are in the form of stock option or restricted stock awards. LTIP awards may be made in the form of cash and restricted and fully vested stock awards; however, currently only restricted and fully vested awards are granted under the LTIP. In granting long-term incentives in the form of stock option awards, restricted stock awards and LTIP awards, the Compensation Committee considers as recipients employees who have demonstrated capacity for contributing to the Company's goals. In all cases, the long-term equity awards are intended to encourage employees to act as owners of the business, further aligning their interests with those of stockholders.

The Compensation Committee grants stock option awards with an exercise price at no less than 100% of fair market value of Capital Stock on the date granted. Historically, the vesting schedule of stock option awards varied from immediately exercisable to four annual installments commencing six months after the date an award was granted. Since 2006, stock option awards vest ratably over three years, thus providing value to the Company's employees only if the share price increases after the date such awards were granted and the employees remain employed for a significant period of time. Restricted stock awards generally cliff vest on the fourth anniversary of the date granted, again with the intent of retaining employees for a significant period of time, and carry with them voting and dividend rights.

Historically, the Compensation Committee generally granted stock option awards to executives and non-executive employees at the annual meeting of the Board of Directors in May. Beginning in 2009, such annual stock option awards are granted in February in order to allow the Compensation Committee to consider long-term incentive awards at the same time that it considers annual incentive awards. Both long-term incentive awards and annual incentive awards are granted based on the Compensation Committee's evaluation of an employee's performance during the prior year. The stock option and stock awards are not granted so as to "time" them before the release of material nonpublic information that is likely to result in an increase in share price ("spring-loading") or delay them until after the release of material nonpublic information that is likely to result in a decrease in share price ("bullet-dodging"). The Company does not reprice stock option awards or replace them if the share price declines after the date such stock option awards were granted.

The Compensation Committee grants a greater proportionate amount of stock option and stock awards to those executives with greater positions of responsibility. The Compensation Committee considers each employee's current stock option awards and Capital Stock holdings and previous stock option and stock awards in granting long-term equity awards. Other factors considered by the Compensation Committee in granting stock option and stock awards include base salaries, annual cash incentive compensation, operating results of the business units and the Company as a whole, dilutive effects of stock option and stock awards and valuation of stock option awards under the Black-Scholes valuation method.

In May 2002, the stockholders of the Company approved the adoption of the LTIP, which covers officers and key employees of the Company. It was intended to replace the Company's restricted stock program under which restricted stock awards were granted which vested over a period of four or five years. The LTIP is administered by the Compensation Committee.

Since 2002, the Compensation Committee has adopted LTIP guidelines that cover the granting of awards based on operating performance and attainment of target share prices. Each period for establishing a set of targets for operating performance and share prices is called a Plan Period, and Plan Periods overlap due to the staggered timing of the set targets. The third Plan Period began in May 2006 and will expire in December 2010. The LTIP provides for grants of cash awards and restricted and fully vested stock awards based on the achievement of certain targets. However, currently only restricted and fully vested stock awards are granted, and they are granted in the following circumstances:

- 80,000 shares of Capital Stock in the aggregate are to be granted to the participants in the LTIP if the Company's cumulative pro forma adjusted EBITDA reaches \$465 million between January 1, 2007 and December 31, 2009, or if it reaches \$604 million between January 1, 2007 and December 31, 2010. The Company discloses pro forma adjusted EBITDA in its quarterly earnings releases.
- 80,000 shares of Capital Stock in the aggregate are to be granted to the participants in the LTIP if the share price reaches the following targets during any 30 trading days out of any 60-day trading period between May 15, 2006 and May 14, 2009:
 - 20,000 shares of Capital Stock at \$62.00;
 - 30,000 shares of Capital Stock at \$68.00;
 - 30,000 shares of Capital Stock at \$75.00.

In addition, the Compensation Committee maintains discretion with regard to the granting of an additional 25,000 shares of Capital Stock in the aggregate to the participants in the LTIP under the current LTIP guidelines.

If the operating performance and share price targets are met, the Compensation Committee determines the number of stock awards to be granted to each participant, other than the Chief Executive Officer, based on the recommendations of certain senior executives of the Company. The number of stock awards to be granted to the Chief Executive Officer is determined by the Compensation Committee without the input of Company employees.

In March 2007, the Compensation Committee granted 100,000 shares of fully vested Capital Stock in the aggregate to the participants in the LTIP upon attainment of a cumulative pro forma adjusted EBITDA target of \$365 million under the second Plan Period of the LTIP, covering the period of 2004 to 2007. The shares of Capital Stock granted included an aggregate of 88,000 shares designated for granting upon achievement of the EBITDA performance target and an aggregate of 12,000 shares granted pursuant to the discretion of the Compensation

Committee for the second Plan Period of the LTIP.

In June 2007, the Compensation Committee granted 22,200 shares of fully vested Capital Stock in the aggregate to the participants in the LTIP upon attainment of the \$62.00 share price target under the third Plan Period of the LTIP. The shares of Capital Stock granted included an aggregate of 20,000 shares designated for granting upon achievement of the share price target and an aggregate of 2,200 shares granted pursuant to the discretion of the Compensation Committee for the third Plan Period.

Neither the cumulative pro forma adjusted EBITDA target nor the share price targets were attained during 2008. Accordingly, no awards were granted under the LTIP in 2008.

Annual Incentive Compensation from 2006 to 2008

The following table summarizes the percentage change in earnings per share and average annual incentive compensation, including cash and stock option and stock awards, for the Company's executive, management and senior staff personnel for the period from 2006 to 2008.

	% Variance		Avg. Annual % Variance 2006 - 2008
	2007 vs. 2006	2008 vs. 2007	
Reported Diluted EPS	15.7%	23.2%	19.4%
Adjusted EPS	60.5	5.3	30.0
Annual Incentive Compensation	60.2	(3.5)	24.4

Annual incentive compensation for the executive, management and senior staff personnel increased 24.4% on an average annual basis from 2006 to 2008. Adjusted EPS for the same period increased 30.0% on an average annual basis. For the one-year period from 2006 to 2007, Adjusted EPS increased 60.5% and annual incentive compensation increased a commensurate 60.2% on average for that period. For the one-year period from 2007 to 2008, Adjusted EPS increased a relatively low 5.3% and annual incentive compensation declined 3.5% on average for that period as a result. The Compensation Committee intends for incentive compensation to be set at levels reflective of the operating results of the Company as a whole and its individual subsidiaries in order to achieve its pay-for-performance goal and, ultimately, provide greater rewards for stronger performance of the Company. For example, in 2008, net income for the Roto-Rooter group declined 15.3% while net income for the VITAS group increased 5.3%. As a result, for 2008, management recommended a 17.0% decrease from 2007 annual incentive compensation for Company employees in the Roto-Rooter group and a 1.0% increase from 2007 annual incentive compensation for Company employees in the VITAS group.

Perquisites

The Company's executive compensation program offers perquisites that are commonly available to senior executives, the nature and amounts of which are detailed in the All Other Compensation Table.

Retirement Benefits

The Company maintains the Retirement Plan, a tax-qualified defined contribution plan, for the benefit of its employees, including the named executive officers. The Retirement Plan permits employees to contribute a portion of their pay to the plan on a pre-tax basis. The Company also provides a matching contribution to employees who contribute to the plan. The named executive officers participate in the Retirement Plan within the limits imposed by the Internal Revenue Code (the "Code") and the Employee Retirement Income Security Act ("ERISA").

The Company also maintains the Excess Benefit Plan and the Deferred Compensation Plan, which are non-qualified supplemental savings plans for key employees, including the named executive officers, whose participation in the Retirement Plan is limited by the Code and ERISA. Messrs. McNamara, Williams, O'Toole and Tucker participate in the Excess Benefit Plan, and Mr. Lee participates in the Deferred Compensation Plan. These plans allow participants to defer up to 50% of their base salary and up to 85% of their annual cash incentive compensation and income from stock awards and provide a matching contribution from the Company. Participants select mutual funds as investments, and amounts deferred and credited to participant accounts under the plans are credited with earnings or losses depending on the performance of the selected mutual funds. Participants may receive the amounts credited to

their accounts at retirement, termination of employment or on a specific date following termination or retirement and may also elect to receive a portion of each year's deferral and earnings on a specific date prior to retirement or termination of employment. Participants may receive such amounts in a lump-sum payment or in installment payments.

Each of the named executive officers also participates in the Supplemental Pension Plan, which provides certain key employees with a supplemental pension and optional life insurance benefit. The Company accrues a fixed monthly contribution to each participant's account under this plan, and participants' accounts are credited with monthly earnings based on an annual interest rate. Participants have the option to use a portion of this Company contribution to purchase supplemental term life insurance. Mr. Tucker also participates in the 1986 Severance Plan, which is an unfunded defined contribution plan in which Mr. Tucker's account is credited with certain Company contributions that will pay out upon his death or termination of employment.

Tax Considerations

U.S. federal income tax law prohibits the Company from taking a deduction for compensation paid to its covered executive officers over \$1,000,000 per executive per year, but exempts certain performance-based compensation. The Compensation Committee considers tax regulations in structuring compensation arrangements to achieve deductibility, except where outweighed by the need for flexibility, or as the Company otherwise determines is in the best interests of the Company and its stockholders.

Employment Agreements; Severance Payments; Change in Control

The Company has employment agreements with three of its named executive officers: Messrs. McNamara, Williams and O'Toole. On May 3, 2008 (prior to the 2008 Annual Meeting of Stockholders), Mr. McNamara entered into a two-year employment agreement, which will automatically renew every May 3 beginning May 3, 2010 for a one-year term unless either party provides 30 days' prior written notice of non-renewal. Mr. McNamara's employment agreement provides for a lump-sum severance payment, in the event of termination without cause, equal to five times his then-current base salary plus a pro-rated portion of his average annual incentive compensation for the then-past three full fiscal years. In the event of termination without cause, he also would be entitled to continue to participate in the Company's welfare benefit plans for 24 months following termination at the then-current rate of contribution. The employment agreements with Messrs. Williams and O'Toole, entered into in December 2006 and May 2007, respectively, contain the same terms as outlined above for Mr. McNamara, except that each of Messrs. Williams and O'Toole would be entitled to a lump-sum severance payment equal to two and a half times his then-current base salary and continued participation in the Company's welfare benefit plans for 18 months following termination at the then-current rate of contribution. Such severance payments and benefits are conditioned upon execution of a general release of claims in favor of the Company, nondisclosure and, for Mr. McNamara, two-year non-compete and non-solicitation covenants and, for Messrs. Williams and O'Toole, one-year non-compete and non-solicitation covenants. If these payments were subject to the excise taxes imposed by Section 409A of the Code, Messrs. McNamara, Williams and O'Toole would be entitled to gross-up payments. The Company does not intend to enter into future employment agreements that provide for excise tax gross-ups.

For a termination due to death, disability or retirement, each of Messrs. McNamara, Williams and O'Toole would be entitled under his employment agreement to a lump-sum payment equal to the pro-rated portion of the average of his annual incentive compensation for the then-past three full fiscal years. Such severance payments under each employment agreement for a termination due to disability or retirement are conditioned upon execution of a general release of claims in favor of the Company and a nondisclosure covenant.

In 2006, the Board of Directors adopted the Chemed Corporation Senior Executive Severance Policy (as amended, supplemented or otherwise modified as of the date hereof, the "Senior Executive Severance Policy") and the Chemed Corporation Change in Control Severance Plan (as amended, supplemented or otherwise modified as of the date hereof, the "Change in Control Plan"), which were intended to replace most of the existing employment agreements entered into by the Company. Accordingly, rather than enter into new employment agreements with 12 Company executives, including Messrs. Lee and Tucker, whose employment agreements had expired or were about to expire, such executives' severance and change in control benefits are now governed by the Senior Executive Severance Policy and the Change in Control Plan. Messrs. McNamara, Williams and O'Toole are not covered by the Senior Executive Severance Policy, but are covered by the Change in Control Plan. However, in the event of a change in control of the Company, Messrs. McNamara, Williams and O'Toole would not receive benefits under both their employment agreements and the Change in Control Plan. With the shift from individual employment agreements to general severance and change in control plans, the Compensation Committee intended to reduce total payouts to executives upon termination and move the Company's executive severance arrangements more in line with market practices.

Under the Senior Executive Severance Policy, if an executive is terminated without cause, he or she would be entitled to a lump-sum payment equal to one and a half times his or her then-current base salary and a pro-rated portion of his or her average annual incentive compensation for the then-past three full fiscal years. Such executive would also be entitled to continued participation in the Company's welfare benefit plans for one year following termination of employment at the then-current rate of contribution. Severance payments and benefits under the Senior Executive Severance Policy are conditioned upon execution of a general release of claims in favor of the Company. Additionally, for a termination without cause or due to disability or retirement, such severance payments and benefits are conditioned upon nondisclosure and one-year non-compete and non-solicitation covenants. If payments under the Senior Executive Severance Policy were subject to the excise taxes imposed by Section 409A of

the Code, participants would be entitled to gross-up payments. In the event of a change in control of the Company, participants in the Senior Executive Severance Policy would not receive benefits under both the Senior Executive Severance Policy and the Change in Control Plan. For a termination due to death, disability or retirement, each of the participants in the Senior Executive Severance Policy would be entitled to a lump-sum payment equal to the pro-rated portion of the average of his or her annual incentive compensation for the then-past three full fiscal years.

The Change in Control Plan, described in additional detail under the “Change in Control of the Company” heading below, provides for severance payments and benefits in the event of a change in control of the Company followed within two years by an executive’s termination of employment either without cause or for good reason (“double trigger”). Payments under the Change in Control Plan are triggered by:

- a) termination of employment by the Company without cause; or
- b) termination of employment by the employee within 90 days of an event giving him or her good reason to so terminate.

The Change in Control Plan would provide for payments equal to three times the sum of (a) the highest base salary during the 120-day period prior to the change in control or any time following the change in control and (b) the average annual incentive compensation for the then-past three full fiscal years to Messrs. McNamara, Williams and O’Toole, and two times the sum of (a) the highest base salary during the 120-day period prior to the change in control or any time following the change in control and (b) the average annual incentive compensation for the then-past three full fiscal years to the other participants, all paid in cash in a lump sum within 10 days following termination. If the termination were to take place in a fiscal year other than the fiscal year during which the change in control occurred, each participant would also receive a pro-rated portion of his or her three-year average annual incentive compensation. Participants would also receive benefits under the Company’s welfare benefit plans for a period of three (for Messrs. McNamara, Williams and O’Toole) or two years; a lump-sum cash payment within 10 days following termination in the amount of employer contributions to defined contribution plans; perquisites for a period of three (for Messrs. McNamara, Williams and O’Toole) or two years; and outplacement assistance up to \$25,000. Regardless of whether a participant is terminated and in addition to the severance benefits set forth above, upon a change in control, each participant in the Change in Control Plan would receive, within 10 days following the change in control, a lump-sum cash payment equal to the average of the participant’s annual incentive compensation for the then-past three full fiscal years, all unvested portions of stock option and restricted stock awards would vest in full and the Compensation Committee would allocate and distribute any shares of Capital Stock then unallocated under the Company’s equity-based plans (such benefits, “single-trigger” payments). Payments under the Change in Control Plan, including single-trigger payments, are conditioned on execution of a general release of claims in favor of the Company. If payments under the Change in Control Plan were subject to taxes imposed by Sections 4999 or 409A of the Code, participants would be entitled to gross-up payments.

Capital Stock Ownership Guidelines

Executive ownership of Capital Stock reflects an alignment of the interests of the Company’s executives and directors with those of its stockholders. All the Company’s non-employee directors, Vice Presidents, Senior Vice Presidents, Executive Vice Presidents, Business Unit Presidents and its Chief Executive Officer are required to acquire and retain a multiple of their base salary or board retainer in shares of Capital Stock.

The Chief Executive Officer’s required Capital Stock ownership multiple is five times base salary; for the Chief Financial Officer, Executive Vice Presidents and Business Unit Presidents, four times; for Senior Vice Presidents, three times; and for Vice Presidents, two times base salary. Time-based restricted stock awards count towards Capital Stock ownership goals. Non-employee directors are required to retain five times their annual board retainer, which is \$20,000, resulting in required holdings of \$100,000 in 2008. These guidelines are administered by the Compensation Committee. Mr. McNamara currently holds shares of Capital Stock with a market value of approximately 11 times his current base salary. All named executive officers have met their Capital Stock ownership guidelines, and all other executives and directors subject to the guidelines have either met their ownership requirements or are pursuing plans that will permit them to achieve them within the time frame allotted by the guidelines.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with the Company's management. Based on these reviews and discussions the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2008 Annual Report on Form 10-K and the Company's 2009 Proxy Statement:

George J. Walsh III, Chairman
Andrea R. Lindell
Frank E. Wood

Summary Compensation Table

The following table shows the compensation paid to the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Company in 2006, 2007 and 2008 for all services rendered in all capacities to the Company and its subsidiaries:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(a)	Option Awards (\$)(a)	Non-Qualified Deferred Compensation Earnings (\$)(b)	All Other Compensation (\$)(c)	Total (\$)
K. J. McNamara President and CEO	2008	\$ 713,333	\$ 1,450,000	\$ 458,625	\$ 1,513,716	\$ 2,819	\$ 494,744	\$ 4,633,237
	2007	666,667	1,350,000	1,553,684	955,518	1,791	502,589	5,030,249
	2006	625,000	900,000	258,875	225,871	1,372	368,434	2,379,552
D. P. Williams Executive Vice President and CFO	2008	385,167	550,000	170,566	666,862	1,303	187,809	1,961,707
	2007	335,667	475,000	748,308	422,655	827	205,788	2,188,245
	2006	296,750	240,000	72,138	84,706	634	102,904	797,132
T. S. O'Toole Executive Vice President	2008	529,167	365,000	196,923	409,100	2,484	242,393	1,745,067
	2007	511,333	350,000	805,954	268,249	1,575	234,398	2,171,509
	2006	435,750	225,000	101,154	84,706	1,209	187,457	1,035,276
S. S. Lee Executive Vice President	2008	288,000	245,000	86,749	314,174	1,280	236,916	1,172,119
	2007	274,000	314,000	575,235	207,999	812	266,857	1,638,903
	2006	263,875	245,000	27,564	56,458	623	157,281	750,801
A. V. Tucker, Jr. Vice President and Controller	2008	183,583	166,000	86,961	281,327	803	81,251	799,925
	2007	174,417	141,000	399,943	180,802	498	109,453	1,006,113
	2006							