FRANCHISE DISCLOSURE DOCUMENT

Roto-Rooter Corporation
An Iowa Corporation
300 Ashworth Road
West Des Moines, Iowa 50265
(515) 223 – 1343
http://rotorooter.com

The franchise offered is for the right to operate a business-offering sewer, drain, pipe cleaning and specific related services under the name "Roto-Rooter".

The initial franchise fee is $25,000 to $75,000 payable on signing the Franchise Agreement. The total investment necessary to begin operation of a Roto-Rooter franchised business is $123,110 to $281,550. This includes $25,000 to $75,000 that must be paid to franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

Franchisors may include additional disclosures on the cover page, on a separate cover page, or addendum to comply with state pre-sale disclosure laws.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC- HELP

or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Effective Date: March 31, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits 4 and 5.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 6 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Roto-Rooter business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Roto-Rooter franchisee?	Item 20 or Exhibits 4 and 5 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 1.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Iowa. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in Iowa than in your own state.

2. Mandatory Minimum Payments. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in the termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

ADDITIONAL DISCLOSURES FOR THE MULTISTATE FRANCHISE DISCLOSURE DOCUMENT OF ROTO-ROOTER CORPORATION

The following are additional disclosures for the Multistate Franchise Disclosure Document of ROTO-ROOTER CORPORATION required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY MICHIGAN FRANCHISE INVESTMENT LAW ONLY

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

FRANCHISE DISCLOSURE DOCUMENT FORMATS

This disclosure document is available in these formats delivered by U.S. Mail or by overnight courier service, as we determine.

1. An electronic copy of this disclosure document in PDF file format contained on a flash drive. In order to view this version of the disclosure document, you must have a personal device with a USB port. You must have software, such as Adobe Reader installed on the personal device that permits you to view files in pdf format. To install the latest version of Adobe Reader go to https://get.adobe.com/reader/.

2. A bound hard copy of this disclosure document by request only.

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is Roto-Rooter Corporation. For ease of reference, Roto-Rooter Corporation will be referred to as "we", "us" or "Roto-Rooter" in this Disclosure Document. We will refer to the person or entity who buys the franchise as "you" throughout the Disclosure Document. If you are a corporation, certain provisions of the agreements also apply to your owners and will be noted.

In 1935, Samuel O. Blanc founded a business in Des Moines, Iowa manufacturing equipment used for cleaning sewers and drains. This business was incorporated on February 13, 1936, as Roto-Rooter Corporation. Roto-Rooter Corporation began licensing independent businesspersons in 1936 to use the System and the Marks (defined below) in the operation of their sewer and drain cleaning business.

On July 8, 1980, Chemed Corporation ("Chemed"), a Delaware corporation whose principal place of business is 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726 acquired the business of Roto-Rooter Corporation via merger. On that date Chemed RR Company, a wholly owned subsidiary of Chemed, was incorporated in Iowa and merged with Roto-Rooter Corporation. We then changed our corporate name to Roto-Rooter Corporation.

From July, 1980 to August, 1984 we were a 100% owned subsidiary of Chemed. In August, 1984, Chemed transferred all our stock to Roto-Rooter Group, Inc. which is now a wholly owned subsidiary of Chemed. Roto-Rooter Group, Inc.'s principal place of business is Suite 2600, 255 East Fifth Street, Cincinnati, Ohio 45202-4725.

We do business under our corporate name and under the names “Roto-Rooter” and “Duracable Manufacturing Company.” Our business address is 300 Ashworth Road, West Des Moines, Iowa 50265. Our agents for services of process are disclosed in **Exhibit 1.**

We grant franchises for Roto-Rooter Businesses (defined below). We also manufacture and distribute certain equipment and products to our franchisees and others. We do not operate businesses of the type franchised but a company under common control with us, Roto-Rooter Services Company ("Roto-Rooter Services") operates similar businesses under an agreement with us.

The Roto-Rooter franchise which we offer is for qualified persons to operate a business (the "Business") offering and performing authorized sewer, drain and pipe cleaning services (the "Services") to the public within a prescribed geographic market area (the "Territory") following the methods and techniques we disclose (the "System") and under the trademarks and service marks we license from time to time, including the trademark "Roto-Rooter" (the "Marks"). You are not required to offer septic tank cleaning, plumbing repair,

pipe inspection services, water restoration services and other services we authorize in writing but may, at your option, do so. To the extent you offer those other services, the term "Services" as used in this Disclosure Document includes those services. You may not offer any other services under the Marks or using the System.

If you are a new Roto-Rooter franchisee or an existing Roto-Rooter franchisee scheduled for renewal from the date of the Disclosure Document, you must sign the new form of franchise agreement. The terms of the 2026 Agreement vary in several respects from the 2017 Agreement, and where appropriate those differences are noted in this Disclosure Document. Otherwise, references to the “Franchise Agreement” and all disclosures in this Disclosure Document describe terms and conditions that are the same under the 2017 Agreement.

You will be competing with other local companies who perform sewer, drain and pipe cleaning services and with plumbers and other individuals who provide similar services. You may also compete with national or regional companies who perform similar services or franchise or license others to do so. The market for the Services is developed in most areas and primarily consists of single and multiple family dwellings. Commercial, industrial and governmental customers also utilize the Services.

There are many federal, state and local regulations specific to the operation of a sewer, drain and pipe cleaning business regarding environmental matters and other aspects of your Business. You will also be subject to state and local licensing laws, codes and regulations, particularly as they relate to the operation of a plumbing business and certain types of water restoration work, such as mold remediation. For certain Services, such as septic pumping, you are subject to federal, state and local environmental health and sanitation laws and requirements. There may be other laws applicable to the Business and we urge you to make further inquiries about these laws.

We have offered the franchises similar to the franchise described in this Disclosure Document since the merger in 1980. Our predecessor offered similar businesses from 1936 until the merger. Roto-Rooter Services has operated similar businesses since the late 1930's. Except as described, we do not now, and neither we nor any predecessors or affiliates have ever offered franchises in any other lines of business which are required to be disclosed in this disclosure document.

Item 2

BUSINESS EXPERIENCE

Thad Reinhard – President

Mr. Reinhard was appointed our President in January 2018. He was Director of Plumbing for Roto-Rooter Services Company from September 2017 to January 2018. Prior to that, Mr. Reinhard was with Ferguson Enterprises from 1998 - 2017. He was Showroom and Area Sales Manager from 2013 - to 2017. From 2000 – 2012, he was in Residential and Commercial Plumbing Sales and in Sales Management from 1998 to 1999.

Spencer S. Lee – Director

Mr. Lee became our Director in 1999. Since 1999 he has been Chief Executive Officer of Roto-Rooter Group, Inc. From 1997 - 1999 he was a Senior Vice-President with Roto-Rooter Services Company. From 1985 - 1997 he was a Regional Vice-President with Roto-Rooter Services Company. From 1982 – 1985 he was an assistant Regional Manager and in 1981 was the Director of Development for Roto-Rooter Services Company. In 1980 he was Assistant to the President of Chemed Corporation.

Kevin J. McNamara - Director

Mr. McNamara became our Director in 1996. He has been Vice Chairman of Roto-Rooter Group, Inc. since 1994 and was its Secretary and General Counsel during 1986 - 1994. Mr. McNamara has been Chief Executive Officer since May 2001 and President of Chemed Corporation since 1994, and served as its Executive Vice President during 1993-1994, its Vice Chairman during 1986 - 1992 and its General Counsel and Secretary from 1986 - 1994.

Item 3

LITIGATION

Roto-Rooter Corporation's ultimate parent corporation, Chemed Corporation, also owns VITAS Healthcare Corporation.

VITAS is one of a group of hospice providers selected by the Office of the Inspector General's ("OIG") Office of Audit Services ("OAS") for inclusion in the audit of the provision of elevated level-of-care hospice services, which reviewed 100 out of a total population of 50,850 inpatient and continuous care claims.

On August 29, 2022, VITAS received a demand letter from its Medicare Administrative Contractor ("MAC") seeking repayment of $50.3 million. VITAS appealed the overpayment decision and deposited $50.3 million under the "Immediate Recoupment" process. The amount deposited was recorded as an "other long-term asset" in the consolidated balance sheets as of December 31, 2024, as detailed in Note 12.

On February 3, 2025, an Administrative Law Judge ("ALJ") ruled that VITAS' care met Medicare's hospice standards for the applicable higher level of care as originally billed for all but one of the claims appealed, and therefore VITAS was entitled to receive payment for all such claims. With respect to the one claim that the judge did not fully side with VITAS, the judge found that four of the five days billed met the applicable standard and only one day did not.

In a letter dated March 18, 2025, VITAS' MAC provided notice that due to the ALJ's ruling the total overpayment amount was reduced to a de minimis amount, and on April 1, 2025 refunded VITAS all previously unreturned deposited amounts in excess of that dollar figure.

As a result of the cybersecurity incident and data breach suffered by VITAS, multiple class action lawsuits have been filed against VITAS alleging various causes of action and seeking damages resulting from the breach. VITAS intends to defend against the allegations in these lawsuits. VITAS is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time.

Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity.

Other than the action described above, no litigation is required to be disclosed in this Disclosure Document.

Item 4

BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code (or comparable foreign law) required to be disclosed in this Item.

Item 5

INITIAL FEES

You are required to pay an initial franchise fee upon signing the Franchise Agreement of $0.15 per person within the Territory identified in the Franchise Agreement with a minimum initial franchise fee of $25,000. The Initial Franchise Fee is deemed fully earned and non-refundable upon payment. We do not currently charge a fee upon the expiration of the Franchise Agreement and the signing of a renewal on the latest agreement form. We may charge a fee in the future. If we charge a fee in the future to renew the franchise agreement, we will amend this document with the various Federal and State agencies to reflect this change.

As described in Item 8, certain required items may be purchased from us or our affiliates. Some of these items would be included as part of your equipment package and opening inventory and therefore might be purchased from us prior to opening. The amount would vary but would generally range from $22,000 to $50,000. See Item 7 for a more detailed discussion of your initial investment.

Item 6

OTHER FEES

Name of Fee[1]	Amount	Due Date	Remarks
Monthly Franchise Fee	From $280 to $36,000+ per month based on population formula[2] which increases every January 1[3].	Payable on the 1st day of the month, in advance.	Adjustable annually based on change in CPI and water restoration. May be reduced by rebates we provide.[6] Adjusted every 5-years for changes in population. On renewal, adjusted for Roto-Rooter's industry specific pricing inflation and increases in market penetration.
Transfer	1½% of the total sale price, with a minimum of $1,000 and not to exceed $7,500	Prior to consummation of transfer	Payable when the Franchise Agreement or any interest in you or it is transferred.
Renewal Fee	Currently we do not charge any fee although we have the right to do so.		
Indemnification	Will vary under circumstances	As incurred	You have to indemnify and hold us, our affiliates, officers, agents and employees harmless from all loss or damage, liability, cost and expense arising out of a violation of the Franchise Agreement by you and from all claims made by third parties in connection with the operation of your Business.

Name of Fee[1]	Amount	Due Date	Remarks
Local Advertising[4]	You must spend not less than; 11.11¢ per person in 2026, 11.38¢ per person in 2027, 11.65¢ per person in 2028, 11.92¢ per person in 2029, 12.22¢ per person in 2030, 12.52¢ per person in 2031, 12.82¢ per person in 2032, 13.14¢ per person in 2033, 13.47¢ per person in 2034, And 13.81¢ per person in 2035.	Must be spent annually by you. If you fail to do so, you must pay to us, within 14 days after the end of the Agreement Year, the amount you did not spend. It will be spent nationally by us.	You must submit required reports documenting your expenditures at the times and in the manner we request[5]
Administrative Fees	Add partner - $200.00; Drop partner - $200.00; Change of stock ownership - $200.00.	Prior to consummation of ownership change	

Name of Fee[1]	Amount	Due Date	Remarks
Equipment Purchases	Will vary under circumstances	If purchased from us, Net 30 days with approved credit plus a 5% rebate towards franchise fees if payments are received within 30 days of date of invoice. Not required to be purchased from us (See Item 8)[6]	

1/ All fees are imposed by and payable to us. All fees are non-refundable.

2/ During the first 12 months of the term of this Agreement the Monthly Franchise Fee shall be the product of the Territory's most recently determinable population ("MRDP") multiplied by the Franchise Fee per Population ("FFP"). During the first 12 months of the term of this Agreement the FFP will be $507.00 per month per 100,000 population or any portion thereof on the first 500,000 of population; $480.32 per month per 100,000 population or any portion thereof on the second 500,000 of population; and $453.62 per month per 100,000 population or any portion thereof on any remaining population over 1,000,000. The FFP in the first year of this Agreement is also referred to as the "Initial FFP". The FFP in each event will include the tiering calculation of the first 500,000 of population ("Tier 1"), the second 500,000 of population ("Tier 2") and all population in excess of 1,000,000 ("Tier 3").

Each tier of the Initial FFP for the first 12 months of the term of this Agreement shall be adjusted as follows: the Initial FFP per 100,000 population or any portion thereof on the first 500,000 of population shall be increased by **10%** (the "Tier 1 Percentage Increase"); the Initial FFP per 100,000 population or any portion thereof on the second 500,000 of population shall be increased by **25%** (the "Tier 2 Percentage Increase"); and the Initial FFP per 100,000 population or any portion thereof on any remaining population over 1,000,000 shall be increased by **30%** (the "Tier 3 Percentage Increase"); *provided*, that if at any time during a calendar year, less than one-half of then-existing Company-owned and operated Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year, the Tier 1 Percentage Increase shall be reduced to **5%**, the Tier 2 Percentage Increase shall be reduced to **10%**, and the Tier 3 Percentage Increase shall be reduced to **15%**; *provided further*, that if at all times during a calendar year one-half or more of then-existing Company-owned and operated

Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year and thereafter (subject to subsequent reductions on the terms of the immediately preceding proviso), the Tier 1 Percentage Increase shall revert to **10%**, the Tier 2 Percentage Increase shall revert to **25%**, and the Tier 3 Percentage Increase shall revert to **30%**. For such purposes, each Roto-Rooter Services Company branch will be considered a Company-owned unit even if there are multiple office and warehouse locations operated by that branch.

The Monthly Franchise Fee shall be rounded up or down to the nearest $5.00. The minimum Monthly Franchise Fee for the first 12 months of the term of this Agreement is $280.00. Thereafter, the Monthly Franchise Fee will be adjusted using the method described in footnote 3 below.

The principal source used for population data is the United States Census Bureau for all territory located within the United States. For territory located outside of the United States, an equivalent source will be used for the country where the population is located.

3/ Effective on each anniversary of this Agreement, Company will recalculate the Monthly Franchise Fee. This recalculation will adjust the FFP in proportion to the increase or decrease in the U.S. Consumer Price Index For All Urban Consumers (U.S. All City average; 1982-84 = 100) (the “Index”) during the preceding calendar year (the “Adjusted FFP”).

Company shall calculate each Adjusted FFP by multiplying the Initial FFP by a fraction, the numerator of which is the Index for December of the most recently completed calendar year and the denominator of which is the Index for the month of December of the calendar year next preceding the year in which this Agreement became effective. The Adjusted FFP will then be multiplied by the MRDP (which shall be subject to adjustment once every five (5) years as described below) to determine the recalculated Monthly Franchise Fee. The recalculated Monthly Franchise Fee shall be rounded up or down to the nearest $5.00.

The Adjusted FFP shall be adjusted as follows: the Adjusted FFP per 100,000 population or any portion thereof on the first 500,000 of population shall be increased by **10%** (the "Tier 1 Percentage Increase"); the Adjusted FFP per 100,000 population or any portion thereof on the second 500,000 of population shall be increased by **25%** (the "Tier 2 Percentage Increase"); and the Adjusted FFP per 100,000 population or any portion thereof on any remaining population over 1,000,000 shall be increased by **30%** (the "Tier 3 Percentage Increase"); *provided*, that if at any time during a calendar year, less than one-half of then-existing Company-owned and operated Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year, the Tier 1 Percentage Increase shall be reduced to **5%**, the Tier 2 Percentage Increase shall

be reduced to **10%**, and the Tier 3 Percentage Increase shall be reduced to **15%**; *provided further*, that if at all times during a calendar year one-half or more of then-existing Company-owned and operated Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year and thereafter (subject to subsequent reductions on the terms of the immediately preceding proviso), the Tier 1 Percentage Increase shall revert to **10%**, the Tier 2 Percentage Increase shall revert to **25%**, and the Tier 3 Percentage Increase shall revert to **30%**. For such purposes, each Roto-Rooter Services Company branch will be considered a Company-owned unit even if there are multiple office and warehouse locations operated by that branch.

If an Index figure is not available before an applicable adjustment date, Company will use an estimate of the Index until the official Index figure becomes available. If the Index is discontinued or modified, the most nearly equivalent Index published by the U.S. government will be used to compute the Monthly Franchise Fee.

Consistent with the understanding that the MRDP shall be updated once every five years, Company will update the MRDP effective as of the first day in the first month of the sixth year of this Agreement to the most recently determinable population of the Franchisee's Territory and shall use the updated MRDP to recalculate the Monthly Franchise Fee under the procedures described above for the sixth through tenth year of this Agreement.

4/ Must be spent on telephone directories, internet marketing, direct mail, media broadcasting, and trade show marketing materials for advertising the System and the Marks. Internet marketing includes paid online local advertising, including local yellow pages advertising and local pay per click. Media broadcasting includes local television, radio, outdoor billboards and direct mail or other advertising media that conveys the Roto-Rooter trademark within the Territory.

5/ Each successive 12-month period beginning on the effective date of the Franchise Agreement.

6/ The franchisee shall be offered a 5% discount for any Roto-Rooter branded products purchased by franchisee from Roto-Rooter Corporation, net of any other discounts, taxes, shipping cost and returns. In order to qualify for the discount, Roto-Rooter Corporation must receive payment in full for such purchase within 30 days of the invoice date. The discount will be given in the form of a reduction on the purchase invoice and will be considered a rebate of franchise fees.

Item 7

YOUR ESTIMATED INITIAL INVESTMENT (1)

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (2)	$25,000 to $75,000	On signing Franchise Agreement	Lump Sum	No	Us
Motor Vehicle (3)	$35,000 to $62,000	As Incurred	As Agreed	No	Outside Suppliers
Real Estate (4)					
Opening Equipment and Parts Inventory and Supplies (5)	$22,000 to $50,000	As Incurred	As Agreed	No	Us or Outside Suppliers
Advertising (6)	$16,110 to $60,550	As Incurred	Lump Sum or Installments	No	Advertising Sources
Miscellaneous Opening Costs (7)	$13,000 to $18,000	As Incurred	As Incurred	No	Third Parties
Additional Funds - 3 months (8)	$12,000 to $16,000	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (9)	$123,110 to $281,550				

Notes

1. The expenditures for this initial investment table are estimates for a start-up territory with a population of 100,000 – 500,000 people. It is assumed that the only Services you would provide to customers in this initial phase of operation are sewer, drain and pipe cleaning services. It is assumed you will personally perform cleaning services during the initial phase of your operations.

2. The initial franchise fee is $0.15 per person within the Territory identified in the Franchise Agreement with a minimum initial franchise fee of $25,000.

3. A motor vehicle, typically a van, is required to operate the Business. The vehicle need not be new but must be in good operating condition and repair, clean, painted white and properly identified with the required van markings. If you already own such a vehicle, no additional expenditure would be required, other than to paint and to identify the vehicle. The vehicle cost range varies depending on whether or not you already own the vehicle, purchase a used vehicle or purchase a new vehicle.

4. Most franchisees generally begin operations with one van or truck and operate out of their residence and no additional expenditure is required. The Franchise Agreement requires that you maintain an office and service facility. If you desire to lease or purchase a facility from which to operate the Business, approximately 1,200 square feet of office and storage area would be adequate for up to a three-truck operation. The costs of a facility will vary greatly, depending on condition of the facility, location and other factors. We are unable to estimate the costs associated with your lease or purchase of office space. The amount of the first month's rent and security deposit will depend on the area of the country in which the Business is located, the size, condition and location of the premises, the availability and demand for the premises among prospective lessees. If a building is purchased or constructed **Explanatory** rather than leased, you will incur additional capital or financing costs, or both. We cannot estimate these costs. They will be determined by market conditions and other factors.

5. The cost of equipment and parts which we would recommend for a business utilizing one truck is estimated to be between about $22,000 to about $50,000. This cost may be lower if you already own some of the equipment items or buy used equipment.

The equipment, parts and cable may, at your option, be purchased from us or from any other source. Payment is normally required at the time of purchase. As described in Item 10, neither we nor our affiliates offer financing to you.

6. You are required by the Franchise Agreement to advertise as described in Item 6. If you have more than one Roto-Rooter territory, you may combine your territories and allocate the combined minimum expenditures among your territories as you deem appropriate. Minimum local advertising expenditures are calculated based on the

population within your Territory. If the Territory has a population of 100,000 – 500,000, the minimum will range from about $11,110/year to $55,550/year. You may advertise in the Yellow Pages of telephone books in the Territory. Yellow Pages costs vary depending on publishers' rates, ad size, color and other factors. Yellow Pages costs in the first year of operation may range from $4,200 - $32,000 if the Territory has a population of 100,000 – 500,000. In addition, we estimate you could elect to spend up to an additional $5,000 for advertising during your first year of operation. This would include media advertising above the minimum described in Item 6.

7. This item covers miscellaneous opening costs and expenses, such as installation of telephones, deposits for gas, electricity and related items, business licenses, legal and accounting expenses, insurance premiums and retention of an answering service and paging device.

8. This item estimates your initial start-up expenses for a 3-month period. These expenses include payroll costs, but do not include any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business.

9. We relied on 90 years of experience in this business of us or our predecessors and affiliates to compile these estimates and on information we have obtained from our franchisees. As described in footnote 1, this estimate is for a start-up territory with a population of 100,000 – 500,000. The population of your Territory may vary substantially and would change certain described expenditures (see Item 6). You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Except as described in Item 10 with respect to certain equipment purchases, we do not offer financing directly or indirectly for any other part of the initial investment. The availability and terms of financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions. The estimate does not include any finance charge, interest or debt service obligation.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are required to use, in performing the Services, certain required van markings and uniform patches. These may be obtained from us or from other sources. Although not required to do so, most of our franchisees purchase their requirements of these items from us.

In the year ending December 31, 2025, our revenue from the sale of these items to our franchisees was $685,691, and our total revenue was $46.0 million. All of your required purchases represent 1.5% of our total revenue and 1% to 2% of your total purchases in connection with the establishment of your Business and 9% or less of your overall purchases in operating the Business. Our revenue figures were derived from our sales records used in preparing our profit and loss statement.

We do not designate particular suppliers from which van markings and uniform patches may be purchased but will notify franchisees, upon written request, whether any item is approved. We currently do not maintain a list of approved suppliers nor do we currently maintain criteria for approving suppliers. Any van markings or uniform patches that do not deviate from our specifications are, in effect, an approved item. None of our officers own an interest in any suppliers.

Neither we nor our affiliates receive any payments from any suppliers because of their transactions with our franchisees, although we reserve the right to do so. We do not negotiate purchase arrangements with suppliers for your benefit although from time to time we may arrange for discounted prices for our franchisees. We will give you a rebate on purchases of Roto-Rooter products, equipment and supplies you have ordered and continue to order from us. The rebate is 5% of the amount you pay for these purchases net of all discounts, taxes, shipping costs and returns, and will be applied to the related qualifying product invoice. No rebate will be given for any such purchases we have not received payment for within 30 days of the date of the invoice or bill. Except for the rebate described above, we do not provide any material benefits to you based on your use of designated or approved sources. There are no purchasing or distribution cooperatives.

You are required to carry insurance for bodily injury and property damage in a minimum amount equal to at least $1,000,000 single limit coverage. If you perform water restoration services, you are also required to carry Contractor's Pollution Liability (CPL) insurance coverage by a carrier with no less than an A- VIII rating by A.M. Best. We endorse insurance programs administered by Dawson Companies, formerly Luce, Smith and Scott, Franchise Insurance, but you may purchase the required coverage from any supplier. We do not name us as an additional insured on your policy. Upon request, you must furnish us

evidence of this insurance containing an endorsement that the policy or coverage may not be canceled without 30 days' notice to us.

We have reserved the right to approve all your advertising in advance and to establish rules, standards and procedures regarding the content, form and manner of advertising the System and the Marks.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Section 2(d)	Item 7
(b) Pre-opening purchases/leases	Section 9	Items 5 and 8
(c) Site development and other pre-opening requirements	None	
(d) Initial and ongoing training	None	
(e) Opening	None	
(f) Fees	Section 4	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	Section 6	Items 11 and 16
(h) Trademarks and proprietary information	Sections 1 and 8	Items 13 and 14
(i) Restrictions on products/services offered	Sections 1, 6 and 9	Items 8, 11 and 16
(j) Warranty and customer service requirements	Section 6(d)	

Obligation	Section in Franchise Agreement	Item in Disclosure Document
(k) Territorial development and sales quotas	Section 2	Item 12
(l) On-going product/service purchases	Section 9	Item 8
(m) Maintenance, appearance and remodeling requirements	Section 6	
(n) Insurance	Section 11	Items 7 and 8
(o) Advertising	Sections 2(a) and 7	Items 6, 7, 8 and 11
(p) Indemnification	Section 10	Item 6
(p) Owner's participation/management/staffing	Section 16	Item 15
(q) Records/reports	Sections 6(g) and 7(f)	Item 6
(r) Inspections/audits	Sections 6(g), 6(h) and 6(i)	Item 6
(s) Transfer	Section 14	Item 17
(t) Renewal	Section 15	Item 17
(u) Post-termination obligations	Section 13	Item 17
(v) Non-competition covenants	Section 16	Item 17
(w) Dispute resolution	None	Item 17

Item 10

FINANCING

Neither we nor our affiliates offer, either directly or indirectly, any financing arrangements.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide any assistance to you under the Franchise Agreement:

Before you open the Business, we will:

(a) Pursuant to Paragraph 9 of the Franchise Agreement, we will make available for purchase at your option the current Roto-Rooter brand equipment and parts line at prices and terms then prevailing. You will receive a rebate from us on these purchases, as described in Item 8.

During your operation of the Business, we will:

(a) Pursuant to Paragraph 9 of the Franchise Agreement, we will make available for purchase at your option the current Roto-Rooter brand equipment and parts line at prices and terms then prevailing. You will receive a rebate from us on these purchases, as described in Item 8.

(b) Pursuant to Paragraph 5 of the Franchise Agreement, we will provide you with those management, engineering and research services and advice concerning the System, the use and display of the Marks and your operation of the Business, which we make available to our franchisees generally, and we will provide advice and instructions to you with respect to the proper use of the System and the Marks. If you perform water restoration services, we may provide training and certifications for an additional fee.

c) Pursuant to Paragraph 5 of the Franchise Agreement, each year we will spend an amount equal to at least 15% of the aggregate monthly franchise fees we receive from all our United States and Canadian franchisees during the preceding year for market research, advertising and promotion of the Marks and the Services on a national scale, and for the development and production of advertising and (promotional material to be available to all our franchisees in promoting sales of Services under the Marks. However, the nature, type and coverage of such expenditures are solely within our discretion and such national advertising and promotion may or may not appear in your Territory.

(d) Pursuant to Paragraph 8 of the Franchise Agreement, we will consult our franchisees before implementing substantial changes in the trade dress of the System.

(e) Pursuant to Paragraph 8 of the Franchise Agreement, we will reimburse you for your reasonable out-of-pocket expenses in connection with certain trademark litigation in which we ask you to participate.

We are not obligated to maintain or administer an advertising fund. You are not required to participate in a local or regional advertising cooperative. You are not required to buy or use any particular electronic cash register or computer system. Attached as **Exhibit 3** are the tables of contents of the manuals we provided franchisees as of our most recent fiscal year end. We may provide a manual for water restoration services. You select the site for your Business in the Territory and we have no approval rights.

We estimate that there will be an interval of 1 to 12 months between the execution of the Franchise Agreement and your commencing Business, but the interval may vary based upon factors such as the delivery schedule for equipment and vehicles, hiring personnel and placement of advertising. We do not require any formal initial training program prior to opening nor are any additional training programs required once you have commenced operations.

Item 12

TERRITORY

You must operate your Business within the exclusive Territory identified in the Franchise Agreement. The Territory is typically described by city or county and is written in the Franchise Agreement. You do not receive the right to acquire additional franchises. You must notify us of the office you maintain but we have no prior right of approval. Neither we nor an affiliate will grant another license or franchise for the purpose of conducting sewer, drain and pipe cleaning services using the Marks in the Territory, nor will we or our affiliate perform the Services using the Marks in the Territory.

The Territory will not be altered even if there is a population increase. It will not be affected by your sales volume, market penetration or other contingency.

The Franchise Agreement requires you to conduct local advertising. You may place advertisements or listings in telephone directories covering and distributed in the Territory. If a telephone directory is usually and customarily distributed both within and outside of the Territory, your advertisements must specify the Territory in not less than eight-point type. You may not place listings or advertisements in telephone directories which are usually and customarily distributed only outside the Territory. You are only authorized to sell and solicit Services within the Territory using the Marks. You are prohibited from rendering Services at any location outside the Territory using the Marks, unless you are acting as a subcontractor to another franchisee for a particular job billed by the other franchisee.

We, or an affiliate or anyone authorized by us or an affiliate, may sell any products identified by the Marks or different trademarks and trade names in the Territory whether or not the products are the same or similar to any products you sell.

We, or an affiliate or anyone authorized by us or an affiliate, may operate businesses anywhere, including in the Territory that sell the same or similar services as the Services or any other services under a different trademark or trade name or sell other services under the Marks.

Item 13

TRADEMARKS

Under the Franchise Agreement, we grant you the right to use the Marks in connection with the operation of the Business. Our primary trademarks to be used by you to identify the business include the following:

"ROTO-ROOTER" Reg. No. 597,721 Reg. Date: 11/02/54 Renewed: 11/02/24	"ROTO-ROOTER" and Design Reg. No. 745,984 Reg. Date: 02/26/63 Renewed: 02/26/23
"RAZOR KLEENS" Reg. No. 800,523 Reg. Date: 12/14/65 Renewed: 12/14/15	"AND AWAY GO TROUBLES DOWN THE DRAIN" Reg. No. 1,020,089 Reg. Date: 09/09/75 Renewed: 09/09/15
"ROTO-ROOTER" Reg. No. 1,199,063 Reg. Date: 06/22/82 Renewed: 06/22/22	“ROTO-ROOTER” Reg. No. 1,221,194 Reg. Date: 12/21/82 Renewed: 12/21/22

"ROTO-ROOTER" and Design Reg. No. 1,270,267 Reg. Date: 03/13/84 Renewed: 03/13/24	"ROTO-ROOTER" and Design Reg. No. 1,241,460 Reg. Date: 06/07/83 Renewed: 06/07/23
“ROTO-ROOTER” Reg. No. 4,599,688 Reg. Date: 09/09/24	“ROTO-ROOTER” and Design Reg. No. 4,599,689 Reg. Date: 09/09/24
“ROTO-ROOTER” and Design Reg. No. 5,405,935 Reg. Date: 02/20/18	“ROTO-ROOTER” and Design Reg. No. 5,405,934 Reg. Date: 02/20/18
“ROTO-ROOTER” and Design Reg. No. 5,485,203 Reg. Date: 06/05/18	“ROTO-ROOTER” and Design Reg. No. 5,474,783 Reg. Date: 05/22/18
“ROTO-ROOTER” and Design Reg. No. 5,485,300 Reg. Date: 06/05/18	

All required affidavits of use have been filed. All of the above Marks are registered on the Principal Register.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks. There are no other agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material to the franchise.

You may use the Marks only in the way and where we say and only in connection with the sale and performance of Services we expressly authorize in writing. You shall promote and identify the Services in the Territory and only in the Territory and shall not use the Marks in connection with the sale or lease of unauthorized products or services. On receipt of notice from us that the Marks are being used in an unauthorized manner, you must immediately cease the unauthorized use. You may not alter or add to the form or content of the Marks in any manner nor use the mark "Roto-Rooter" or any colorable imitation of it in any corporate or trade name. On receipt of our prior written consent and performance by you of conditions we specify, you may include "Roto-Rooter" as part of a fictitious name filing required by state law. You may not file or acquire any registration (state

or federal) for the Marks or any trademark or service mark (or variation thereof) confusingly similar to the Marks. We reserve the right to alter or replace the principal identifying characteristics of the Business, including the trade dress and principal trademark and service mark identification of the Services and of the Business as franchised by the Franchise Agreement. We will not however withdraw the license to use the "Roto-Rooter" trademark. We will consult our franchisees before implementing substantial changes in the trade dress of the System. You must make these changes on notice from us. You shall prominently identify yourself in your office and on your forms and advertisements as an independent business operated under a license from us in the form and content as we may direct.

You must advise us of all uses by others of names, symbols and devices comprising, consisting of, or similar to the name "Roto-Rooter" or any of the Marks, including any variations or colorable imitations of them. We will solely determine whether these uses are unauthorized uses and whether action should be commenced to curtail these uses. All lawsuits and actions for trademark infringement or dilution and/or unfair competition shall be brought by us; however, if we request, you must consent to be named as a party in any lawsuit or action and lend your full cooperation and assistance in the preparation and prosecution of such lawsuit or action. We will reimburse you for all reasonable out-of-pocket expenses incurred by you at our request in regard to the foregoing. You may not institute any legal action alleging infringement of the Marks. You are specifically prohibited from charging other entities with infringement, from initiating suit for infringement, or dilution of the Marks.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise. We claim copyright protection of our written materials, videotapes and related materials although these materials have not been registered with the United States Registrar of Copyrights. The written materials, videotapes and related materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally,

there are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

We will grant you a license to use certain confidential or proprietary materials in connection with the advertising and sale of the Services under the Marks. Any information, knowledge, or know-how, including without limitation, drawings, materials, equipment, marketing, videotapes, and other data, which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that you or your majority owners be in active and full-time charge of the Business. This does not require corporate, partnership or individual owners to participate in on-premises supervision, although on-premises supervision is recommended. The Franchise Agreement does not restrict you as to whom you can hire to conduct on-premises supervision. Your manager is not required to attend a training program or maintain any equity interest in you. We must be informed of the identity of your manager. We do not require you to place any restrictions on your manager.

If you are a corporation or partnership, your principal shareholders or partners must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must offer, sell and perform sewer, drain and pipe cleaning services in the Territory using the System and the Marks. You may also, but are not required to, offer, sell and perform septic tank cleaning services, plumbing repair services, pipe inspection services, and water restoration services using the System and the Marks. You cannot offer, sell or perform any other services using the System or the Marks (see Items 8 and 9). We have no right to change the types of authorized Services you are required to perform during the term of the Franchise Agreement, but we may do so on renewal.

You must comply at all times with our service standards. You and your owners may not have any interest in another business that provides residential sewer drain and pipe cleaning services in the Territory and/or an adjoining county.

We place no restrictions upon your ability to provide Services to any customers provided you do so in conjunction with the Marks and only within the Territory, unless you are performing Services in the territory of another franchisee as a subcontractor to the other franchisee for a particular job which is billed by the other franchisee (see Item 12).

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this disclosure document.

THE FRANCHISE RELATIONSHIP

Provision		Section in Franchise Agreement	Summary
a.	Term of the franchise	Section 3	10 years.
b.	Renewal or extension of the term	Section 15	Renewal on new terms and conditions is permitted (including certain increases in the Monthly Franchise Fee) if you meet certain requirements.
c.	Requirements for you to renew	Section 15	On the expiration of Agreement and provided you are not then in default under the terms of Agreement, we shall offer you the right to enter into a new franchise agreement with us for a term of ten (10) years and upon the terms and conditions as then offered to other franchisees whose franchise agreements are being renewed. We also reserve the right to make reasonable revisions of the terms of the Agreement upon renewal,

Provision		Section in Franchise Agreement	Summary
			as appropriate. The new franchise agreement will be mailed by us to your last known address by ordinary or such certified mail as we may determine, at least sixty (60) days prior to the expiration of Agreement, and you will have until the expiration date of Agreement to accept the new franchise agreement and return fully executed copies thereof to us.
d.	Termination by you	Section 12	At any time with 60-day notice, subject to state law
e.	Termination by us without cause	None	
f.	Termination by us with cause	Section 13	We can terminate only if you commit any one of several violations.
g.	"Cause" defined-defaults which cannot be cured	Section 13	Another default after 2 previous defaults in any 6-month period, whether or not cured.
h.	"Cause" defined-defaults which can be cured	Section 13(a) through (i)	30 days cure for all other defaults.
i.	Your obligations on termination/nonrenewal	Section 13	Cease operating Business, cease use of System and Marks, cancel assumed or similar name registrations, or de-identify, pay outstanding amounts.

Provision		Section in Franchise Agreement	Summary
j.	Assignment of contract by us	Section 20	No restriction on our right to assign.
k.	"Transfer" by you - definition	Section 14(a)	Includes transfer of any right or interest in the Agreement or you.
l.	Our approval of transfer by you	Section 14(b) and 14(c)	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 14(c)	You are not in default, transferee qualifies and provides required documents, assumes all your obligations, transfer fee paid, you execute and deliver release, transferee's owners sign guaranty.
n.	Our right of first refusal to acquire your business	None	
o.	Our option to purchase your business	Section 13	If we terminate you, we will purchase all unused items you purchased from us.
p.	Your death or disability	Section 14(d)	Heirs may continue to operate provided they meet requirements described in m. above.
q.	Non-competition covenants during the term of the franchise	Section 16	No involvement in any other business engaged in residential sewer, drain and pipe cleaning service businesses in the Territory or adjacent counties, subject to state law.

Provision		Section in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	None	Subject to state law.
s.	Modification of the agreement	Section 20	No modifications without writing.
t.	Integration/merger clause	Section 20	Only terms of Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	
v.	Choice of forum	None	
w.	Choice of law	None	

Item 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Thad Reinhard, 300 Ashworth Road, West Des Moines, Iowa 50265 at (515) 223-1343, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

As described in Item 1, we do not operate businesses of the type franchised pursuant to this Disclosure Document. Our affiliate, Roto-Rooter Services operates similar business and as used in this Item 20, Company-owned businesses refers to businesses of Roto-Rooter Services.

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2023 TO 2025

Table No. 1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	348	341	-7
	2024	341	337	-4
	2025	337	333	-4
Company-Owned	2023	115	117	+2
	2024	117	116	-1
	2025	116	115	-1
Total Outlets	2023	463	458	-5
	2024	458	453	-5
	2025	453	448	-5

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (Other Than The Franchisor) FOR YEARS 2023 TO 2025

Table No. 2

State	Year	Number of Transfers
Alabama	2023	0
	2024	0
	2025	0
Alaska	2023	0
	2024	0
	2025	0
Arizona	2023	0
	2024	1

State	Year	Number of Transfers
	2025	0
Arkansas	2023	1
	2024	1
	2025	0
California	2023	1
	2024	2
	2025	0
Colorado	2023	0
	2024	0
	2025	1
Connecticut	2023	0
	2024	0
	2025	0
Delaware	2023	0
	2024	0
	2025	0
Florida	2023	0
	2024	3
	2025	0
Georgia	2023	0
	2024	0
	2025	0
Hawaii	2023	0
	2024	0
	2025	0
Idaho	2023	0

State	Year	Number of Transfers
	2024	0
	2025	0
Illinois	2023	1
	2024	0
	2025	0
Indiana	2023	0
	2024	0
	2025	0
Iowa	2023	0
	2024	0
	2025	0
Kansas	2023	0
	2024	0
	2025	0
Kentucky	2023	0
	2024	0
	2025	0
Louisiana	2023	0
	2024	0
	2025	0
Maine	2023	0
	2024	0
	2025	0
Maryland	2023	0
	2024	0
	2025	0

State	Year	Number of Transfers
Massachusetts	2023	0
	2024	0
	2025	0
Michigan	2023	0
	2024	0
	2025	1
Minnesota	2023	0
	2024	1
	2025	0
Mississippi	2023	0
	2024	0
	2025	0
Missouri	2023	0
	2024	0
	2025	1
Montana	2023	0
	2024	0
	2025	1
Nebraska	2023	0
	2024	0
	2025	0
Nevada	2023	0
	2024	0
	2025	0
New Hampshire	2023	0
	2024	0

State	Year	Number of Transfers
	2025	0
New Jersey	2023	0
	2024	0
	2025	0
New Mexico	2023	0
	2024	0
	2025	0
New York	2023	1
	2024	1
	2025	0
North Carolina	2023	0
	2024	0
	2025	0
North Dakota	2023	0
	2024	0
	2025	0
Ohio	2023	0
	2024	1
	2025	0
Oklahoma	2023	0
	2024	1
	2025	0
Oregon	2023	0
	2024	0
	2025	1
Pennsylvania	2023	0

State	Year	Number of Transfers
	2024	0
	2025	0
Rhode Island	2023	0
	2024	0
	2025	0
South Carolina	2023	0
	2024	0
	2025	0
South Dakota	2023	0
	2024	0
	2025	0
Tennessee	2023	0
	2024	0
	2025	1
Texas	2023	0
	2024	1
	2025	0
Utah	2023	0
	2024	0
	2025	0
Vermont	2023	0
	2024	0
	2025	0
Virginia	2023	0
	2024	0
	2025	0

State	Year	Number of Transfers
Washington	2023	0
	2024	0
	2025	0
West Virginia	2023	0
	2024	0
	2025	0
Wisconsin	2023	0
	2024	1
	2025	0
Wyoming	2023	0
	2024	0
	2025	0
Totals	2023	4
	2024	13
	2025	6

STATUS OF FRANCHISED OUTLETS FOR YEARS 2023 TO 2025

Table No. 3

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2023	16						16
	2024	16						16
	2025	16						16
Alaska	2023	1						1
	2024	1						1
	2025	1						1
Arizona	2023	5						5
	2024	5	2					7
	2025	7						7
Arkansas	2023	8						8
	2024	8						8
	2025	8						8
California	2023	37						37
	2024	37						37
	2025	37						37

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Colorado	2023	10		1				9
	2024	9						9
	2025	9						9
Connecticut	2023	0						0
	2024	0						0
	2025	0						0
Delaware	2023	1						1
	2024	1						1
	2025	1						1
Florida	2023	7						7
	2024	7						7
	2025	7						7
Georgia	2023	12	1	1		1		11
	2024	11						11
	2025	11						11
Hawaii	2023	2						2
	2024	2						2

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2025	2						2
Idaho	2023	4						4
	2024	4						4
	2025	4						4
Illinois	2023	13		1				12
	2024	12		1				11
	2025	11						11
Indiana	2023	11						11
	2024	11						11
	2025	11						11
Iowa	2023	16						16
	2024	16						16
	2025	16						16
Kansas	2023	5		1				4
	2024	4						4
	2025	4						4
Kentucky	2023	2						2

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2024	2				1		1
	2025	1		1				0
Louisiana	2023	6						6
	2024	6						6
	2025	6						6
Maine	2023	1						1
	2024	1						1
	2025	1						1
Maryland	2023	4						4
	2024	4						4
	2025	4						4
Massachusetts	2023	0						0
	2024	0						0
	2025	0						0
Michigan	2023	6						6
	2024	6						6
	2025	6				1		5

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Minnesota	2023	4						4
	2024	4						4
	2025	4						4
Mississippi	2023	9						9
	2024	9						9
	2025	9		1				8
Missouri	2023	8						8
	2024	8						8
	2025	8						8
Montana	2023	8						8
	2024	8						8
	2025	8						8
Nebraska	2023	0						0
	2024	0						0
	2025	0						0
Nevada	2023	1						1
	2024	1						1

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2025	1						1
New Hampshire	2023	0						0
	2024	0						0
	2025	0						0
New Jersey	2023	7						7
	2024	7				1		6
	2025	6						6
New Mexico	2023	7						7
	2024	7						7
	2025	7						7
New York	2023	11						11
	2024	11						11
	2025	11						11
North Carolina	2023	8						8
	2024	8						8
	2025	8						8
North Dakota	2023	4						4

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2024	4						4
	2025	4						4
Ohio	2023	16						16
	2024	16						16
	2025	16						16
Oklahoma	2023	7						7
	2024	7						7
	2025	7						7
Oregon	2023	9						9
	2024	9						9
	2025	9		1				8
Pennsylvania	2023	10						10
	2024	10						10
	2025	10						10
Rhode Island	2023	0						0
	2024	0						0
	2025	0						0

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
South Carolina	2023	5				1		4
	2024	4						4
	2025	4						4
South Dakota	2023	1						1
	2024	1						1
	2025	1						1
Tennessee	2023	12						12
	2024	12						12
	2025	12						12
Texas	2023	14		1				13
	2024	13				1		12
	2025	12						12
Utah	2023	2						2
	2024	2						2
	2025	2						2
Vermont	2023	3		1				2
	2024	2						2

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2025	2						2
Virginia	2023	6						6
	2024	6						6
	2025	6						6
Washington	2023	6						6
	2024	6		1				5
	2025	5						5
West Virginia	2023	4						4
	2024	4						4
	2025	4						4
Wisconsin	2023	15						15
	2024	15						15
	2025	15						15
Wyoming	2023	4						4
	2024	4		1				3
	2025	3						3
Totals	2023	348	1	6		2		341

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2024	341	2	3		3		337
	2025	337		3		1		333

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2023 TO 2025

Table No. 4

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Alabama	2023	2					2
	2024	2					2
	2025	2					2
Arizona	2023	2					2
	2024	2					2
	2025	2					2
Arkansas	2023	2					2
	2024	2					2

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2025	2					2
California	2023	7					7
	2024	7					7
	2025	7					7
Colorado	2023	3					3
	2024	3					3
	2025	3					3
Connecticut	2023	2					2
	2024	2			1[1]		1
	2025	1					1
Delaware	2023	1					1
	2024	1					1
	2025	1					1
Florida	2023	10					10
	2024	10					10
	2025	10					10
Georgia	2023	2		1			3

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2024	3					3
	2025	3					3
Hawaii	2023	1					1
	2024	1					1
	2025	1					1
Idaho	2023	1					1
	2024	1					1
	2025	1					1
Illinois	2023	1					1
	2024	1					1
	2025	1					1
Indiana	2023	4					4
	2024	4					4
	2025	4					4
Kansas	2023	1					1
	2024	1					1
	2025	1					1

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Kentucky	2023	1					1
	2024	1		1			2
	2025	2					2
Louisiana	2023	3					3
	2024	3					3
	2025	3					3
Maine	2023	0					0
	2024	0					0
	2025	0					0
Maryland	2023	1					1
	2024	1					1
	2025	1					1
Massachusetts	2023	2					2
	2024	2					2
	2025	2					2
Michigan	2023	3					3
	2024	3					3

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2025	3		1[2]			3
Minnesota	2023	1					1
	2024	1					1
	2025	1					1
Mississippi	2023	2					2
	2024	2					2
	2025	2					2
Missouri	2023	3					3
	2024	3					3
	2025	3					3
Nebraska	2023	2					2
	2024	2					2
	2025	2					2
Nevada	2023	2					2
	2024	2					2
	2025	2					2
New Hampshire	2023	1					1

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2024	1					1
	2025	1					1
New Jersey	2023	2					2
	2024	2		1[3]			2
	2025	2					2
New Mexico	2023	1					1
	2024	1					1
	2025	1					1
New York	2023	7					7
	2024	7					7
	2025	7			1[4]		6
North Carolina	2023	6					6
	2024	6					6
	2025	6					6
Ohio	2023	6					6
	2024	6					6
	2025	6					6

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Oregon	2023	2					2
	2024	2					2
	2025	2					2
Pennsylvania	2023	5					5
	2024	5					5
	2025	5					5
Rhode Island	2023	1					1
	2024	1					1
	2025	1					1
South Carolina	2023	3		1			4
	2024	4					4
	2025	4					4
Tennessee	2023	3					3
	2024	3					3
	2025	3					3
Texas	2023	8					8
	2024	8			1[5]		7

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2025	7					7
Utah	2023	1					1
	2024	1					1
	2025	1					1
Vermont	2023	1					1
	2024	1					1
	2025	1					1
Virginia	2023	4					4
	2024	4					4
	2025	4					4
Washington	2023	4					4
	2024	4					4
	2025	4					4
West Virginia	2023	1					1
	2024	1					1
	2025	1					1
Totals	2023	115		2			117

State	Year	Outlets At Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
	2024	117		2[3]	2[1,5]		116
	2025	116		1[2]	1[4]		115

1/ One company-owned location in Connecticut was merged into an existing company outlet in 2024.

2/ Reacquired franchise in Michigan merged into existing company-owned outlet in 2025.

3/ Franchise reacquired in New Jersey in 2024 was merged into an existing company outlet.

4/ One company-owned location in New York merged into another company-owned outlet in 2025.

5/ One company-owned outlet in Texas was merged into an existing company outlet in 2024.

PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2025

Table No. 5

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Total	0	0	0

A list of the names of all franchisees and the addresses and telephone numbers of their Businesses located in this state, or if fewer than 100, all contiguous states and the next closest states until 100 are listed, is attached as **Exhibit 4** to this Disclosure Document. A list of the name, city and state, and current business telephone number, or if unknown, the last home telephone number of every franchisee who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during fiscal year 2025 or who has not communicated with us within ten (10) weeks of the disclosure document issuance date is attached as **Exhibit 5**. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. There have not been any confidentiality clauses signed by franchisees during the past three fiscal years.

"The following independent franchisee organization has asked to be included in this disclosure document." Roto-Rooter Franchisee Association, PO Box 2190, 251 S.L. White Blvd, La Grange GA 30241 Telephone:(706) 333-7438, Website: www.rrfa.org, Email: cbaker@asginfo.net

Item 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit 6** are our audited financial statements of our parent, Chemed Corporation. They include balance sheets as of December 31, 2024 and December 31, 2025, and statements of income and cash flow for the periods ending December 31, 2023, December 31, 2024 and December 31, 2025. We do not provide you with our financial statements. Therefore, you do not have knowledge of how we have performed. However, Chemed Corporation unconditionally guarantees the performance of our obligations to our franchisees.

Item 22

CONTRACTS

The following agreement is attached as an exhibit to this disclosure document:

Franchise Agreement – Exhibit 2

EXHIBIT 1

List of State Agencies/Agents
For Service of Process

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws in those states in which Roto-Rooter Corporation is registered to sell franchises under the state's franchise law.

CALIFORNIA

Department of Corporations:

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7500
Exemption filed

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

1390 Market Street, Suite 801
San Francisco, California 94102
(415) 557-3787

HAWAII
(state administrator)

Commissioner of Securities
Department of Commerce and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722
Effective Date: Pending

(agent for service of process)

Commissioner of Securities
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62701
(217) 782-4465
Exemption filed

INDIANA
(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681
Exemption filed

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place, 25th Floor
Baltimore, Maryland 21202-2021
(410) 576-6360
Exemption filed

(for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place, 25th Floor
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN
(state administrator)

Consumer Protection Division
Franchise Section
Michigan Attorney General's Office
525 West Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 335-7567
Effective Date: Pending

(for service of process)

Michigan Department of Attorney General
Consumer Protection Division
Franchise Section
P.O. Box 30213
Lansing, Michigan 48909

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1638
Effective Date: Pending

NEW YORK
(state administrator)

New York State Department of Law
Bureau of Investor Protection
and Securities
120 Broadway
New York, New York 10271
(212) 416-8000
Exemption filed

(for service of process)

Secretary of State of New York
41 State Street
Albany, New York 12231
(518) 474-4750

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
Dept. 401
Bismarck, North Dakota 58505
(701) 328-2910
Exemption filed

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
350 Winter Street NE
Salem, Oregon 97310
(503) 378-4387
Effective Date: Pending

RHODE ISLAND

Department of Business Regulation
Securities Division
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9500
Exemption filed

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 South Euclid, 2nd Floor
Pierre, South Dakota 57501
(605) 773-3563
Effective Date: Pending

VIRGINIA
(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051
Effective Date: Pending

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9967

WASHINGTON
(state administrator)

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, Washington 98501
(360) 902-8760
Effective Date: Pending

(for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, Washington 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
Securities and Franchise Registration
PO Box 1768
Madison, WI 53701-1768
(608) 266-0448
Effective Date: Pending

EXHIBIT 2

Franchise Agreement

Roto-Rooter Franchise Agreement

No. _____

FRANCHISE AGREEMENT made this **1st** day of _____ effective _____

between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and

_____ ("Franchisee") of _____.

WITNESSETH:

WHEREAS, Company has developed methods and techniques known as the Roto-Rooter System for performing sewer, drain and pipe cleaning services and for selling such services to the public (the "Roto-Rooter System"); and

WHEREAS, Company presently owns and has registered as a trademark and service mark the Roto-Rooter emblem and the following marks: "Roto-Rooter", "Razor Kleens", "There's Only One" and "And Away Go Troubles Down the Drain" (the "Marks"); and

WHEREAS, Franchisee has represented to Company that Franchisee wishes to use the Roto-Rooter System and the Marks in selling to the public and in performing sewer, drain and pipe cleaning services only within the territory described herein and that Franchisee will perform and sell sewer, drain and pipe cleaning services within that territory to the satisfaction of Company and in accordance with the standards of performance and other terms and conditions set forth in this Agreement.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. LICENSE AND FRANCHISE

On the terms and subject to the conditions of this Agreement, Company hereby grants to Franchisee, and Franchisee hereby accepts, a license and franchise to use the Marks in connection with the advertising, performance and sale of sewer, drain and pipe cleaning services ("Services") in accordance with the methods and techniques disclosed by Company to Franchisee (collectively, the "System") solely within the geographic market area described in Paragraph 2 of this Agreement (the "Territory"). The Company further grants to Franchisee, and Franchisee hereby accepts, a license and franchise to utilize confidential, proprietary materials ("Confidential Materials") in connection with the advertising and sale of Services under the Marks, and Franchisee agrees to use Confidential Materials only for such purposes and not to disclose Confidential Materials to any third party without the prior written consent of Company. These Confidential Materials shall include video tapes, manuals, reports and any other information supplied by Company to Franchisee, and identified as Confidential Materials, which relate to the System and are intended to assist Franchisee in the promotion and operation of its

sewer, drain and pipe cleaning business. Franchisee may also, but shall not be required to, use the Marks in connection with septic tank cleaning services, plumbing repair services, pipe inspection services, and Water Restoration Services (hereinafter defined), and such other services, if any, which the Company shall hereafter expressly authorize in writing. To the extent such services are offered by Franchisee under authority of Company, all such services shall be included with the definition of Services as set forth above and referred to throughout this Agreement. Franchisee shall perform all Services in compliance with all applicable laws and industry standards. The term "Water Restoration Services" means: (i) extracting water from floor coverings and structures (such as drywall); (ii) removing floor coverings, structures and personal effects as appropriate; (iii) applying anti-microbial agents; (iv) drying floor coverings and structures using appropriate equipment; (v) cleaning the air; (vi) cleaning floor coverings and deodorizing; and (vii) other related professional water damage restoration services, such as remediation of mold, remediation of fire, smoke and soot, and reconstruction and redecorating. During the term of this Agreement, Company agrees that neither it nor its affiliate will grant an additional license or franchise for the purpose of conducting sewer, drain and pipe cleaning services using the Marks within the Territory, or perform Services identified by the Marks in the Territory. The license and franchise granted herein applies only to the use of the Marks in the solicitation and sale of the Services using the System within the Territory and does not apply to any other service marks or any trademark of Company or its affiliates or the use of any Marks in connection with the sale of any other product or service. Company reserves all rights not expressly licensed to Franchisee herein with respect to the Marks, the Services or any products or any other trademarks or services, anywhere in the world, including but not limited to the rights of Company and its affiliates to (i) provide or license Services or any other services under different trademarks and trade names; (ii) use the Marks to provide or license other services; and (iii) develop, manufacture, license, distribute, market or sell products in any channel of distribution under the Marks or different trademarks and trade names, whether or not the products are the same or similar to products sold by Franchisee.

2. FRANCHISE TERRITORY

The license and franchise described in Paragraph 1 of this Agreement is granted to Franchisee on the condition that Franchisee will assume responsibility for selling to the public and performing the Services using the System identified by the Marks and only in the following described Territory:

(the "Territory":) and on the condition that Franchisee will sell and perform such Services in accordance with the terms and conditions set forth in this Agreement.

As express conditions for the grant of this franchise, during the term of this Agreement Franchisee shall:

(a) Actively and continuously advertise and promote within the Territory the System and the Marks. Company reserves the right to direct Franchisee to modify or discontinue advertisements that Company believes to present a risk of misleading prospective customers as to the authorized service area or authorized Services of Franchisee, and Franchisee shall promptly comply with any such directive.

(b) Actively and continuously sell and solicit sales only within the Territory of Services using the System in conjunction with and identified by the Marks. Franchisee shall not render Services in conjunction with or identified by the Marks at any location outside the Territory; provided that Franchisee may perform Services in the Territory of another franchisee only as a subcontractor to the other franchisee for a particular job that is billed by the other franchisee.

(c) Render Services that are to be performed pursuant to the System.

(d) Maintain office and service facilities for use by Franchisee in connection with the sale of Services. Franchisee shall notify Company of the address, telephone and facsimile transmission number, and email address of each such location established under this Agreement and any changes.

(e) Comply at all times with the service standards set forth in Paragraph 6 of this Agreement.

3. TERM

This Agreement shall become effective on _____ and shall expire on _____, unless terminated earlier under the provisions of Paragraphs 12 or 13 of this Agreement.

4. FRANCHISE AND LICENSEE FEES

(a) For the franchise granted by this Agreement and the right to use the System and the Marks, Company acknowledges receipt from Franchisee of an initial fee of **N.A.**

(b) Franchisee shall pay to Company at its offices in West Des Moines, Iowa, in advance on the first day of each month a monthly franchise fee (the "Monthly Franchise Fee").

Timely payment of the Monthly Franchise Fee is a material condition to this Agreement. During the first 12 months of the term of this Agreement the Monthly Franchise Fee shall be the product of the Territory's most recently determinable population ("MRDP") multiplied by the Franchise Fee per Population ("FFP"). During the first 12 months of the term of this Agreement the FFP will be **$507.00** per month per 100,000 population or any portion thereof on the first 500,000 of population; **$480.32** per month per 100,000 population or any portion thereof on the second 500,000 of population; and **$453.62** per month per 100,000 population or any portion thereof on any remaining population over 1,000,000. The FFP in the first year of this Agreement is also referred to as the "Initial FFP". The FFP in each event will include the tiering calculation of the first 500,000 of population (“Tier 1”), the second 500,000 of population (“Tier 2”) and all population in excess of 1,000,000 (“Tier 3”). The Monthly Franchise Fee shall be rounded up or down to the nearest $5.00.

The Monthly Franchise Fee for the first twelve months of this Agreement will be **$280** as calculated on Attachment A of this Agreement. The Company will provide the Franchisee with an updated annual Attachment A setting out the recalculated Monthly Franchise Fee.

Effective on each anniversary of this Agreement, Company will recalculate the Monthly Franchise Fee. This recalculation will adjust the FFP in proportion to the increase or decrease in the U.S. Consumer Price Index For All Urban Consumers (U.S. All City average; 1982-84 = 100) (the "Index") during the preceding calendar year (the "Adjusted FFP"). See Attachment B for examples of this process. If an Index figure is not available before an applicable adjustment date, Company will

use an estimate of the Index until the official Index figure becomes available. If the Index is discontinued or modified, the most nearly equivalent Index published by the U.S. government will be used to compute the Monthly Franchise Fee.

Company shall calculate each Adjusted FFP by multiplying the Initial FFP by a fraction, the numerator of which is the Index for December of the most recently completed calendar year and the denominator of which is the Index for the month of December of the calendar year next preceding the year in which this Agreement became effective. The Adjusted FFP will then be multiplied by the MRDP (which shall be subject to adjustment once every five (5) years as described below) to determine the recalculated Monthly Franchise Fee. The recalculated Monthly Franchise Fee shall be rounded up or down to the nearest $5.00.

Each tier of the FFP for the first 12 months of the term of this Agreement and each tier of the Adjusted FFP for each year thereafter shall be adjusted as follows: the FFP or Adjusted FFP per 100,000 population or any portion thereof on the first 500,000 of population shall be increased by **10%** (the "Tier 1 Percentage Increase"); the FFP or Adjusted FFP per 100,000 population or any portion thereof on the second 500,000 of population shall be increased by **25%** (the "Tier 2 Percentage Increase"); and the FFP or Adjusted FFP per 100,000 population or any portion thereof on any remaining population over 1,000,000 shall be increased by **30%** (the "Tier 3 Percentage Increase"); *provided*, that if at any time during a calendar year, less than one-half of then-existing Company-owned and operated Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year, the Tier 1 Percentage Increase shall be reduced to **5%**, the Tier 2 Percentage Increase shall be reduced to **10%**, and the Tier 3 Percentage Increase shall be reduced to **15%**; *provided further*, that if at all times during a calendar year one-half or more of then-existing Company-owned and operated Roto-Rooter Services Company units are providing Water Restoration Services, for the following calendar year and thereafter (subject to subsequent reductions on the terms of the immediately preceding proviso), the Tier 1 Percentage Increase shall revert to **10%**, the Tier 2 Percentage Increase shall revert to **25%**, and the Tier 3 Percentage Increase shall revert to **30%**. For such purposes, each Roto-Rooter Services Company branch will be considered a Company-owned unit even if there are multiple office and warehouse locations operated by that branch. A list of current Company-owned units as of July 31, 2016 is attached to this Franchise Agreement as Exhibit C.

The principal source used for population data is the United States Census Bureau for all territory located within the United States. For territory located outside of the United States, an equivalent source will be used for the country where the population is located.

Consistent with the understanding that the MRDP shall be updated once every five years, Company will update the MRDP effective as of the first day in the first month of the sixth year of this Agreement to the most recently determinable population of the Franchisee's Territory and shall use the updated MRDP to recalculate the Monthly Franchise Fee under the procedures described above for the sixth through tenth year of this Agreement.

5. ASSISTANCE TO FRANCHISEES

During the term of this Agreement:

(a) Company shall provide to Franchisee those management, engineering and research services, and advice concerning the System, the use and display of the Marks, and franchisee's operation of the business operated hereunder which Company makes available to its franchisees

generally from time to time and provide advice and instructions to Franchisee with respect to proper use of the System and the Marks. The parties shall consult with each other on the possible need for Company to provide training and certifications to Franchisee relating to Water Restoration Services, and if requested by Franchisee, Company shall provide such training and certifications on such terms and conditions as the parties mutually agree, *provided*, that Franchisee acknowledges that Company may require Franchisee to pay additional fees for such training and certifications.

(b) Company shall offer to franchisee a 5% discount for any Roto-Rooter branded products purchased by franchisee from Roto-Rooter Corporation, net of any other discounts, taxes, shipping cost and returns. In order to qualify for the discount, Roto-Rooter Corporation must receive payment in full for such purchase within 30 days of the invoice date. The discount will be given in the form of a reduction on the purchase invoice and will be considered a rebate of franchise fees.

(c) Company shall spend each year a total amount of not less than 15% of the monthly franchise fees it receives from all franchisees, said franchise fees to be reduced by the 5% discount noted in 5(b) above, during the preceding year for market research, for advertising and promotion of the Marks and the Services on a national scale, and for the development and production of advertising and promotional material to be available to all franchisees in promoting sales of Services under the Marks.

6. SERVICE STANDARDS

Franchisee acknowledges that nationwide uniform standards of service are vital to the protection of the System and the Marks and necessary to assure that the public receives the kind and quality of service it associates with the System and the Marks. Franchisee therefore agrees that it will fully comply with each of the following requirements in all of its operations as a Franchisee under this Agreement:

(a) Provide prompt and courteous service at all times during normal working hours and, additionally, provide an emergency service that will adequately meet the public need for such service within the Territory. Company may establish and Franchisee shall honor performance standards for operation of the franchised business, and rendering the Services to customers. Company will consult its franchisees before promulgating performance standards.

(b) Maintain reasonable standards of cleanliness. Keep all machines in good working order and clean. Keep all service personnel in uniform and easily identifiable as bona fide Roto-Rooter service personnel in accordance with the then-existing Mark identification policies of the Company. All service vehicles shall be painted white or such other color as specified by Company and all such vehicles must be kept neat and clean and identified as Roto-Rooter service vehicles in accordance with the then-existing Mark identification policies of Company.

(c) On every job, take all necessary precautions to protect furnishings, interior and exterior walls, lawns, gardens, etc., and cleaning working area thoroughly upon completion of the job.

(d) Whenever possible, offer and honor a guarantee for the Services performed.

(e) Conduct business in a manner which will reflect favorably at all times on Company, its franchisees and its Marks and engage in no act or practice with the intent or effect of disparaging or impairing the goodwill of any of the Marks.

(f) Refrain from any misleading or unethical practice in performing, soliciting or advertising Services rendered under this Agreement.

(g) Provide, upon request of Company in order to allow Company to monitor the quality of services provided and the maintenance of service standards, a listing of the names, addresses and telephone numbers of customers served during a recent time period (not to exceed 30 days) specified by the Company.

(h) Permit Company to enter Franchisee's premises and vehicles to inspect them to assure compliance with the terms of this Agreement. Franchisee shall cooperate and assist in any such inspection, and shall meet with Company's representatives at Franchisee's principal place of business in the Territory to review the results of inspections or other matters Company wishes to discuss with Franchisee.

7. LOCAL ADVERTISING

(a) As used in this Paragraph 7, the following terms shall have the meanings specified below:

"Agreement Year" is the 12-month period commencing on the effective date of this Agreement and each successive 12-month period thereafter commencing on the anniversary of this Agreement.

"Minimum Local Advertising Per MRDP" shall mean:

(1) Agreement Year	(2) Minimum Local Advertising Per MRDP
1 - 2026	$0.1111
2 - 2027	$0.1138
3 - 2028	$0.1165
4 - 2029	$0.1192
5 - 2030	$0.1222
6 - 2031	$.01252
7 - 2032	$.01282
8 - 2033	$.01314
9 - 2034	$0.1347
10 - 2035	$0.1381

In Column (1), the calendar year number associated with an Agreement Year is determined by when the Agreement Year starts, not when it ends.

(b) Franchisee acknowledges that regular and continuous advertising of the System and the Marks is vital to the success of a Roto-Rooter franchise.

(c) Local advertising - During each Agreement Year, Franchisee shall expend for local advertising conducted during such Agreement Year not less than (i) the Minimum Local Advertising Per MRDP for that Agreement Year, times (ii) the MRDP then in effect. Local advertising for the System and the Marks may include telephone directories, internet marketing, direct mail, media broadcasting, and trade show marketing materials. Internet marketing includes paid online local advertising, including local yellow pages advertising and local pay per click. Media broadcasting includes local television, radio, outdoor billboards and direct mail that conveys the Roto-Rooter trademark within the Territory. Costs of Web site development, Web site optimization, and production for media broadcasting shall not be credited towards the minimum annual spending requirement.

Franchisee shall not place advertisements offering to provide Services to customers outside the Territory. If Franchisee places advertisements or listings in telephone directories covering and distributed in the Territory, where such telephone directories are usually and customarily distributed both within and without the Territory, all of Franchisee's advertisements therein shall specify Franchisee's Territory in not less than eight-point type size.

If Franchisee has more than one Roto-Rooter sewer and drain cleaning franchise, it may combine the minimum local advertising requirements for its territories and allocate the expenditures among its territories without regard to the minimum for any single territory. If Franchisee chooses to combine the minimums, the total amount so expended must equal or exceed the sum of the minimums for the combined territories.

If Franchisee desires to combine a territory for which no minimum has been established, Company will establish a minimum for such territory using the same method used under this Agreement to establish the minimum for the Territory.

If Franchisee does not expend the required minimum amounts in the manner and amounts set forth in this Paragraph 7(c), Franchisee shall within 14 days after the end of the applicable Agreement Year without demand therefore remit to Company an amount equal to the difference between the amount required to be expended and the amount actually expended. Company shall expend the total amount so remitted in the manner and for the advertising, research, promotional, development or production purposes described in Paragraph 5(c) of this Agreement.

Franchisee shall provide Company, at the times and in the manner prescribed by Company, documentation satisfactory to Company that Franchisee has engaged in the advertising and made the advertising expenditures required by this Paragraph 7(c).

Company reserves the right to approve in advance all advertising (including programs, media, materials and content) of the System and Marks and to establish rules, standards and procedures regarding the content, form and manner of advertising the System and Marks. Nothing in this Agreement entitles Company to interfere with Franchisee's independent pricing discretion.

(d) Franchisee’s aggregate minimum local advertising requirement for the first Agreement Year is shown on Attachment A of this Agreement. On an annual basis, Company shall provide Franchisee with an updated Attachment A.

8. USE OF TRADEMARKS AND SERVICE MARKS

Franchisee shall use the Marks only in the manner or manners and places prescribed or authorized by Company and only in connection with the sale and performance of Services expressly authorized by Company in writing. Franchisee shall promote and identify the Services in the Territory and only in the Territory and shall not use the Marks in connection with the sale or lease of unauthorized products or services.

Upon receipt of notice from Company that the Marks are being used in an unauthorized manner, Franchisee shall immediately cease such unauthorized use. Franchisee shall not alter or add to the form or content of said Marks in any manner nor use the mark "Roto-Rooter" or any colorable imitation thereof in any corporate or trade name. Upon receipt of prior written consent of Company and fulfillment by Franchisee of other conditions as specified by Company, Franchisee may include "Roto-Rooter" as part of a fictitious name filing required by state law. Franchisee shall not file for or acquire any registration (state or federal) for the Marks or any trademark or service mark (or variation thereof) confusingly similar to the Marks. Company reserves the right to alter or replace the principal identifying characteristics of the franchised business, including the trade dress and principal trademark and service mark identification of the Services and of the business franchised hereunder, but will not withdraw the license to use the "Roto-Rooter" trademark pursuant to this provision. Company will consult its franchisees before implementing substantial changes in the trade dress of the System. Franchisee shall implement such changes upon notice from Company. Franchisee shall prominently identify itself in its offices and on its forms and advertisements as an independent business operated under license from Company in such form and content as Company may direct.

Franchisee shall advise Company, from time to time, of all uses by others of names, symbols and devices comprising, consisting of, or similar to the name "Roto-Rooter" or any of the Marks, including any variations or colorable imitations thereof. Company shall solely determine whether such uses are unauthorized uses and whether action should be commenced to curtail such uses. All lawsuits and actions for trademark infringement or dilution and/or unfair competition shall be brought only by Company; however, if requested by Company, Franchisee shall consent to be joined as a party in any lawsuit or action and lend his full cooperation and assistance in the preparation and prosecution of such lawsuit or action. Company shall reimburse Franchisee for all reasonable out-of-pocket expenses incurred by Franchisee at the request of the Company in regard to the foregoing. Franchisee shall not institute any legal action alleging infringement of Company's Marks. Franchisee is specifically prohibited from charging other entities with infringement and from initiating suit for infringement or dilution of Company's Marks.

9. ROTO-ROOTER MACHINES

Company agrees to make available to Franchisee for purchase during the term of this Agreement the current Roto-Rooter brand equipment and parts line (the "Machines") as needed by Franchisee, at prices and upon terms of sale then prevailing, for cash or upon such terms of credit, as Company shall determine. Franchisee agrees that the Machines and the Marks associated with the System will be used only in conjunction with the Services performed under the terms of this Agreement.

10. FINANCIAL STANDARDS

Franchisee agrees, during and after the term of this Agreement, to indemnify and hold Company, its parent corporation and their respective officers, agents and employees harmless from and against all loss or damage, liability, cost and expense arising in contract, tort or otherwise out of, in connection with, in relation to, or as a result of a violation of this Agreement by Franchisee and from all claims and damages, causes of action or suits asserted by any third person, firm, corporation or government entity caused by, resulting from or in any way arising or growing out of or in connection with the operation of Franchisee's business which is the subject of this Agreement or otherwise (including the use by Franchisee of the System, the Marks, the Machines, or the operation of any other business conducted by Franchisee).

11. INSURANCE

It is understood and agreed that the protection of the goodwill of the System and the Marks and the financial security of Franchisee and Company requires the existence of public liability insurance coverage for Franchisee. Franchisee therefore shall procure and maintain in full force and effect Commercial General Liability insurance coverage (including premises/operations coverage, products/completed operations coverage and contractual liability coverage) and comprehensive Motor Vehicle Liability insurance coverage (including hired and non-owned motor vehicle coverage) in the name of Franchisee, with Company named as an Additional Insured, at Franchisee's sole cost and expense in no less than the following amounts:

Bodily Injury	$1,000,000 each person $1,000,000 each occurrence
Property Damage	$500,000 each occurrence or
A single limit policy in the amount of no less than	$1,000,000 each occurrence

If Franchisee performs Water Restoration Services, Franchisee shall procure and maintain in full force and effect Contractor's Pollution Liability (CPL) insurance coverage for such services, in the name of Franchisee, with Company named as an Additional Insured, at Franchisee's sole cost and expense in no less than the amounts specified above. If practicable, the policy shall be written on an occurrence basis, but if written on a claims-made basis, the retroactive date shall be no later than the commencement of work. The policy shall (a) cover mold and fungus, (b) in the case of occurrence coverage, shall cover completed operations for at least three (3) years after the work is completed, and in the case of claims made coverage, shall continue for at least three (3) years after expiration or termination of the Franchise Agreement, (c) provide coverage for both work performed on site and the transport of hazardous materials, (d) contain a waiver of subrogation in favor of Company, (e) be primary to any other coverage available, and (f) be issued by a carrier with no less than an A- VIII rating by A.M. Best.

Franchisee shall furnish Company at any time upon Company's request certificates evidencing such insurance containing an endorsement that the policy may not be canceled without thirty (30) days' advance written notice to Company.

12. TERMINATION BY FRANCHISEE

This Agreement may be terminated by Franchisee at any time during the term of this Agreement by delivery of written notice of termination (which shall be irrevocable) to Company sixty (60) days before the effective date of such termination. If Franchisee abandons the franchise granted herein by failing to conduct the business franchised hereunder for any continuous period of 10 or more days (except as caused by strike, casualty or Acts of God), this Agreement shall expire automatically by mutual consent on the tenth day after Franchisee ceased or suspended operation. Immediately upon such termination or expiration, Franchisee shall comply with the post-termination or expiration provisions of Paragraph 13 of this Agreement.

13. TERMINATION BY COMPANY

To the extent permitted by law, this Agreement may be terminated by Company for cause upon sixty (60) days' notice (or such longer period of notice as shall be required by applicable law) to Franchisee as hereinafter provided. Although not limited to such, any of the following acts of default by Franchisee to the extent permitted by applicable law shall be cause for termination of this Agreement by Company:

(a) If any moneys payable by Franchisee to Company pursuant to this Agreement or otherwise are not paid in full as and when due, including without limitation the Monthly Franchise Fee payable under Paragraph 4 and amounts payable under Paragraph 7(c). In addition, and to the extent permitted by law, Company shall have the right and option to charge and Franchisee shall pay a delinquency fee on any sums not paid when due at the rate of 1.5% per month on the unpaid balance due until paid in full.

(b) If there shall be filed by or against Franchisee, in any court, a petition in bankruptcy, or for reorganization or relief under any provision of the Federal Bankruptcy Act, or if a receiver or trustee of the business of the Franchisee is appointed, or if an attachment or writ is issued against the Franchisee which affects the business of the Franchisee, and such receivership, trusteeship, attachment or writ shall not be dissolved or discharged within thirty (30) days from the date of filing thereof, or if Franchisee shall be adjudicated bankrupt or insolvent or shall make an assignment for the benefit of creditors.

(c) If Franchisee or its principal shareholder is convicted of any felony.

(d) If there is a lapse of insurance, or nonpayment of insurance premiums therefore, as required in Paragraph 11 hereof.

(e) If Franchisee fails to use its best efforts in developing and promoting the sales of Services in the Territory.

(f) If Franchisee makes or attempts to make a transfer, in violation of Paragraph 14, of an interest in this Agreement or of an ownership interest in Franchisee.

(g) If Franchisee should use or advertise any of the Marks except in accordance with Company's prescribed methods of use or advertisement thereof.

(h) In the event Franchisee performs Services outside the Territory; except that Franchisee may perform Services in the Territory of another franchisee only as a subcontractor to the other franchisee for a particular job that is billed by the other franchisee.

(i) If Franchisee defaults in the performance of any other provision of this Agreement whether or not listed in this Paragraph 13.

Company shall notify Franchisee in writing of the acts or conduct constituting cause for termination of this Agreement. Franchisee shall have thirty (30) days after receipt of such notice to cure to the reasonable satisfaction of Company any such default, which, upon cure, shall have the effect of voiding such notice of termination. In the event Franchisee is in default hereunder and Company has previously delivered a notice of default to Franchisee two (2) times in any consecutive six (6) month period, whether cured or not, Company, in addition to any other rights or remedies it may have, shall have the right and option to terminate this Agreement forthwith without further notice to Franchisee. Notice of termination may be delivered together with or at any time after a notice of default, subject to an applicable right (if any) to cure the noted default(s). Notices under this Paragraph are effective when sent in accordance with Paragraph 18.

Upon termination of this Agreement by Company pursuant to this Paragraph 13, Company shall repurchase from Franchisee at a fair market value at the time of termination any unused cable, parts, equipment and supplies (other than expendable supplies such as stationery, invoices and business cards) which Franchisee purchased from Company; provided, that Company may offset against payment of such repurchase price any and all amounts owed by Franchisee to Company. Immediately upon termination or expiration of this Agreement, either under the provisions of this Paragraph or those of Paragraph 12, Franchisee shall cease using the System and shall cease using or displaying the Marks and shall discontinue any representation or suggestion, either directly or indirectly, that it is or was formerly a franchisee or authorized user of the System or the Marks. Franchisee shall also immediately cancel any fictitious name filing using any of the Company's service marks or trademarks, including the "Roto-Rooter" mark or any name or mark confusingly similar thereto. Upon termination or expiration of this Agreement, Franchisee shall promptly remove the Marks from the Machines and all other items of property in the possession of Franchisee. If Franchisee disposes of a Machine, vehicle or other equipment to anyone other than another Roto-Rooter franchisee, Franchisee shall remove all Marks from the Machine before such disposition; if a Machine, vehicle or other equipment is transferred to an employee for continued use in the franchised business, Franchisee shall condition such transfer on the employee's obligation to remove the Marks before making any further disposition thereof (except to Franchisee or another Roto-Rooter franchisee).

14. ASSIGNMENT OF RIGHTS BY FRANCHISEE

(a) Franchisee shall not sell, assign, transfer, delegate, pledge, grant a security interest in, or encumber this Agreement or any right or interest herein or hereunder, or transfer or allow the direct or indirect transfer of any ownership interest in Franchisee, or suffer or permit any such sale, assignment, transfer or encumbrance to occur by operation of law, without the prior written consent of Company. Franchisee shall not grant a lien or security interest in this Agreement or any interest herein without Company's prior written consent, which shall not be unreasonably withheld but may be conditioned upon Franchisee's guarantee of the transferee's performance of this Agreement. Any sale, transfer, assignment or encumbrance of this Agreement or of any rights herein or hereunder, or in Franchisee except in accordance with the terms and conditions as hereinafter provided, constitutes a breach of this Agreement and shall permit Company to terminate this Agreement forthwith.

(b) On condition that Franchisee is not in default hereunder, Company shall not unreasonably withhold or delay its written consent to a proposed transfer governed by Paragraph 14(a).

(c) As an express condition to obtaining the written consent of Company, Franchisee must furnish to Company:

(i) True and complete copies of the proposed sale, assignment, transfer, delegation or other agreement, in the final and complete form in which it is to be signed by both parties thereto, pursuant to which such sale, assignment, transfer or encumbrance is proposed to be made.

(ii) Information concerning the proposed purchaser, assignee or transferee which establishes to the satisfaction of Company that such party is qualified and has the resources necessary to be a successful franchisee of Company and has no legal or business interest that conflicts or potentially conflicts with the interests of Company or the Roto-Rooter System. Company will not disapprove a transfer to a plumber merely because the proposed transferee is a plumber.

(iii) An agreement by the proposed purchaser, assignee or transferee, in form and substance satisfactory to Company, under the terms of which the proposed purchaser, assignee or transferee assumes all obligations of Franchisee pursuant to Franchisee's outstanding service guarantees and agrees to honor and fulfill all such guarantees for all customers involved.

(iv) A Release Agreement, on a form furnished by Company and signed by Franchisee, under which Franchisee releases all claims which Franchisee may then or in the future have against Company or its agents, employees or licensees which arise out of or which result from this Agreement.

(v) An administrative fee in an amount equal to 1-1/2% of the total sale price, but in no event less than $1,000 or more than $7,500. For purposes of this paragraph, "total sale price" means the present value (discounted at 10% per annum) of all consideration exchanged including but not limited to debt assumed, covenants not to compete, consulting agreements or the equivalent for all of the assets transferred except interests in real estate.

(vi) A counterpart to the Guaranty at the foot of this Agreement signed by each principal shareholder of the new franchisee if it is a corporation.

(d) Upon the death of Franchisee, or of a majority stockholder of Franchisee if Franchisee, is a corporation, all rights under this Agreement will inure to the benefit of the person or persons who are entitled to receive a distribution of all or a portion of Franchisee's (or such majority stockholder's) rights under this Agreement pursuant to Franchisee's (or such majority stockholder's) Last Will and Testament or, if Franchisee dies intestate, pursuant to the laws of descent and distribution of the State having primary jurisdiction over Franchisee's (or such majority stockholder's) estate, such person or persons being hereinafter referred to as "heirs". The heirs may then continue to operate the business contemplated in this Agreement provided they meet the requirements of subparagraphs (b) and (c) above, or, in the alternative, the heirs may sell, assign and transfer all of their rights pursuant to this Agreement provided they comply with above provisions relating to a sale, transfer or assignment of this Agreement by Franchisee. The heirs must use their best efforts to conclude the probate or transfer this Agreement.

15. RIGHT TO RENEW FRANCHISE

(a) On the expiration of this Agreement and provided Franchisee is not then in default under the terms of this Agreement, Company shall offer Franchisee the right to enter into a new franchise agreement with Company for a term of ten (10) years and upon the terms and conditions as then offered to other franchisees whose franchise agreements are being renewed. Upon renewal, the Company will recalculate the Monthly Franchise Fee for the initial year of the renewal term. The recalculated Monthly Franchise Fee shall be the product of the then current MRDP calculated as of the renewal date in the manner described in Paragraph 4, multiplied by a reset FFP ("Reset FFP"). The Company also reserves the right to make reasonable revisions of the terms of the Agreement upon renewal, as appropriate.

The Reset FFP for the initial year of the renewal term shall be calculated using: (A) pricing inflation or deflation; and (B) increases or decreases in market penetration in certain defined services provided by Company-owned and operated Roto-Rooter Services Company units in existence as of January 1, 2016 which are also in existence on December 31, 2026 ("RRSC Equivalent Units"). Defined services shall include (i) residential plumbing, sewer, drain and pipe cleaning, excavation, pipe replacement, and pipe relining, and Water Restoration Services (including water restoration referrals); and (ii) commercial plumbing, sewer, drain and pipe cleaning, and Water Restoration Services (including water restoration referrals) ("Defined Services").

The change in pricing and market penetration in the Defined Services experienced by RRSC Equivalent Units shall be determined as follows:

(i) The Company shall calculate the percentage change of total Defined Services revenue for RRSC Equivalent Units for the twelve-month period ended December 31, 2026 compared to total Defined Services revenue for RRSC Equivalent Units for the twelve-month period ending December 31, 2016. This percentage change will then be adjusted down for any percentage increase, or adjusted upward for any percentage decrease, in total population within the RRSC Equivalent Units Territories over the most recently determinable ten-year period preceding the renewal date ("RRSC Ten Year Services Inflation"). If the RRSC Ten Year Services Inflation is not available, Company will use an estimate of the RRSC Ten Year Services Inflation until the official figure becomes available.

(ii) The Reset FFP shall be the Initial FFP adjusted by the RRSC Ten Year Services Inflation (meaning the Initial FFP plus an amount calculated by multiplying the Initial FFP by the Ten Year Services Inflation), except that only for purposes of calculating the Reset FFP used at the time of the first renewal occurring on or after January 1, 2027, the Reset FFP shall be equal to the Adjusted FFP, as most recently calculated for the year preceding the renewal ("MRCAFFP"), plus (A) an amount calculated by multiplying the MRCAFFP by the percentage change in the Index as calculated for the year immediately preceding the renewal; plus (B) an amount calculated by multiplying the MRCAFFP by five percent (5.0%). See Attachment C for examples of the computation of the Reset FFP.

(b) As soon as practicable, but no later than sixty (60) days before the expiration of this Agreement, Company will mail the new franchise agreement to the last known address of Franchisee by ordinary or such certified mail as Company may determine, and Franchisee will have until the expiration date of this Agreement to accept the new franchise agreement and return fully executed copies thereof to Company.

16. OWNERSHIP, MANAGEMENT AND COVENANT NOT TO COMPETE

Company has entered into this Agreement in reliance upon the representation of Franchisee that during the term of this Agreement the following persons will be the owners and in active and full-time charge of the business of Franchisee conducted pursuant to the terms of this Agreement:

Name and Address	Ownership Percentage	Title
		No Title Listed

Franchisee expressly acknowledges and agrees that Company has developed and established extensive goodwill in the System and the Marks and that in order to protect such goodwill, together with the other legitimate business interests of Company, Franchisee, including, if appropriate, each of its owners as listed above, agrees that during the term of this Agreement he will not, directly or indirectly, whether as an owner, sole proprietor, partner, stockholder, consultant, employee, agent or otherwise, engage in, assist, or have any financial interest in any other business entity which is engaged in the residential sewer, drain and pipe cleaning services business within the Territory and, to the extent permitted by law, within the counties (or parishes) in or adjacent to such Territory.

17. COMPLIANCE WITH LAWS

Franchisee shall be solely responsible for the conduct of its business and for compliance with all laws, statutes, ordinances, orders or codes of any public or governmental authority pertaining to Franchisee and its business operated pursuant hereto and for the payment of all taxes, permits, licenses and registration fees and other charges or assessments arising out of the establishment and operation of Franchisee's business.

18. NOTICE

Any notice given pursuant to this Agreement is effective and sufficient (whether or not actually received) if in writing and personally delivered, or deposited in the United States mail, registered or certified, postage prepaid, or if by wire or cable, when placed with a telegraph or cable company for transmission, or by facsimile or overnight express carriers, duly addressed as follows:

If to Company:

Roto-Rooter Corporation
300 Ashworth Road
West Des Moines, IA 50265
Attention: President

and a copy to

Chemed Corporation
Suite 2600, 255 East 5th Street
Cincinnati, OH 45202-4726
Attention: Secretary

If to Franchisee:

At the address as set forth on Page One.

Any party may change the address to which notices are to be sent by notifying the other party hereto in the manner as hereinabove provided.

19. SEVERABILITY

If any part or provision of this Agreement is held or declared invalid by a court of competent jurisdiction, such holding or declaration shall affect only that particular part or provision of this Agreement and all other parts or provisions of this Agreement shall continue in full force and effect.

20. GENERAL PROVISIONS

Headings in this Agreement are inserted solely for the purpose of convenience of reference and are not to be construed as part of the Agreement.

This Agreement, when accepted in West Des Moines, Iowa, by an authorized officer of Company, constitutes the entire Agreement and understanding between the parties and no other representation, promise or agreement, oral or otherwise, shall be of any force or effect. This Agreement sets forth the entire agreement and understanding of the parties in respect of the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by Company or Franchisee that is not embodied in this Agreement. Neither Company nor Franchisee has relied upon, or shall be bound by or liable for, any alleged representation, promise, inducement or statement of intention not so set forth. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

Company may assign this Agreement in its entirety to its parent corporation, any corporation affiliated with either Company or its parent corporation or to any successor in interest to the business of Company. All terms, covenants, representations, warranties and conditions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by, the parties hereto and their respective successors and permitted assigns.

The parties stand hereunder solely in the relationship of the licensor and licensee. The parties are not and shall not be regarded as fiduciaries and this Agreement does not create any relationship of special trust and confidence. Franchisee is not and shall not hold itself out as the agent, employee or partner of the Company.

Subject to Paragraphs 12 and 13 above, this Agreement may be amended, modified, superseded or canceled and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by both Company and Franchisee. The failure of either party at any time or times to require performance of any provisions hereof shall in no

manner affect its right at a later time to enforce the same. No waiver by either party of any condition or breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or breach of any other term, covenant, representation or warranty of this Agreement.

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) -- Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly and severally

_____
Partner, jointly and severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By_____
Authorized Officer

_____
Title

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Guaranty

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

Attachment A - Monthly Franchise Fee
For Agreement Year 1 - 2026

Contract Number:

Territory Name:

Row	Column	(1)	(2)	(3)	(4)	(5)
(1)	MRDP as of effective date of this agreement (1/1/2026)					1,755,065

	Population Tier	Initial FFP per 100,000 Population	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 1 x Col. 2	MRDP per Above	Monthly Franchise Fee Col. 3 x Col. 4 Divided by 100,000
(2)	First 500,000	$507.00	110.00%	$557.70	500,000	$ 2,788.50
(3)	Second 500,000	$480.32	125.00%	$600.40	500,000	3,002.00
(4)	Remaining Over 1,000,000	$453.62	130.00%	$589.71	755,065	4,452.69
(5)	Total				1,755,065	$ 10,243.19

(6)	Monthly Franchise Fee due on the first day of each month January 1, 2026 - December 1, 2026 (rounded to the nearest $5)	$ 10,245.00
	Local advertising requirement per Paragraph 7 of the agreement:	
(7)	Per Person	$ 0.1111
(8)	Total to be expended within Franchise Territory in the Agreement Year: January 1, 2026 - December 31, 2026 (Row 1 x Row 10)	$ 194,988.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 1 - 2017

Row	Column	(1)	(2)	(3)	(4)	(5)
(1)	MRDP as of effective date of this agreement (1-1-2017)					1,755,065

	Population Tier	Initial FFP per 100,000 Population	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 1 x Col. 2	MRDP per Above	Monthly Franchise Fee Col. 3 x Col. 4 Divided by 100,000
(2)	First 500,000	$376.98	110.00%	$414.68	500,000	$ 2,073.40
(3)	Second 500,000	$357.15	125.00%	$446.44	500,000	2,232.20
(4)	Remaining Over 1,000,000	$337.31	130.00%	$438.50	755,065	3,310.96
(5)	Total				1,755,065	$ 7,616.56

(6)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 7,615.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 2 - 2018

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	MRDP as of the effective date of this agreement (1-1-2017).							1,755,065
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2017).							3.60%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2017).							249.310
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.0360

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.0360	$390.55	110.00%	$429.61	500,000	$ 2,148.05
(7)	Second 500,000	$357.15	1.0360	$370.01	125.00%	$462.51	500,000	2,312.55
(8)	Remaining Over 1,000,000	$337.31	1.0360	$349.45	130.00%	$454.29	755,065	3,430.18
(9)	Total						1,755,065	$ 7,890.78

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 7,890.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 3 - 2019

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	MRDP as of the effective date of this agreement (1-1-2017).							1,755,065
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2018).							3.10%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2018).							257.039
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.0681

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.0681	$402.65	110.00%	$442.92	500,000	$ 2,214.60
(7)	Second 500,000	$357.15	1.0681	$381.47	125.00%	$476.84	500,000	2,384.20
(8)	Remaining Over 1,000,000	$337.31	1.0681	$360.28	130.00%	$468.36	755,065	3,536.42
(9)	Total						1,755,065	$ 8,135.22

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 8,135.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 4 - 2020

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	MRDP as of the effective date of this agreement (1-1-2017).							1,755,065
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2019).							2.70%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2019).							263.979
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.0970

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.0970	$413.55	110.00%	$454.91	500,000	$ 2,274.55
(7)	Second 500,000	$357.15	1.0970	$391.79	125.00%	$489.74	500,000	2,448.70
(8)	Remaining Over 1,000,000	$337.31	1.0970	$370.03	130.00%	$481.04	755,065	3,632.16
(9)	Total						1,755,065	$ 8,355.41

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 8,355.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 5 - 2021

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	MRDP as of the effective date of this agreement (1-1-2017).							1,755,065
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2020).							2.40%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2020)							270.314
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.1233

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.1233	$423.46	110.00%	$465.81	500,000	$ 2,329.05
(7)	Second 500,000	$357.15	1.1233	$401.19	125.00%	$501.49	500,000	2,507.45
(8)	Remaining Over 1,000,000	$337.31	1.1233	$378.90	130.00%	$492.57	755,065	3,719.22
(9)	Total						1,755,065	$ 8,555.72

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 8,555.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 6 - 2022

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	Updated MRDP as of the first month of the sixth year of this agreement (1-1-2022)							1,856,666
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2021).							2.60%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2021).							277.342
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.1525

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.1525	$434.47	110.00%	$477.92	500,000	$ 2,389.60
(7)	Second 500,000	$357.15	1.1525	$411.62	125.00%	$514.53	500,000	2,572.65
(8)	Remaining Over 1,000,000	$337.31	1.1525	$388.75	130.00%	$505.38	856,666	4,329.42
(9)	Total						1,856,666	$ 9,291.67

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 9,290.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 7 - 2023

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	Updated MRDP as of the first month of the sixth year of this agreement (1-1-2022).							1,856,666
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2022).							2.40%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2022).							283.998
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.1801

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.1801	$444.87	110.00%	$489.36	500,000	$ 2,446.80
(7)	Second 500,000	$357.15	1.1801	$421.47	125.00%	$526.84	500,000	2,634.20
(8)	Remaining Over 1,000,000	$337.31	1.1801	$398.06	130.00%	$517.48	856,666	4,433.07
(9)	Total						1,856,666	$ 9,514.07

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 9,515.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 8 - 2024

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	Updated MRDP as of the first month of the sixth year of this agreement (1-1-2022).							1,856,666
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2023).							4.40%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2023).							296.494
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.2321

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.2321	$464.48	110.00%	$510.93	500,000	$ 2,554.65
(7)	Second 500,000	$357.15	1.2321	$440.04	125.00%	$550.05	500,000	2,750.25
(8)	Remaining Over 1,000,000	$337.31	1.2321	$415.60	130.00%	$540.28	856,666	4,628.39
(9)	Total						1,856,666	$ 9,933.29

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 9,935.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 9 - 2025

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	Updated MRDP as of the first month of the sixth year of this agreement (1-1-2022).							1,856,666
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2024).							2.50%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2024).							303.906
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.2629

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.2629	$476.09	110.00%	$523.70	500,000	$ 2,618.50
(7)	Second 500,000	$357.15	1.2629	$451.04	125.00%	$563.80	500,000	2,819.00
(8)	Remaining Over 1,000,000	$337.31	1.2629	$425.99	130.00%	$553.79	856,666	4,744.13
(9)	Total						1,856,666	$ 10,181.63

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 10,180.00

Attachment B - Example of Monthly Franchise Fee Computations by Year

Beginning of Agreement Year 10 - 2026

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	Updated MRDP as of the first month of the sixth year of this agreement (1-1-2022).							1,856,666
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2025).							4.50%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2025).							317.582
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2016).							240.647
(5)	Index Fraction (Row 3 divided by Row 4)							1.3197

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$376.98	1.3197	$497.50	110.00%	$547.25	500,000	$ 2,736.25
(7)	Second 500,000	$357.15	1.3197	$471.33	125.00%	$589.16	500,000	2,945.80
(8)	Remaining Over 1,000,000	$337.31	1.3197	$445.15	130.00%	$578.70	856,666	4,957.52
(9)	Total						1,856,666	$ 10,639.57

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 10,640.00

Attachment C

Computation of the Reset FFP
Used for the first renewal occurring on or after January 1, 2027

Row	Column	(1)	(2)	(3)	(4)
(1)	Percentage change in the Index in the last calendar year of this agreement (2026).				2.37%
(2)	Index value for the month of December of the last year of this agreement (12-2026). (a)				325.109

Reset FFP Calculation

	Population Tier	Adjusted FFP per 100,000 Population as Most Recently Calculated for the Year Preceding Renewal (2026) From Attachment B, Page 10 of 10, Col. 3 (the MRCAFFP)	MRCAFFP Multiplied by the Percentage Change in the Index in the Last Calendar Year of this Agreement (2026) Col. 4, Row 1 x Col. 1	MRCAFFP Multiplied by 5.0% Col. 1 x .05	Reset FFP Col. 1 + 2 + 3
(3)	First 500,000	$497.50	$11.79	$24.88	$534.17
(4)	Second 500,000	$471.33	$11.17	$23.57	$506.07
(5)	Remaining Over 1,000,000	$445.15	$10.55	$22.26	$477.96

(a) Renewals will use the most recent available Index for the calendar year preceeding the renewal.

Attachment C

Beginning of Renewal Agreement Year 1 - 2027

Row	Column	(1)	(2)	(3)	(4)	(5)
(1)	Then current MRDP calculated as of the renewal date (1-1-2027).					1,925,158

	Population Tier	Inital FFP per 100,000 Population	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 1 x Col. 2	MRDP per Above	Monthly Franchise Fee Col. 3 x Col. 4 Divided by 100,000
(2)	First 500,000	$534.17	110.00%	$587.59	500,000	$ 2,937.95
(3)	Second 500,000	$506.07	125.00%	$632.59	500,000	3,162.95
(4)	Remaining Over 1,000,000	$477.96	130.00%	$621.35	925,158	5,748.47
(5)	Total				1,925,158	$ 11,849.37

(6)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 11,850.00

Attachment C

Beginning of Renewal Agreement Year 2 - 2028

Row	Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)	MRDP calculated as of the renewal date (1-1-2027).							1,925,158
(2)	Percentage increase or decrease in the Index during the preceding calendar year (2027).							3.60%
(3)	The Index value for the month of December of the most recently completed calendar year (12-2027).							336.813
(4)	The Index value for the month of December of the calendar year next preceding the year in which this Agreement became effective (12-2026).							325.109
(5)	Index Fraction (Row 3 divided by Row 4)							1.0360

	Population Tier	Initial FFP per 100,000 Population	Index Fraction From Row 5	Adjusted FFP per 100,000 Population Col. 1 x Col. 2	Percentage Increase in the FFP pursuant to Section 4(b) of the Franchise Agreement	Resulting FFP per 100,000 Population pursuant to Section 4(b) of the Franchise Agreement Col. 3 x Col. 4	MRDP per Above	Monthly Franchise Fee Col. 5 x Col. 6 Divided by 100,000
(6)	First 500,000	$534.17	1.0360	$553.40	110.00%	$608.74	500,000	$ 3,043.70
(7)	Second 500,000	$506.07	1.0360	$524.29	125.00%	$655.36	500,000	3,276.80
(8)	Remaining Over 1,000,000	$477.96	1.0360	$495.17	130.00%	$643.72	925,158	5,955.43
(9)	Total						1,925,158	$ 12,275.93

(10)	Monthly Franchise Fee due on the first day of each month (rounded to the nearest $5)	$ 12,275.00

EXHIBIT C

Territory: Birmingham, AL
Roto-Rooter
283-C Cahaba Valley Parkway North
Pelham, AL 35124

Territory: Menlo Park, CA
Roto-Rooter
220 Demeter Street
East Palo Alto, CA 94303

Territory: Colorado Springs, CO
Roto-Rooter
4615 Town Center Drive
Suite 100 & 110
Colorado Springs, CO 80916

Territory: Denver, CO
Roto-Rooter
5180 Smith Road #F
Denver, CO 80216

Territory: Bridgeport, CT
Roto-Rooter
255 Stagg Street
Stratford, CT 06615-6785

Territory: Wilmington, DE
Roto-Rooter
1001 Dawson Drive
Delaware Industrial Park
Newark, DE 19713-5812

Territory: Ft. Lauderdale/Palm Beach, FL
Roto-Rooter
1901 Green Road
Unit H
Deerfield Beach, FL 33064

Territory: Jacksonville, FL
Roto-Rooter
2028 West 21st Street
Jacksonville, FL 32209-4781

Territory: Miami, FL
Roto-Rooter
1550 NW 79th Avenue
Miami, FL 33126-1104

Territory: Orlando, FL
Roto-Rooter
1404 Gemini Blvd.
Orlando, FL 32837-9423

Territory: Tampa, FL
Roto-Rooter
5020 Tampa West Blvd.
Tampa, FL 33634

Territory: Atlanta, GA
Roto-Rooter
6356-A Corley Road
Norcross, GA 30071

Territory: Hawaii, HI
Roto-Rooter
1631 Democrat Street
Honolulu, HI 96819

Territory: Chicago, IL
Roto-Rooter
1800 Landmeier Road
Elk Grove Village, IL 60007

Territory: Indianapolis, IN
Roto-Rooter
12034 Exit 5 Pkwy
Fishers, IN 46037

Territory: New Orleans, LA
Roto-Rooter
550 Elmwood Park Blvd.
Suite F
New Orleans, LA 70123

Territory: Boston, MA
Roto-Rooter
175 Maple Street
Stoughton, MA 02072-1130

Territory: Baltimore, MD
Roto-Rooter
7800 Waterloo Road
Jessup, MD 20794-9477

Territory: Minneapolis, MN
Roto-Rooter
14530 27th Avenue North
Minneapolis, MN 55447-4804

Territory: St. Paul, MN
Roto-Rooter
99 5th Avenue NW
Suite 200
New Brighton, MN 55112

Territory: Kansas City, MO
Roto-Rooter
1550 Liberty Street
Kansas City, MO 64102

Territory: St. Louis, MO
Roto-Rooter
3041 Elm Point Industrial Blvd.
St. Charles, MO 63301-4335

Territory: Charlotte, NC
Roto-Rooter
1700 Orr Industrial Court
Charlotte, NC 28213-6300

Territory: Raleigh, NC
Roto-Rooter
8820 Midway West Road
Raleigh, NC 27617

Territory: Omaha, NE
Roto-Rooter
7941 Drexel Street
Ralston, NE 68127

EXHIBIT C

Territory: Camden, NJ
Roto-Rooter
175 Ninth Avenue
Unit C
Runnemede, NJ 08078

Territory: Middlesex, NJ
Roto-Rooter
80 Veronica Avenue
Somerset, NJ 08873

Territory: Buffalo, NY
Roto-Rooter
135 South Avenue
West Seneca, NY 14224-2010

Territory: Long Island, NY
Roto-Rooter
241 Central Avenue
Farmingdale, NY 11735-6933

Territory: New York, NY
Roto-Rooter
280 Meredith Avenue
Staten Island, NY 10314

Territory: Westchester, NY
Roto-Rooter
525 Waverly Avenue
Mamaroneck, NY 10543

Territory: Cincinnati, OH
Roto-Rooter
2125 Montana Avenue
Cincinnati, OH 45211-2741

Territory: Cleveland, OH
Roto-Rooter
5375 Naiman Parkway
Solon, OH 44139

Territory: Columbus, OH
Roto-Rooter
4480 Bridgeway Avenue
Suite B
Columbus, OH 43219

Territory: Dayton, OH
Roto-Rooter
9490 Byers Road
Miamisburg, OH 45343

Territory: Philadelphia, PA
Roto-Rooter
6303 MacPherson Avenue
Levittown, PA 19057-4727

Territory: Pittsburgh, PA
Roto-Rooter
3731 William Penn Hwy (US 22)
Murrysville, PA 15668

Territory: Providence, RI
Roto-Rooter
1195 Broad Street
Providence, RI 02905

Territory: Austin, TX
Roto-Rooter
2800 Longhorn Blvd.
Suite 102
Austin, TX 78758

Territory: Houston, TX
Roto-Rooter
3403 North Sam Houston Parkway West
Suite 400
Houston, TX 77086

Territory: San Antonio, TX
Roto-Rooter
3603 Metro Parkway
San Antonio, TX 78247

Territory: Norfolk, VA
Roto-Rooter
509 Viking Drive
Suite B
Virginia Beach, VA 23452

Territory: Northern Virginia, VA
Roto-Rooter
10404 Morais Court
Manassas, VA 20110-4175

Territory: Seattle, WA
Roto-Rooter
10655 Tukwila International Blvd.
Tukwila, WA 98168

Territory: Tacoma, WA
Roto-Rooter
4630 16th Street E
Suite B9
Fife, WA 98424

EXHIBIT 3

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EXHIBIT 4

List of Franchisees

List of Franchisees

Alabama

CALHOUN COUNTY, AL
Randall P. Anderson
9471 US Highway 431
Albertville, AL 35950
(256)-582-8284

CLARKE COUNTY, AL
Allen Nall
PO Box 549
Excel, AL 36439
(251)-765-2156

CULLMAN, AL
Gary L. Patterson
PO Box 62
Cullman, AL 35056
(256)-734-1060

DECATUR, AL
Randall Anderson
9471 Hwy 431
Albertsville, AL 35950
(256)-582-8284

DOTHAN, AL
Raymond F. Dees
PO Box 8703
Dothan, AL 36304
(334)-793-9363

FLORENCE, AL
Paula Y. Offutt
PO Box 2142
Florence, AL 35630
(256)-766-9881

FORT PAYNE, AL
Randall P. Anderson
9471 Hwy 431
Albertsville, AL 35950
(256)-304-0006

GADSDEN, AL
Randall P. Anderson
9471 US Highway 431
Albertville, AL 35950
(256)-582-8284

MARSHALL COUNTY, AL
Randall P. Anderson
9471 Hwy 431
Albertsville, AL 35950
(256)-582-8284

MOBILE, AL
Donald G. Smith
2001 West I 65 Service Road North
Mobile, AL 36618
(251)-479-9454

MONTGOMERY, AL
Jane Tierce
PO Box 680780
Prattville, AL 36068
(334)-272-7130

NEWTON, AL
Justin T. Woodham
1048 Hubbard Road
Newton, AL 36352
(334)-692-3991

OPELIKA, AL
Stephen L Still
PO Box 470
Opelika, AL 36803
(334)-745-2906

SCOTTSBORO, AL
Randall P. Anderson
9471 Hwy 431
Albertsville, AL 35950
(256)-582-8284

SELMA, AL
Martha J. Tierce
PO Box 680780
Prattville, AL 36068
(334)-272-7130

TALLADEGA COUNTY, AL
Randall P. Anderson
9471 Hwy 431
Albertville, AL 35950
(256)-582-8284

Alaska

KENAI PENINSULA, AK
Shawn Parnell
PO Box 767
Soldotna, AK 99669
(907)-262-5605

Arizona

FLAGSTAFF, AZ
Kevin R. Fix
PO Box 2245
Flagstaff, AZ 86003-2245
(928)-527-1445

MOHAVE COUNTY, AZ
Cody Sherwood
4384 Able Dr
Kingman, AZ 86409
(928)-929-7686

PRESCOTT, AZ
James Holcomb
2141 Industrial Ct
Suite D
Vista, CA 92081

SEDONA, AZ
Michael White
PO Box 998
Cornville, AZ 86325-0998
(928)-634-2806

SHOW LOW, AZ
Evan Amos
PO Box 1362
Taylor, AZ 85939
(928)-537-3123

SIERRA VISTA, AZ
David R. Gibbs
5010 Vespucci Dr
Sierra Vista, AZ 85635
(520)-732-3735

YUMA COUNTY, AZ
Anthony J. Cox
2115 S. Arizona Ave #8
Yuma, AZ 85364
(435)-673-2511

List of Franchisees

Arkansas

BATESVILLE, AR
Jason Dugger
PO Box 240
Newark, AR 72562
(870)-793-5919

HARRISON, AR
Tiffany Moore
406 E Highway 43
Harrison, AR 72601
(870)-741-9573

HOT SPRINGS, AR
Steve M. Fischer
PO Box 20457
Hot Springs, AR 71903
(501)-760-7660

JONESBORO, AR
Randy B. Hedge
1705 Rector Road
Paragould, AR 72450
(870)-236-8966

MOUNTAIN HOME, AR
William K Worman
P O Box 17
Mountain Home, AR 72654
(870)-425-4949

RUSSELLVILLE, AR
James R. Moore
PO Box 1268
Russellville, AR 72811
(479)-968-3871

SPRINGDALE, AR
Brad Dillard
PO Box 7180
Springdale, AR 72766
(479)-751-8442

WALNUT RIDGE, AR
Randy Hedge
1705 Rector Road
Paragould, AR 72450
(870)-935-0300

California

BAKERSFIELD, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

BRAWLEY, CA
James L. Houston
PO Box 479
El Centro, CA 92244
(760)-352-6789

CHICO, CA
Jefferi Smith
PO Box 786
Oroville, CA 95965
(530)-342-5154

DEL NORTE COUNTY, CA
Luke Pyke
PO Box 4008
Brookings, OR 97415
(541)-469-7557

ESCONDIDO, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

EUREKA, CA
Dane Grytness
700 South G Street
Arcata, CA 95521
(707)-822-2688

FRESNO, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

GRASS VALLEY, CA
Randy L. Navo
815 Idaho-Maryland Road
Grass Valley, CA 95945
(530)-273-3714

HEMET, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

JACKSON, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

LAKEPORT, CA
Victoria Christie
PO Box 1340
Kelseyville, CA 95451
(707)-279-9461

LANCASTER, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

MADERA, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

MERCED, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

List of Franchisees

MODESTO, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

MONTEREY, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(831)-372-8303

OROVILLE, CA
Jefferi Smith
PO Box 786
Oroville, CA 95965
(530)-533-5354

PALM DESERT, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

PASO ROBLES, CA
James Holcomb
2141 Industrial Ct
Suite D
Vista, CA 92081

REDDING, CA
Ray Hart
PO Box 53
Palo Cedro, CA 96073-0053
(530)-241-6217

SACRAMENTO, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

SALINAS, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(831)-422-0055

SAN FRANCISCO, CA
Arnold J. Galarza
3840 Bayshore Blvd.
Brisbane, CA 94005
(415)-656-2130

SAN LUIS OBISPO, CA
James Holcomb
2141 Industrial Ct
Suite D
Vista, CA 92081

SAN RAFAEL, CA
Donald J. Calegari
PO Box 3415
San Rafael, CA 94912
(415)-898-2700

SANTA BARBARA, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

STOCKTON, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

TUOLUMNE COUNTY, CA
Rodney Wray
1015 Wakefield Dr
Oakdale, CA 95361
(209)-532-3995

TWENTYNINE PALMS, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-416-1641

UKIAH, CA
Victoria Christie
PO Box 1340
Kelseyville, CA 95451-1340
(707)-462-4012

VENTURA, CA
James Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

VICTORVILLE, CA
Tom Stewart
13570 Tonikan Road
Apple Valley, CA 92308
(760)-245-2947

VISALIA, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

VISTA, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4292

YOLO COUNTY, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

List of Franchisees

YUBA CITY, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

YUCAIPA, CA
James A. Holcomb
2141 Industrial Court
Suite B
Vista, CA 92081
(760)-598-4234

Colorado

BRECKENRIDGE, CO
William H. Tatro
PO Box 2917
Breckenridge, CO 80424
(970)-453-2339

CRAIG, CO
Kyle Serrano
1944 Airport Rd
Suite 1
Rifle, CO 81650
(970)-945-5519

DURANGO, CO
Chris Wiebel
PO Box 2086
Durango, CO 81302
(970)-247-1040

FORT COLLINS, CO
Keith Riggs
3005 West 29th Street
Unit G-2
Greeley, CO 80631
(970)-356-7686

GLENWOOD SPRINGS, CO
Kyle Serrano
PO Box 1800
Glenwood Springs, CO 81602
(970)-625-4484

GRAND JUNCTION, CO
Kyle Serrano
PO Box 1800
Glenwood Springs, CO 81602
(970)-625-4484

GREELEY, CO
Keith Riggs
3005 West 29th Street
Unit G-2
Greeley, CO 80631
(970)-356-7686

MONTROSE, CO
Kyle Serrano
PO Box 1800
Glenwood Springs, CO 81602
(970)-945-5519

VAIL, CO
William H. Tatro
Box 2917
Breckenridge, CO 80424
(970)-453-2339

Delaware

DOVER, DE
Edward Shane Johnson
28091 Oaklands Circle
Easton, MD 21601
(410)-822-6345

Florida

DELAND, FL
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256

FORT WALTON BEACH, FL
Chad Woodall
PO Box 90788
Raleigh, NC 27675
(850)-477-7349

LAKE COUNTY, FL
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256

PANAMA CITY, FL
Chad Woodall
PO Box 90788
Raleigh, NC 27675
(850)-785-9699

PENSACOLA, FL
Chad Woodall
PO Box 90788
Raleigh, NC 27675
(850)-477-7349

ST. AUGUSTINE, FL
Jeremy Ettlinger
2110 Dobbs Road
St. Augustine, FL 32086
(904)-824-1836

TALLAHASSEE, FL
Frederick D. Hagen
PO Box 3133
Tallahassee, FL 32315-3133
(850)-386-5614

Georgia

ALBANY, GA
Scott Ricks
PO Box 737
Albany, GA 31702
(229)-432-5470

ATHENS, GA
Wesley Andersen
PO Box 7785
Athens, GA 30604
(762)-728-7575

AUGUSTA, GA
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607
(706)-229-7881

BRUNSWICK, GA
William Ebert
PO Box 1403
Valdosta, GA 31603
(229)-247-6830

List of Franchisees

DOUGLAS, GA
Kevin Spivey
6707 Sinkhole Road
Ambrose, GA 31512
(912)-592-7024

LAGRANGE, GA
Stephen L. Still
PO Box 470
Opelika, AL 36803
(334)-743-2906

MACON, GA
William Ebert III
PO Box 1403
Valdosta, GA 31603
(229)-630-4230

ROME, GA
Bill Foxworth
PO Box 80323
Chattanooga, TN 37414
(423)-855-1212

STATESBORO, GA
Barney L. Allen
PO Box 1462
Statesboro, GA 30459
(912)-489-8080

TOCCOA, GA
C. Keith Means
190 Chopped Oak Connector
Toccoa, GA 30577
(706)-244-0351

VALDOSTA, GA
William Ebert
PO Box 1403
Valdosta, GA 31603
(229)-247-6830

Hawaii

HILO, HI
Jo-Anna Mantyla
PO Box 4438
Kailua-Kona, HI 96745
(808)-961-6188

MAUI, HI
Rodney A. Wray
1274 Dupont Court
Manteca, CA 95336
(925)-605-4320

Idaho

IDAHO FALLS, ID
Jason T. Watson
PO Box 155
Menan, ID 83434-0155
(208)-523-4212

MENAN, ID
Jason T. Watson
PO Box 155
Menan, ID 83434-0155
(208)-754-4658

POCATELLO, ID
Brandon Hepworth
PO Box 2535
Pocatello, ID 83206-2535
(208)-232-2458

TWIN FALLS, ID
Christopher R. Sainsbury
PO Box 839
Twin Falls, ID 83303-0839
(208)-733-2541

Illinois

BLOOMINGTON, IL
Mark Stepowoy
602 Ashford Ct.
Champaign, IL 61822
(217)-398-4500

BRADLEY, IL
Mark Stepowoy
602 Ashford Court
Champaign, IL 61822
(815)-932-3251

CHAMPAIGN, IL
Mark Stepowoy
602 Ashford Court
Champaign, IL 61622
(217)-398-4500

DANVILLE, IL
Mark Stepowoy
602 Ashford Court
Champaign, IL 61822
(217)-398-4500

GALESBURG, IL
Theodore E. Bailey
PO Box 1402
Galesburg, IL 61402-1402
(309)-343-6913

GAYS, IL
Mark Stepowoy
602 Ashford Court
Champaign, IL 61822
(217)-752-6241

LA SALLE, IL
Patrick T. Kinsella
PO Box 338
Peru, IL 61354
(815)-223-3700

OGLE COUNTY, IL
Mark Stepowoy
3332 Forest View Rd
Rockford, IL 61109
(815)-708-3352

PEORIA, IL
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256
(309)-204-3040

ROCKFORD, IL
Mark Stepowoy
3332 Forest View Dr
Rockford, IL 61109
(815)-282-8809

SPRINGFIELD, IL
Mark Stepowoy
8600 Palm Rd
Springfiled, IL 62712
(217)-546-1300

List of Franchisees

Indiana

ANDERSON, IN
Mark Stepowoy
5826 West Kilgore Avenue
Muncie, IN 47302
(765)-521-0784

DECATUR, IN
John Lancaster
410 Warren Ave
Montpelier, IN 47359
(765)-348-8500

ELKHART, IN
Steven K. Rieth
27991 County Road 10
Suite 102
Elkhart, IN 46514
(574)-266-5453

EVANSVILLE, IN
Steve Lacy
2501 South Kentucky Avenue
Evansville, IN 47714
(812)-422-3184

KOKOMO, IN
Mark Stepowoy
1354 E. 100 North
Suite B
Kokomo, IN 46901
(765)-453-4050

LAFAYETTE, IN
Mark Stepowoy
1354 East 100 North
Suite B
Kokomo, IN 46902
(765)-453-4050

LOGANSPORT, IN
Mark Stepowoy
1354 East 100 North
Kokomo, IN 46901
(765)-204-5055

MUNCIE, IN
Mark Stepowoy
5826 West Kilgore Avenue
Muncie, IN 47302
(765)-521-0784

NEW CASTLE, IN
Mark Stepowoy
5826 West Kilgore Avenue
Muncie, IN 47302
(765)-521-0784

PIERCETON, IN
Steven K. Rieth
27991 County Road 10
Suite 102
Elkhart, IN 46514
(574)-266-5453

REMINGTON, IN
Mark Stepowoy
1354 E 100 N
Kokomo, IN 46901
(765)-453-4050

Iowa

AMES, IA
Randolph A. Behle
PO Box 1103
Ames, IA 50014
(515)-292-9277

BURLINGTON, IA
Terence L. Fisher
13802 80th Avenue
Burlington, IA 52601-3724
(319)-752-9409

CEDAR RAPIDS, IA
Christine C. Maher
852 - 44th Street SE
Cedar Rapids, IA 52403
(319)-365-2243

DAVENPORT, IA
Conrad (Craig) Wagner
2611 State St
Bettendorf, IA 52722
(563)-388-9900

DES MOINES, IA
Larry E. Hunt
4005 Southeast Grimes Blvd.
Grimes, IA 50111
(515)-278-5668

DUBUQUE, IA
Darryl Horkheimer
PO Box 1533
Dubuque, IA 52004
(563)-552-1828

EDDYVILLE, IA
Jeff Boitnott
PO Box 157
Ottumwa, IA 52501
(641)-682-3330

IOWA CITY, IA
Conrad Wagner
2611 State St
Bettendorf, IA 52722
(563)-388-9900

IOWA FALLS, IA
Robert Hildreth
19867 County Highway D20
Iowa Falls, IA 50126
(641)-648-2619

JOLLEY, IA
Carl Nelsen
300 5th Street
Lohrville, IA 51453
(712)-297-5218

LEE COUNTY, IA
Terence L. Fisher
13802 80th Avenue
Burlington, IA 52601-3724
(319)-752-9409

MARSHALLTOWN, IA
Randy Behle
2228 220th Place
Ames, ia 50014
(515)-233-2065

List of Franchisees

MASON CITY, IA
Corey Lief
213 5th Street NW
Mason City, IA 50401
(641)-423-2320

OTTUMWA, IA
Jeff Boitnott
PO Box 157
Ottumwa, IA 52501
(641)-682-3330

SIOUX CITY, IA
Patrick Brown
PO Box 4607
Sioux City, IA 51104
(712)-276-7329

WATERLOO, IA
Nathan J. Maher
5801 Waltonian Road
Coggon, IA 52218
(319)-234-6702

Kansas

HAYS, KS
Ryan Shubert
PO Box 202
Hays, KS 67601
(785)-625-6850

HUTCHINSON, KS
Gary E. Vincent
3416 North Maple
Hutchinson, KS 67502
(620)-662-2001

PITTSBURG, KS
Braden Peak
255 N. 270th Street
Mulberry, KS 66756
(620)-231-5630

WICHITA, KS
Rita L. Campbell
801 East Mt. Vernon
Wichita, KS 67211
(316)-267-4277

Louisiana

ALEXANDRIA, LA
Troy P. Hotard
PO Box 13026
Monroe, LA 71213-3026
(318)-443-8605

BATON ROUGE, LA
Larry C. Musgrove
PO Box 64966
Baton Rouge, LA 70896
(225)-925-8710

HAMMOND, LA
Tracy Farmer
70161 Highway 59
Suite B
Abita Springs, LA 70420-3706
(985)-893-6165

LAFAYETTE, LA
Ryan Willbanks
4714 N Towne Centre Dr
Ozark, MO 65721
(337)-485-7586

MONROE, LA
Ronald P. Hotard
300 Kansas Lane
Monroe, LA 71203
(318)-343-7819

SLIDELL, LA
Tracy Farmer
70161 Highway 59
Suite B
Abita Springs, LA 70420-3706
(985)-893-6165

Maine

BANGOR-BAR HARBOR, ME
Ryan Clark
173 Robertson Blvd.
Brewer, ME 04412
(207)-990-1234

Maryland

EASTON, MD
Edward Shane Johnson
28091 Oaklands Circle
Easton, MD 21601
(410)-822-6345

FREDERICK COUNTY, MD
Frederick R. Sword
101 North Cannon Avenue
Hagerstown, MD 21740
(301)-790-2313

HAGERSTOWN, MD
Frederick R. Sword
101 North Cannon Avenue
Hagerstown, MD 21740
(301)-790-2313

SALISBURY, MD
Edward Shane Johnson
28091 Oaklands Circle
Easton, MD 21601
(410)-822-6345

Michigan

ANN ARBOR, MI
Robert R. Fowler
3901 Bestech Road
Suite 600
Ypsilanti, MI 48197
(734)-973-9194

BATTLE CREEK, MI
Mark Stepowoy
7275 Tower Rd.
Battle Creek, MI 49014
(269)-213-8688

KALAMAZOO, MI
Dale W. Hubbard
5189 King Highway
Kalamazoo, MI 49048
(269)-345-6000

PETOSKEY, MI
Douglas D. Hoffman
7700 Hoyt
Harbor Springs, MI 49740
(231)-347-6400

List of Franchisees

TRAVERSE CITY, MI
Ben R. Jamieson
654 West Blue Star Drive
Traverse City, MI 49685
(231)-941-4001

Minnesota

BRAINERD, MN
Joe Koob
8728 Interlachen Road
Nisswa, MN 56468
(218)-963-4811

EVELETH, MN
Tony Erjavec
7574 Ely Lake Drive
Eveleth, MN 55734
(218)-744-2315

ROCHESTER, MN
Mitchell Nesler
2840 Wilder Rd NW
Rochester, MN 55901
(507)-288-4275

ST. CLOUD, MN
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256

Mississippi

COLUMBIA, MS
Richard L. Daley
2856 Highway 13 North
Columbia, MS 39429
(601)-736-5862

COLUMBUS, MS
John T. Caddis
PO Box 2554
Columbus, MS 39704
(662)-327-4161

GREENVILLE, MS
Ronald P. Hotard
PO Box 13026
Monroe, LA 71213
(318)-343-7819

HATTIESBURG, MS
Troy P. Hotard
PO Box 13026
Monroe, LA 71213
(601)-261-1111

LAUREL, MS
Troy P. Hotard
300 Kansas Lane
Monroe, LA 71203
(601)-261-1111

MERIDIAN, MS
James W. Hill
PO Box 669
5744 Dale Drive
Marion, MS 39342
(601)-483-2528

SUMMIT-MCCOMB, MS
William P. Wall
514 West Avenue North
McComb, MS 39648
(601)-684-7603

VICKSBURG, MS
Ronald P. Hotard
PO Box 13026
Monroe, LA 71213
(318)-343-7819

Missouri

BRANSON, MO
Ryan Willbanks
4714 N Towne Centre Dr.
Ozark, MO 65721
(417)-866-3656

CAPE GIRARDEAU, MO
Ryan Willbanks
4714 N Towne Centre Dr
Ozark, MO 65721
(573)-335-4844

HANNIBAL, MO
Cory J. Wilson
8750 Jimmy O'Donnell Road
Hannibal, MO 63401-6732
(573)-221-3597

KIRKSVILLE, MO
Larry L. Childress
PO Box 57
Brashear, MO 63533
(660)-626-7206

OSAGE BEACH, MO
Eric T Ash
15 County Ln
Eldon, MO 65026
(573)-365-1203

SEDALIA, MO
Patrick Burnett
3228 East Broadway
Sedalia, MO 65301
(660)-826-4433

SPRINGFIELD, MO
Ryan Willbanks
4714 N. Towne Centre Dr.
Ozark, MO 65721
(417)-866-3656

ST. FRANCOIS COUNTY, MO
William L. Tripp
3542 Pratte Road
Bonne Terre, MO 63628
(573)-431-6610

Montana

BILLINGS, MT
Melissa Bogy
PO Box 20295
Billings, MT 59104
(406)-252-5146

BOZEMAN, MT
Darell W. Frank
288 Pronghorn Trail
Suite 4
Bozeman, MT 59718
(406)-587-1702

BUTTE, MT
Rick L. Franklin
PO Box 4262
Butte, MT 59702
(406)-494-3939

List of Franchisees

HELENA, MT
Rick L. Franklin
PO Box 4262
Butte, MT 59702
(406)-442-5553

KALISPELL, MT
Steven Franklin
PO Box 2589
Kalispell, MT 59903
(406)-756-6820

LIVINGSTON, MT
Darell W. Frank
288 Pronghorn Trail
Suite 4
Bozeman, MT 59718
(406)-587-1702

MISSOULA, MT
Daniel W. Halstead
9685 Glacier Lily Court
Missoula, MT 59808
(406)-543-8270

RAVALLI COUNTY, MT
Samuel Sunderland
182 N Blake St
Victor, MT 59875
(406)-363-2787

Nevada

ELKO, NV
Christopher J. Johnson
PO Box 278
Elko, NV 89803
(775)-738-7389

New Jersey

ATLANTIC CITY, NJ
Doris Krill
1042 Atlantic City Blvd.
Bayville, NJ 08721-3542
(732)-341-5655

BAYVILLE, NJ
Doris Krill
1042 Atlantic City Blvd.
Bayville, NJ 08721-3542
(732)-341-5655

MORRISTOWN, NJ
Sean Daniel
PO Box 324
Chatham, NJ 07928
(973)-887-1800

PLAINFIELD, NJ
Christopher Wodash
55 Woodlawn Avenue
Bridgewater, NJ 08807
(908)-756-8110

SPRINGFIELD, NJ
Sean Daniel
PO Box 324
Chatham, NJ 07928
(973)-887-1800

SUSSEX COUNTY, NJ
Sean Daniel
2 Littell Road
East Hanover, NJ 07936
(973)-887-1800

New Mexico

ALAMOGORDO, NM
Vickie S. Pierce Stockton
PO Box 1710
Fairacres, NM 88033
(575)-524-1911

ALBUQUERQUE, NM
Matthew Hudson
731 Rankin Road Northeast
Albuquerque, NM 87107
(505)-299-6464

FARMINGTON, NM
Aldrich L. Kuchera
703 West Broadway
Farmington, NM 87401
(505)-325-4505

GALLUP, NM
Chris Mortensen
PO Box 2229
Gallup, NM 87305
(505)-722-6110

HOBBS, NM
Kerry Manis
1224 Linda Lane
Hobbs, NM 88242-5002
(575)-397-1011

LAS CRUCES, NM
Vickie S. Pierce Stockton
PO Box 1710
Fairacres, NM 88033
(575)-524-1911

LOS ALAMOS, NM
Fred R. Garcia
PO Box 1016
Los Alamos, NM 87544
(505)-662-9046

New York

GILBERTSVILLE, NY
Edward J. Lang
PO Box 485
Narrowsburg, NY 12764
(845)-252-3000

GLENS FALLS, NY
Brian Rossley
PO Box 1430
South Glens Falls, NY 12803
(518)-793-4949

ITHACA, NY
Kyle Spencer
175 Woolf Lane
Ithaca, NY 14850
(607)-272-1451

JAMESTOWN, NY
Mark A. Mills
2596 South Work Street
Falconer, NY 14733
(716)-664-3260

NARROWSBURG, NY
Edward J. Lang
PO Box 485
Narrowsburg, NY 12764
(845)-252-3000

List of Franchisees

NEWBURGH, NY
Edward J. Lang
PO Box 485
Narrowsburg, NY 12764
(845)-252-3000

PLATTSBURGH, NY
Patrick Leary
4424 Route 22
Plattsburgh, NY 12901
(518)-561-8760

PORT JERVIS, NY
Edward J. Lang
PO Box 485
Narrowsburg, NY 12764
(845)-252-3000

POTSDAM, NY
Daniel Bronson
PO Box 601
Potsdam, NY 13676
(315)-265-8190

SYRACUSE, NY
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256
(315)-202-2892

UTICA, NY
Laurence C. Manser
PO Box 355
Oneida, NY 13421
(315)-363-4260

North Carolina

ASHEVILLE, NC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607-5926
(828)-348-6655

CHEROKEE COUNTY, NC
William Ebert
PO Box 61
Tavares, FL 32778
(828)-526-8313

HAYWOOD COUNTY, NC
William Ebert
PO Box 61
Tavares, FL 32778
(828)-526-8313

HENDERSONVILLE, NC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607-5926
(828)-348-6655

ROCKY MOUNT, NC
Cesar Hernandez
PO Box 9089
Rocky Mount, NC 27804
(252)-442-9340

RUTHERFORDTON, NC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607-5926
(828)-348-6655

SPRUCE PINE, NC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607-5926
(828)-385-5388

WILMINGTON, NC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607
(910)-408-4511

North Dakota

BISMARCK, ND
Chad M. Pfleger
1314 Ridgeview Lane
Bismarck, ND 58501
(701)-222-2653

FARGO, ND
Wesley J. Wateland
2080 - 33rd Street South
Moorhead, MN 56560
(701)-232-3366

GRAND FORKS, ND
Randy Schwingler
PO Box 12762
Grand Forks, ND 58208-2762
(701)-746-8947

MINOT, ND
Preston Dean
6621 16th Avenue NW
Minot, ND 58703
(701)-838-1661

Ohio

ALLIANCE, OH
Xavier Ugarte
6218 Downs Road NW
Warren, OH 44481
(330)-821-7611

ASHTABULA, OH
James J. Carney III
PO Box 524
Ashtabula, OH 44005
(440)-992-6401

BOWLING GREEN, OH
Lonnie S. Fleck
5278 Telegraph Road
Toledo, OH 43612
(419)-476-8648

CANTON, OH
Mark Stepowoy
7193 Sunset Strip NW
North Canton, OH 44720
(330)-456-7890

FINDLAY, OH
Thomas Noel Roach
211 East Front Street
Findlay, OH 45840
(419)-422-3900

FOSTORIA, OH
Timothy J. Munger
202 West Culbertson Street
Fostoria, OH 44830
(419)-435-3360

List of Franchisees

NEW PHILADELPHIA, OH
Mark Stepowoy
7193 Sunset Strip Ave NW
North Canton, OH 44720
(330)-390-4544

NEWARK, OH
Jeffrey M. Tanner
4830 North Pointe Drive
Zanesville, OH 43701-1813
(740)-366-6336

PAINESVILLE, OH
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256
(440)-357-5610

PORT CLINTON, OH
Jedediah Adkins
2226 West Garrison Street
Fremont, OH 43420
(419)-898-6395

PORTSMOUTH, OH
John R. Mott
5415 Gallia Street
Sciotoville, OH 45662
(740)-456-8241

SANDUSKY, OH
Michael C. Hemenway
2610 State Route 61
Norwalk, OH 44857
(419)-626-1975

STEUBENVILLE, OH
James J. Saltsman
PO Box 310
Steubenville, OH 43952
(740)-284-0600

TOLEDO, OH
Lonnie Sue Fleck
5278 Telegraph Road
Toledo, OH 43612
(419)-476-8648

WOOSTER, OH
Mark Stepowoy
7001 Wooster Pike
Medina, OH 44256
(330)-262-3781

ZANESVILLE, OH
Jeffrey M. Tanner
4830 North Pointe Drive
Zanesville, OH 43701
(740)-453-9935

Oklahoma

BARTLESVILLE, OK
Dencle L Long
PO Box 1491
Bartlesville, OK 74005
(918)-336-5485

MUSKOGEE, OK
Kyle E. Brierly
5700 South 107th East Avenue
Tulsa, OK 74146
(918)-622-6996

OKLAHOMA CITY, OK
Eugene C. Brierly
5700 South 107th East Avenue
Tulsa, OK 74146
(918)-622-6996

OKMULGEE, OK
Dale R. Conner
812 W Skelton
Okmulgee, OK 74447
(918)-758-1550

PONCA CITY, OK
Duane M. Keeler
4275 North Hwy. 77 Access Road
Ponca City, OK 74601
(580)-765-7085

STILLWATER, OK
Gary L. Kelly
PO Box 1704
Stillwater, OK 74076
(405)-624-0310

TULSA, OK
Eugene C. Brierly
5700 South 107th East Avenue
Tulsa, OK 74146
(918)-622-6996

Oregon

ALBANY, OR
Debra L. Oliver
PO Box 291
Albany, OR 97321
(541)-926-3775

COOS BAY, OR
Ivy S. Collatt
93788 Carlisle Ln.
Coos Bay, OR 97420
(541)-269-5050

CURRY COUNTY, OR
Luke Pyke
PO Box 4008
Brookings, OR 97415
(541)-469-7557

GRANTS PASS, OR
Roury A. Summers
PO Box 1792
Medford, OR 97501-0141
(541)-772-6766

MEDFORD, OR
Roury A. Summers
PO Box 1792
Medford, OR 97501-0141
(541)-772-6766

ROSEBURG, OR
Ivy S. Collatt
93788 Carlisle Ln
Coos Bay, OR 97420
(541)-269-5050

THE DALLES, OR
Alejandro Rodriguez
PO Box 1365
The Dalles, OR 97058
(541)-298-4926

List of Franchisees

TILLAMOOK, OR
Brian Christensen
2106 10th St
Tillamook, OR 97141
(503)-842-5393

Pennsylvania

ALTOONA, PA
Mark Stepowoy
115 Sann Street
Johnstown, PA 15904
(814)-266-2707

BETHLEHEM, PA
Mark Stepowoy
7001 Wooster Pk
Medina, OH 44256
(484)-369-7727

BLOOMSBURG, PA
Eric Sorg
131 Cross Road
Bloomsburg, PA 17815
(570)-784-6093

BRADFORD COUNTY, PA
Ted S. Williams
10291 Rte 414
Canton, PA 17724
(570)-673-4400

CLEARFIELD COUNTY, PA
Fred Boyce
212 Treasure Lake
DuBois, PA 15801
(814)-375-5657

ELK COUNTY, PA
Jerry Milliron
811 Biddle Street
Kane, PA 16735
(814)-837-7852

JOHNSTOWN, PA
Mark Stepowoy
115 Sann St
Johnstown, PA 15904
(814)-266-2707

STATE COLLEGE, PA
John E. Moore
PO Box 355
Phillipsburg, PA 16866-0355
(814)-234-2624

WILLIAMSPORT, PA
James L. Beck
324 Grimesville Road
Williamsport, PA 17701
(570)-323-7191

YORK, PA
Kimmy S. Cole
1732 W. King Street
York, PA 17404
(717)-751-4447

South Carolina

ANDERSON, SC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607
(864)-226-9452

CHARLESTON, SC
Harry E. Thornley
PO Box 31237
Charleston, SC 29417
(843)-556-4320

GREENVILLE, SC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607
(864)-288-7686

MYRTLE BEACH, SC
Patricia W. Eckberg
136 Tanner Road
Greenville, SC 29607
(843)-626-7314

South Dakota

SIOUX FALLS, SD
Jerry L. Cozad
PO Box 623
Sioux Falls, SD 57101
(605)-336-8505

Tennessee

ATHENS, TN
Philip L. Harbin
PO Box 687
Athens, TN 37371
(423)-744-9745

BEDFORD COUNTY, TN
George L. Weist
PO Box 2636
Murfreesboro, TN 37133
(615)-890-3905

CHATTANOOGA, TN
William R. Foxworth
PO Box 80323
Chattanooga, TN 37414
(423)-855-1212

CLARKSVILLE, TN
James J. Harris
1772 Alpine Drive
Clarksville, TN 37040
(931)-647-3068

CLEVELAND, TN
Philip Harbin
PO Box 2065
Cleveland, TN 37320-2065
(423)-479-8148

COLUMBIA, TN
Brian Carter
PO Box 1887
Columbia, TN 38402
(931)-381-9286

GREENEVILLE, TN
Michael Harrell
PO Box 488
Greeneville, TN 37744-0488
(423)-639-1221

JACKSON, TN
Brian Carter
PO Box 1887
Columbia, TN 38402
(731)-203-0955

List of Franchisees

JOHNSON CITY, TN
Patricia W Eckberg
136 Tanner Road
Greenville, SC 29607
(423)-929-7500

MORRISTOWN, TN
Michael S. Harrell
PO Box 488
Greeneville, TN 37744-0488
(423)-639-1221

MURFREESBORO, TN
George L. Weist
PO Box 2636
Murfreesboro, TN 37133
(615)-890-3905

SMITHVILLE, TN
Michael L. Watson
2097 Cranor Road
Murfreesboro, TN 37130
(615)-215-7686

Texas

AMARILLO, TX
Brian K. Boggs
1831 South Austin
Amarillo, TX 79109
(806)-374-1234

BEAUMONT, TX
Joseph Cicco
1579 N. Lexington Blvd.
Corpus Christi, TX 78409
(409)-827-2244

BROWNSVILLE, TX
Joseph Cicco
1579 N. Lexington Blvd.
Corpus Christi, TX 78409
(361)-730-1777

CORPUS CHRISTI, TX
Joseph Cicco
1579 N. Lexington Blvd.
Corpus Christi, TX 78409
(361)-445-4884

FORT WORTH, TX
Kimberlyn D. Miller
4600 Marsalis
Ft. Worth, TX 76117
(817)-336-5708

LAREDO, TX
Joseph Cicco
2125 N 77 Shshine #3
Harlingen, TX 78550
(361)-730-1777

MCALLEN, TX
Joseph Cicco
1579 N. Lexington Blvd.
Corpus Christi, TX 78409
(361)-730-1777

MIDLAND-ODESSA, TX
Ron Ainsworth
2205 West Industrial Avenue
Midland, TX 79701
(432)-683-5233

SAN ANGELO, TX
Walter Spencer
5556 US Highway 87
San Angelo, TX 76901
(325)-658-2665

SHERMAN, TX
Kyle Brierly
5700 S 107th E Ave
Tulsa, OK 74146
(903)-515-8021

TEXARKANA, TX
Bernhard Stockmann
450 South Kings Highway
Texarkana, TX 75501
(903)-792-1964

VICTORIA, TX
Carrol D. Renard
635 Hill Road
Victoria, TX 77905
(361)-575-4423

Utah

LOGAN, UT
Timothy G. Gordon
825 West 200 South
Logan, UT 84321-5050
(435)-752-8367

ST. GEORGE, UT
Anthony J. Cox
PO Box 3151
St. George, UT 84771
(435)-673-2511

Vermont

MANCHESTER CENTER, VT
Donald D. Dorr
209 Riverside Heights
Manchester Center, VT 05255
(802)-362-2344

RUTLAND, VT
Nick Rudenis
335 Gravel Pit Road
West Rutland, VT 05777
(802)-438-5669

Virginia

BRISTOL, VA
Patricia W Eckberg
136 Tanner Road
Greenville, SC 29607
(276)-285-0616

DANVILLE, VA
Ryan Willbanks
742 Memorial Drive
Danville, VA 24540
(434)-299-8297

LYNCHBURG, VA
Douglas B. Kershaw
PO Box 512
Forest, VA 24551
(434)-525-2315

ROANOKE, VA
Don M. Clark
2747 Mallard Drive SW
Roanoke, VA 24018
(540)-366-4368

List of Franchisees

WAYNESBORO, VA
Douglas Campbell
21 Killdeer Lane
Stuarts Draft, VA 24477
(540)-886-4954

WINCHESTER, VA
Donald R. Merritt
5335 Crooked Lane
Stephens City, VA 22655
(540)-869-5309

Washington

CENTRALIA, WA
Darryl L. Carley
PO Box 372
Centralia, WA 98531
(360)-740-1007

CLARKSTON, WA
John Freand
2924 Hatwai Road
Lewiston, ID 83501
(208)-746-4282

KENNEWICK, WA
John M. Ball
1330 E Broadway St
Pasco, WA 99301
(509)-783-7311

LONGVIEW, WA
Paul Cozad
PO Box 1118
Longview, WA 98632
(360)-577-1400

WALLA WALLA, WA
John M. Ball
1330 E Broadway St
Pasco, WA 99301
(509)-525-3836

West Virginia

CHARLESTON, WV
John V. Carr
PO Box 7582
Charleston, WV 25356
(304)-346-6409

HUNTINGTON, WV
John V. Carr
3339 Cyrus Creek Road
Barboursville, WV 25504
(304)-529-4254

PARKERSBURG, WV
John V. Carr
3339 Cyrus Creek Road
Barboursville, WV 25504
(304)-529-4254

WHEELING, WV
James J. Saltsman
PO Box 310
Steubenville, OH 43952
(740)-284-0600

Wisconsin

APPLETON, WI
Joseph J Cheke
1786 North Silver Spring Drive
Appleton, WI 54913
(920)-734-3880

BROOKLYN, WI
Kelly McCann
611 North Burr Oak Avenue
Oregon, WI 53575
(608)-455-4481

CHIPPEWA FALLS, WI
Danny A. Helland
PO Box 587
Eau Claire, WI 54702
(715)-723-9494

EAU CLAIRE, WI
Danny A. Helland
PO Box 587
Eau Claire, WI 54702
(715)-835-9113

FOND DU LAC, WI
Joel Aulik
PO Box 5253
De Pere, WI 54115
(920)-497-1983

GREEN & IOWA COUNTIES, WI
Kelly McCann
611 North Burr Oak Avenue
Oregon, WI 53575
(608)-455-4481

GREEN BAY, WI
Joel B. Aulik
PO Box 5253
De Pere, WI 54115
(920)-497-1983

JANESVILLE, WI
Terra Lee Herale
4808 Ivywood Trail
McFarland, WI 53558
(608)-838-7676

JEFFERSON COUNTY, WI
Kelly McCann
611 North Burr Oak Avenue
Oregon, WI 53575
(608)-455-4481

MADISON, WI
Terra Lee Herale
4808 Ivywood Trail
McFarland, WI 53558
(608)-838-7676

MANITOWOC COUNTY, WI
Larry Grunewald
PO Box 2093
Manitowoc, WI 54221-2093
(920)-682-5880

MILWAUKEE, WI
John H. Harrison
11030 West Lincoln Avenue
West Allis, WI 53227-1132
(414)-541-4477

SHEBOYGAN, WI
Joel B. Aulik
PO Box 5253
De Pere, WI 54115
(920)-893-0702

WASHINGTON COUNTY, WI
John H. Harrison
11030 West Lincoln Avenue
West Allis, WI 53227-1132
(414)-541-4477

WAUSAU, WI
Ryan Willbanks
4714 N. Towne Centre Dr.
Ozark, MO 65721
(715)-359-5929

Wyoming

CASPER, WY
J. W. Schneider
1835 Skyview Drive
Casper, WY 82601
(307)-234-0325

CHEYENNE, WY
Walter Scott Spencer
1515 Logan Avenue
Cheyenne, WY 82001
(307)-365-6131

GILLETTE, WY
Brian D. Gerlach
820 Means St
Gillette, WY 82716
(307)-686-1573

EXHIBIT 5

Franchisees Who Left
the System

Colorado
Mark Rushing
Craig, CO
970-827-8304

Kentucky
Joyce Welage
Bowling Green, KY
270-904-0408

Michigan
Robert Hubbard
Battle Creek, MI
517-278-8877

Norman Bauman
Jackson County, MI
517-782-9385

Mississippi
Julie Baldwin Gordon
Natchez, MS
601-870-4014

Missouri
Jason Ramboldt
Osage Beach, MO
573-365-1203

Montana
Kevin Harrold
Ravalli County, MT
406-363-2787

Oregon
Michael Harrigan
Klamath Falls, OR
541-884-2000

Steven Stone
Tillamook, OR
503-842-5393

EXHIBIT 6

Financial Statements

Financial Review

Contents

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Chemed Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Chemed Corporation and its subsidiaries (the "Company") as of December 31, 2025 and 2024, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2025 including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

VITAS Revenue Implicit Price Concessions

As described in Note 2 to the consolidated financial statements, service revenue for VITAS is reported at the amount that reflects the ultimate consideration management expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid). Management estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Settlement with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated

based on the terms of the payment agreement, existing correspondence from the payor and the Company's historical settlement activity. The impact of these estimates is disclosed as implicit price concessions and totaled $14.3 million for the year ended December 31, 2025.

The principal considerations for our determination that performing procedures relating to VITAS revenue implicit price concessions is a critical audit matter are (i) the significant judgment by management when developing the estimate of implicit price concessions used in determining the transaction price for each third-party payor and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to the ultimate consideration management expects to receive, estimates of implicit price concessions, the assessment of management's evaluation of correspondence from the payor, and the Company's historical settlement activity.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the VITAS revenue implicit price concessions estimate. These procedures also included, among others, (i) developing an independent estimate of the implicit price concessions by utilizing historical settlement activity and (ii) comparing the independent estimate to management's estimate. Evaluating the reasonableness of the implicit price concessions estimate involved inspecting evidence of correspondence from payors, testing the completeness and accuracy of historical settlement activity on a sample basis, and performing a retrospective review of consideration received subsequent to prior and current year-end to evaluate the reasonableness of the prior and current period estimated implicit price concessions applied by management.

PricewaterhouseCoopers LLP

Cincinnati, Ohio
February 27, 2026

We have served as the Company's auditor since 1971.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

For the Years Ended December 31,	**2025**	2024	2023
Service revenues and sales (Note 2)	**$ 2,529,978**	$ 2,431,287	$ 2,264,417
Cost of services provided and goods sold (excluding depreciation)	**1,706,794**	1,576,939	1,465,602
Selling, general and administrative expenses	**417,188**	424,360	395,120
Depreciation	**54,557**	52,864	50,802
Amortization	**10,284**	10,185	10,063
Other operating expenses (Note 20)	**2,909**	446	2,261
Total costs and expenses	**2,191,732**	2,064,794	1,923,848
Income from operations	**338,246**	366,493	340,569
Interest expense	**(1,750)**	(1,780)	(3,108)
Other income--net (Note 10)	**19,282**	34,752	12,906
Income before income taxes	**355,778**	399,465	350,367
Income taxes (Note 11)	**(90,540)**	(97,466)	(77,858)
Net Income	**$ 265,238**	$ 301,999	$ 272,509
Earnings Per Share (Note 16)			
Net Income	**$ 18.42**	$ 20.10	$ 18.11
Average number of shares outstanding	**14,398**	15,024	15,050
Diluted Earnings Per Share (Note 16)			
Net Income	**$ 18.34**	$ 19.89	$ 17.93
Average number of shares outstanding	**14,460**	15,186	15,200

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and per share data)

December 31,	2025	2024
Assets		
Current assets		
Cash and cash equivalents (Note 9)	**$ 74,515**	$ 178,350
Accounts receivable	**182,575**	171,163
Inventories	**7,543**	8,193
Prepaid income taxes	**11,165**	11,068
Prepaid expenses	**26,818**	25,974
Total current assets	**302,616**	394,748
Investments of deferred compensation plans held in trust (Notes 15 and 17)	**140,347**	130,960
Properties and equipment, at cost, less accumulated depreciation (Note 13)	**205,662**	200,837
Lease right of use asset (Note 14)	**131,151**	127,323
Identifiable intangible assets less accumulated amortization (Note 6)	**82,764**	92,206
Goodwill	**666,999**	666,744
Other assets (Note 12)	**8,650**	55,757
Total Assets	**$ 1,538,189**	$ 1,668,575
Liabilities		
Current liabilities		
Accounts payable	**$ 64,459**	$ 44,146
Accrued insurance	**62,054**	56,703
Income taxes (Note 11)	**2,504**	7,593
Accrued compensation	**58,329**	92,073
Short-term lease liability (Note 14)	**40,892**	42,306
Other current liabilities (Note 21)	**58,892**	42,874
Total current liabilities	**287,130**	285,695
Deferred income taxes (Note 11)	**19,313**	25,945
Deferred compensation liabilities (Note 15)	**136,139**	126,035
Long-term lease liability (Note 14)	**102,867**	98,538
Other liabilities	**13,335**	13,369
Total Liabilities	**558,784**	549,582
Commitments and contingencies (Note 18)		
Stockholders' Equity		
Capital stock - authorized 80,000,000 shares $1 par; issued 37,594,676 shares (2024 - 37,422,348 shares)	**37,595**	37,422
Paid-in capital	**1,592,197**	1,484,176
Retained earnings	**2,955,375**	2,721,832
Treasury stock - 23,884,187 shares (2024 - 22,865,842 shares), at cost	**(3,608,117)**	(3,126,660)
Deferred compensation payable in Company stock (Note 15)	**2,355**	2,223
Total Stockholders' Equity	**979,405**	1,118,993
Total Liabilities and Stockholders' Equity	**$ 1,538,189**	$ 1,668,575

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

For the Years Ended December 31,	**2025**	2024	2023
Cash Flows from Operating Activities			
Net income	**$ 265,238**	$ 301,999	$ 272,509
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	**64,841**	63,049	60,865
Stock option expense	**32,671**	32,033	30,082
Benefit for deferred income taxes	**(5,944)**	(4,138)	(8,027)
Noncash portion of long-term incentive compensation	**4,886**	18,794	9,267
Litigation settlements	**1,425**	(5,750)	2,050
Noncash directors' compensation	**1,123**	1,282	1,444
Amortization of debt issuance costs	**321**	321	580
Changes in operating assets and liabilities:			
(Increase)/decrease in accounts receivable	**(11,596)**	10,678	(41,488)
Decrease/(increase) in inventories	**650**	3,831	(1,732)
(Increase)/decrease in prepaid expenses	**(844)**	4,237	87
Decrease in accounts payable and other current liabilities	**(5,194)**	(9,279)	(9,348)
Change in current income taxes	**(6,217)**	2,182	11,748
Net change in lease assets and liabilities	**(806)**	(674)	(1,424)
Decrease/(increase) in other assets	**36,835**	(25,591)	(9,952)
Increase in other liabilities	**10,424**	22,749	12,802
Other sources	**459**	1,774	836
Net cash provided by operating activities	**388,272**	417,497	330,299
Cash Flows from Investing Activities			
Capital expenditures	**(62,795)**	(49,531)	(56,854)
Proceeds from sale of fixed assets	**4,568**	3,315	640
Business combinations, net of cash acquired	**(225)**	(97,400)	(3,994)
Other uses	**(888)**	(295)	(434)
Net cash used by investing activities	**(59,340)**	(143,911)	(60,642)
Cash Flows from Financing Activities			
Purchases of treasury stock	**(431,500)**	(361,389)	(67,697)
Dividends paid	**(31,695)**	(27,092)	(23,502)
Proceeds from exercise of stock options	**27,152**	56,517	102,192
Change in cash overdraft payable	**10,970**	(15,749)	15,749
Capital stock surrendered to pay taxes on stock-based compensation	**(8,819)**	(9,457)	(9,557)
Payments on other long-term debt	**-**	-	(97,500)
Other sources/(uses)	**1,125**	(2,024)	490
Net cash used by financing activities	**(432,767)**	(359,194)	(79,825)
(Decrease)/increase in cash and cash equivalents	**(103,835)**	(85,608)	189,832
Cash and cash equivalents at beginning of year	**178,350**	263,958	74,126
Cash and cash equivalents at end of year	**$ 74,515**	$ 178,350	$ 263,958

The Notes to Consolidated Financial Statements are integral parts of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except per share data)

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2022	$ 36,796	$ 1,149,899	$ 2,197,918	$ (2,588,145)	$ 2,247	$ 798,715
Net income	-	-	272,509	-	-	272,509
Dividends paid ($1.56 per share)	-	-	(23,502)	-	-	(23,502)
Stock awards and exercise of stock options (Note 4)	388	190,835	-	(57,796)	-	133,427
Purchases of treasury stock (Note 19)	-	-	-	(73,813)	-	(73,813)
Other	-	539	-	166	(165)	540
Balance at December 31, 2023	$ 37,184	$ 1,341,273	$ 2,446,925	$ (2,719,588)	$ 2,082	$ 1,107,876
Net income	-	-	301,999	-	-	301,999
Dividends paid ($1.80 per share)	-	-	(27,092)	-	-	(27,092)
Stock awards and exercise of stock options (Note 4)	238	144,878	-	(45,947)	-	99,169
Purchases of treasury stock (Note 19)	-	-	-	(358,737)	-	(358,737)
Excise tax on share repurchase	-	-	-	(2,246)	-	(2,246)
Other	-	(1,975)	-	(142)	141	(1,976)
Balance at December 31, 2024	**$ 37,422**	**$ 1,484,176**	$ 2,721,832	**$ (3,126,660)**	**$ 2,223**	**$ 1,118,993**
Net income	**-**	**-**	**265,238**	**-**	**-**	**265,238**
Dividends paid ($2.20 per share)	**-**	**-**	**(31,695)**	**-**	-	**(31,695)**
Stock awards and exercise of stock options (Note 4)	**173**	**106,850**	**-**	**(50,010)**	**-**	**57,013**
Purchases of treasury stock (Note 19)	**-**	**-**	**-**	**(428,035)**	**-**	**(428,035)**
Excise tax on share repurchase	**-**	**-**	**-**	**(3,282)**	**-**	**(3,282)**
Other	**-**	**1,171**	**-**	**(130)**	**132**	**1,173**
Balance at December 31, 2025	**$ 37,595**	**$ 1,592,197**	$ 2,955,375	**$ (3,608,117)**	**$ 2,355**	**$ 979,405**

The Notes to Consolidated Financial Statements are integral parts of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

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

PRINCIPLES OF ACCOUNTING

The consolidated financial statements have been prepared on a going-concern basis. The consolidated financial statements include the accounts of Chemed Corporation and its wholly owned subsidiaries. All intercompany transactions have been eliminated. We have analyzed the provisions of the Financial Accounting Standards Board ("FASB") authoritative guidance on the consolidation of variable interest entities relative to our contractual relationships with Roto-Rooter's Independent Contractors and franchisees. The guidance requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have concluded that neither the Independent Contractors nor the franchisees are VIEs.

CURRENT EXPECTED CREDIT LOSSES

In June 2016, the FASB issued Accounting Standards Update "ASU No. 2016-13", Financial Instruments, Credit Losses. The Company's only material financial asset subject to ASU No. 2016-13 is accounts receivable, trade and other. The Company recognizes an allowance for credit losses related to accounts receivable to present the net amount expected to be collected as of the balance sheet date. Accounts receivable are written-off when it is determined that the amount is deemed uncollectible. The following presents a detailed discussion of the operating subsidiaries' accounts receivable and their evaluation of credit risk related to those accounts:

- Roto-Rooter's trade accounts receivable are comprised mainly of amounts due from commercial entities and commercial insurance carriers. Roto-Rooter's accounts receivable are generally outstanding for 90 days or less and there are no significant amounts outstanding greater than one year. Roto-Rooter historically has not experienced significant write-offs due to credit losses. For amounts due from commercial entities, Roto-Rooter utilizes a provision matrix based on historical credit losses by aging category. For amounts due from commercial insurance carriers, mainly from water restoration revenue, Roto-Rooter periodically reviews published default tables related to commercial insurance carriers and provides an allowance. As further discussed below, Roto-Rooter assesses on a quarterly basis whether the historical rates used are expected to be representative of credit risk over the life of the account taking into consideration existing economic conditions.
- In excess of 90% of VITAS' accounts receivable are from the Federal or state governments under Medicare and Medicaid. VITAS believes that it is reasonable to expect that the risk of non-payment as a result of credit issues from these government entities is zero. As such, there is no allowance for credit losses established related to these accounts. The remainder of VITAS' accounts are from commercial insurance carriers. VITAS' accounts are generally outstanding for 90 days or less and there are no significant amounts outstanding greater than one year. VITAS historically has not experienced significant write-offs due to credit losses. VITAS periodically reviews published default tables related to commercial insurance carriers and provides an allowance. VITAS assesses on a quarterly basis whether these default rates are expected to be representative of credit risk over the life of the account taking into consideration existing economic conditions.

As further discussed in Note 3, Chemed has $45.5 million in standby letters of credit outstanding. These letters of credit are with large, highly rated financial institutions. The Company periodically reviews published default tables related to these institutions to assess the need for an allowance. Chemed believes that any expected credit loss related to outstanding letters of credit based on current economic conditions is not material. The allowance for credit losses is not material at December 31, 2025.

CASH EQUIVALENTS

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

CONCENTRATION OF RISK

As of December 31, 2025, and 2024, approximately 58% and 64%, respectively, of VITAS' total accounts receivable balances were from Medicare and 34% and 31%, respectively, of VITAS' total accounts receivable balances were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 78% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of December 31, 2025.

VITAS has a pharmacy services contract with one service provider for specified pharmacy services related to its hospice operations. Similarly, VITAS obtains the majority of its medical supplies from a single vendor. A large majority of VITAS' pharmaceutical and medical supplies purchases are from these vendors. The pharmaceutical and medical supplies purchased by VITAS are available through many providers in the United States. However, a disruption from VITAS' main service providers could adversely impact VITAS' operations, including temporary logistical challenges and increased cost associated with getting medication and medical supplies to our patients.

INVENTORIES

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

DEPRECIATION AND PROPERTIES AND EQUIPMENT

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

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

The weighted average lives of our property and equipment at December 31, 2025, were:

Buildings and building improvements	13.9 yrs.
Transportation equipment	8.2
Machinery and equipment	5.0
Computer software	3.8
Furniture and fixtures	4.5

GOODWILL AND INTANGIBLE ASSETS

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

	Vitas	Roto-Rooter	Total
Balance at December 31, 2023	$ 334,063	$ 250,954	$ 585,017
Business combinations	70,803	11,062	81,865
Foreign currency adjustments	-	(138)	(138)
Balance at December 31, 2024	$ 404,866	$ 261,878	$ 666,744
Business combinations		**185**	**185**
Foreign currency adjustments	**-**	**70**	**70**
Balance at December 31, 2025	**$ 404,866**	**$ 262,133**	**$ 666,999**

Identifiable, definite-lived intangible assets arise from purchase business combinations and are amortized using either an accelerated method or the straight-line method over the estimated useful lives of the assets. The selection of an amortization method is based on which method best reflects the economic pattern of usage of the asset. Reacquired franchise rights are amortized over the remaining term of the franchise agreement at the time of acquisition. The weighted average lives of our identifiable, definite-lived intangible assets at December 31, 2025, were:

Covenants not to compete	6.3 yrs.
Reacquired franchise rights	7.4
Referral networks	14.0
Customer lists	16.8

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

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

We completed our qualitative analysis for impairment of goodwill and our indefinite-lived intangible assets as of October 1, 2025. Based on our assessment, we do not believe that it is more likely than not that our reporting units or indefinite-lived assets fair values are less than their carrying values.

LONG-LIVED ASSETS

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

LEASE ACCOUNTING

In February 2016, the FASB issued Accounting Standards Update "ASU No. 2016-02 Leases" which introduced a lessee model that brings most leases onto the balance sheet and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No. 842 ("ASC 842").

Our leases have remaining terms of less than 1 year to 13 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year. We made a policy election to exclude leases with a lease term less than 12 months from being recorded on the balance sheet. We adopted the practical expedient related to the combining of lease and non-lease components, which allows us to account for the lease and non-lease components as a single lease component. We do not currently have any finance leases, all lease information disclosed is related to operating leases.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its Independent Contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income. See Note 14 for the detail of lease accounting.

CLOUD COMPUTING

As of December 31, 2025, Roto-Rooter has no significant capitalized implementation cost related to cloud computing. There are two projects included in prepaid assets in the accompanying balance sheet which have implementation costs of $415,000. No amortization has been recorded for these two projects as they have not been placed into service.

VITAS utilizes a human resource system that is considered a cloud computing arrangement. We have capitalized approximately $5.6 million related to implementation of this project which were included in prepaid assets in the accompanying balance sheets. The VITAS human resource system was placed into service in January 2020 and was amortized through August 2025. For each of the years ending December 31, 2025, 2024 and 2023, amortization expense of $663,000, $995,000, and $995,000 has been recognized, respectively.

OTHER ASSETS

Debt issuance costs are included in other assets. Issuance costs related to revolving credit agreements are amortized using the straight-line method, over the life of the agreement. All other issuance costs are amortized using the effective interest method over the life of the debt. See Note 12 for the detail of other assets.

SALES TAX

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

OPERATING EXPENSES

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

ADVERTISING

We expense the production costs of advertising the first time the advertising takes place. We pay for and expense the cost of internet advertising and placement on a “per click” basis. Similarly, the majority of our telephone directory listings and certain types of internet advertising are paid for and expensed on a “cost per call” basis. Advertising expense for the year ended December 31, 2025 was $83.1 million (2024 - $78.8 million; 2023 – $72.2 million).

OTHER CURRENT LIABILITIES

See Note 21 for the detail of other current liabilities.

STOCK-BASED COMPENSATION PLANS

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and recognized as expense over the employee’s requisite service period on a straight-line basis. See Note 4 for the detail on stock-based compensation.

INSURANCE ACCRUALS

For our Roto-Rooter segment and Corporate Office, we initially self-insure for all casualty insurance claims (workers’ compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator (“TPA”) processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped by stop-loss coverage at $750,000, with the exception of auto liability claims which are capped at $3.0 million of stop-loss coverage. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors (“LDF”) by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

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

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2025, 2024 and 2023, were net pretax expense/(credits) of $81,000, ($10,374,000), and ($6,862,000) respectively.

INCOME TAXES

We adopted ASU 2023-09 for the year ending December 31, 2025, and applied a retrospective approach to all periods presented in our consolidated financial statements. In December 2023, the FASB issued Accounting Standards Update "ASU 2023-09 – Income Tax Disclosure". The guidance required a reconciliation between the amount of reported income tax expense from continuing operations and the amount computed from the income multiplied by the United States federal income tax rate. In addition, the guidance required an annual disaggregation between the income tax rate reconciliation and potential key categories: state and local income tax, tax credits, changes in valuation allowances, nontaxable or nondeductible tax items and changes in unrecognized tax benefits. Those not meeting the disaggregation conditions were aggregated within other adjustments. See Note 11 for the detail of income taxes.

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

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

Our effective income tax rate was 25.4%, 24.4% and 22.2% for the years ended December 31, 2025, 2024, and 2023, respectively. Excess tax expense on stock compensation increased our income tax expense by $696,000 for the year ended December 31, 2025 and excess tax benefit on stock options reduced our income tax expenses by $4.4 million, and $4.3 million for the years ended December 31, 2024 and 2023, respectively.

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

CONTINGENCIES

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

BUSINESS COMBINATIONS

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See Note 7 for discussion of recent acquisitions.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606").

VITAS

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a per diem basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

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

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24 hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

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

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care.

We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying consolidated financial statements related to charity care. The cost of providing charity care during the years ended December 31, 2025, 2024 and 2023, was $8.6 million, $9.2 million and $8.1 million, respectively and is included in cost of services provided and goods sold. The cost of charity care is calculated by taking the ratio of charity care days to total days of care and multiplying by total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the years ended December 31, 2025, 2024 and 2023.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At December 31, 2025, all our programs except one are using the "streamlined" method.

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

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

During the year ended December 31, 2025 we recorded $27.2 million in Medicare cap revenue reduction related to five programs' projected 2025 measurement period liability and five programs' 2026 measurement period liability.

During the year ended December 31, 2024 we recorded $8.4 million in Medicare cap revenue reduction related to three programs' projected 2024 measurement period liability and five programs' 2025 measurement period liability.

During the year ended December 31, 2023 we recorded $8.0 million in Medicare cap revenue reduction related to two programs' projected 2023 measurement period liability and six programs' 2024 measurement period liability.

At December 31, 2025 and 2024, the Medicare cap liability included in other current liabilities on the accompanying balance sheets was $30.9 million and $13.6 million, respectively.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2025 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 1,363,503**	**46,137**	**34,854**	**$ 1,444,494**
Inpatient care	**115,542**	**8,553**	**8,953**	**133,048**
Continuous care	**79,787**	**2,601**	**4,273**	**86,661**
	$ 1,558,832	**$ 57,291**	**$ 48,080**	**$ 1,664,203**
All other revenue - self-pay, respite care, etc.				**22,926**
Subtotal				**$ 1,687,129**
Medicare cap adjustment				**(27,161)**
Implicit price concessions				**(14,305)**
Room and board, net				**(15,562)**
Net revenue				**$ 1,630,101**

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2024 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 1,249,009	49,807	27,672	$ 1,326,488
Inpatient care	103,868	8,900	7,836	120,604
Continuous care	92,417	3,375	3,954	99,746
	$ 1,445,294	$ 62,082	$ 39,462	$ 1,546,838
All other revenue - self-pay, respite care, etc.				19,455
Subtotal				$ 1,566,293
Medicare cap adjustment				(8,414)
Implicit price concessions				(13,597)
Room and board, net				(13,304)
Net revenue				$ 1,530,978

The composition of patient care service revenue by payor and level of care for the year ended December 31, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 1,067,629	44,833	23,975	$ 1,136,437
Inpatient care	97,873	8,698	5,848	112,419
Continuous care	78,994	3,123	3,557	85,674
	$ 1,244,496	$ 56,654	$ 33,380	$ 1,334,530
All other revenue - self-pay, respite care, etc.				13,582
Subtotal				$ 1,348,112
Medicare cap adjustment				(8,000)
Implicit price concessions				(14,196)
Room and board, net				(10,851)
Net revenue				$ 1,315,065

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, Independent Contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter's primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as "short-term core services". Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is usually received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

Water Restoration Services involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid in part by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks ("Independent Contractors"). Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The Independent Contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent Contractors pay Roto-Rooter a standard fee calculated as a percentage of their cash collection from weekly sales. The primary value for the Independent Contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from Independent Contractors over-time (weekly) as the Independent Contractor's labor sales are completed and payment from customers are received. Payment from Independent Contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the Independent Contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. The contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day-to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks for plumbing, drain care cleaning and water restoration services. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the years ended December 31, 2025, 2024 and 2023 is as follows (in thousands):

	2025	2024	2023
Drain cleaning	**$ 231,794**	$ 237,534	$ 249,069
Plumbing	**182,721**	181,370	196,695
Excavation	**238,390**	227,413	233,196
Other	**786**	883	936
Subtotal - short term core	**653,691**	647,200	679,896
Water restoration	**190,216**	178,016	185,550
Independent contractors	**69,405**	72,777	85,749
Franchisee fees	**5,718**	5,814	5,658
Other	**18,894**	23,329	19,083
Gross revenue	**$ 937,924**	$ 927,136	$ 975,936
Implicit price concessions and credit memos	**(38,047)**	(26,827)	(26,584)
Net revenue	**$ 899,877**	$ 900,309	$ 949,352

3. Long-Term Debt and Lines of Credit

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year $450 million revolver as well as a five-year $100 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally the secured overnight financing rate ("SOFR") plus an additional tiered rate which varies based on our current leverage ratio. As of December 31, 2025 and 2024, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional $250 million.

The term loan was repaid in 2023. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million There were no prepayment penalties associated with repayments. There are no significant deferred debt issuance costs capitalized related to the term loan.

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

2025	**$ 1,345**
2024	1,161
2023	2,645

The 2022 Credit Facilities contains the following quarterly financial covenants effective as of December 31, 2025:

Description	Requirement	Chemed December 31, 2025
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	**(0.05) to 1.00**
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00	**260.84 to 1.00**

We are in compliance with all debt covenants as of December 31, 2025. We have issued $45.5 million in standby letters of credit as of December 31, 2025 for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of December 31, 2025, we have approximately $404.5 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

4. Stock-Based Compensation Plans

We have four stock incentive plans under which a total of 5.5 million shares were able to be issued to key employees and directors through a grant of stock options, stock awards and/or performance stock units ("PSUs"). The Compensation/Incentive Committee ("CIC") of the Board of Directors administers these plans.

We grant stock options, stock awards and PSUs to our officers, other key employees and directors to better align their long-term interests with those of our shareholders. We grant stock options at an exercise price equal to the market price of our stock on the date of grant. Options vest ratably annually over a three year period. Those granted after 2014 have a contractual life of 5 years. Unrestricted stock awards generally are granted to our non-employee directors annually at the time of our annual meeting. PSUs are contingent upon achievement of multi-year earnings per share ("EPS") targets or total shareholder return ("TSR") targets. Upon achievement of targets, PSUs are converted to unrestricted shares of stock.

At the end of 2023, the then Chief Financial Officer (CFO) transitioned to an employee advisor role. In early 2024, in connection with this change of roles, the CFO's employment agreement terminated, and the CFO was given a one-time grant of 6,424 PSUs to be paid based on the Company's TSR performance for the fiscal years 2024 to 2026. This one-time grant is structured the same as the Company's standard TSR-based PSU grants with the exception that there are no future service requirements to be satisfied by the employee and a minimum value of shares are guaranteed. Based on the structure of the one-time award, the entire value of the award, $5.3 million, was recognized as compensation expense in SG&A in the consolidated statements of income for the period ended March 31, 2024.

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

In May 2025, the CIC granted 1,939 unrestricted shares of stock to the Company's outside directors. In December 2025, the CIC granted 1,702 unrestricted shares of stock to one former VITAS executive as part of a severance agreement.

PERFORMANCE AWARDS

The CIC determines a targeted number of PSUs to be granted to each participant. A participant can ultimately receive up to 200% of the targeted PSUs based upon exceeding the respective EPS and TSR targets.

In February 2023, 2024, and 2025, the CIC granted PSUs contingent upon the achievement of certain TSR targets as compared to the TSR of a group of peer companies for the three-year measurement period, at which date the awards may vest. We utilize a Monte Carlo simulation approach in a risk-neutral framework with inputs including historical volatility and the risk-free rate of interest to value these TSR awards. We amortize the total estimated cost over the service period of the award.

In February 2023, 2024, and 2025, the CIC granted PSUs contingent on the achievement of certain EPS targets over the three-year measurement period. At the end of each reporting period, we estimate the number of shares of stock we believe will ultimately vest and record that expense over the service period of the award.

Comparative data for the PSUs include:

	2025 Awards	2024 Awards	2023 Awards
TSR Awards			
Shares of stock granted - target	**7,920**	7,133	8,107
Per-share fair value	**$ 761.79**	$ 673.71	$ 633.32
Volatility	**22.0 %**	21.8 %	25.5 %
Risk-free interest rate	**4.2 %**	4.4 %	4.3 %
EPS Awards			
Shares of stock granted - target	**7,920**	7,133	8,107
Per-share fair value	**$ 557.31**	$ 586.49	$ 515.12
TSR Awards - Former CFO One-Time Grant			
Shares of stock granted - target	**-**	6,424	-
Per-share fair value	**$ -**	$ 830.86	$ -
Volatility	**- %**	22.00 %	- %
Risk-free interest rate	**- %**	4.07 %	- %
Common Assumptions			
Service period (years)	**2.9**	2.9	2.9
Three-year measurement period ends December 31,	**2027**	2026	2025

The following table summarizes total stock option, stock award and PSU activity during 2025:

	Stock Options				**Stock Awards**		**Performance Units (PSUs)**	
		Weighted Average		**Aggregate**		**Weighted Average**		**Weighted**
	Number of Options	**Exercise Price**	**Remaining Contractual Life (Years)**	**Intrinsic Value (thousands)**	**Number of Awards**	**Grant-Date Per-Share Fair Value**	**Number of Target Units**	**Average Grant-Date Price**
Outstanding at December 31, 2024	1,182,181	$ 508.85			-	$ -	51,720	$ 606.99
Granted	441,501	443.79			3,641	514.42	23,805	592.70
Exercised/Vested	(148,130)	461.37			(3,641)	514.42	(20,557)	491.37
Canceled/ Forfeited	(119,041)	496.32			-	-	(6,668)	611.20
Outstanding at December 31, 2025	1,356,511	$ 493.96	3.3	-	-	$ -	48,300	$ 648.58
Vested and expected to vest at December 31, 2025	1,356,511	$ 493.96	3.3	-	-	$ -	22,674*	$ 621.91
Exercisable at December 31, 2025	634,160	494.62	2.2	-	n.a.	n.a.	n.a.	n.a.

* Amount includes 10,743 share units which vested and were converted to shares of stock and distributed in the first quarter of 2026.

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

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

	Years Ended December 31,		
	2025	2024	2023
Total compensation expense of stock-based compensation plans charged against income	**$ 38,680**	$ 52,110	$ 40,793
Total income tax benefit recognized in income for stock based compensation expense charged against income	**9,705**	12,730	9,709
Total intrinsic value of stock options exercised	**18,197**	42,914	54,681
Total intrinsic value of stock awards vested during the period	**1,873**	1,282	1,444
Per-share weighted average grant-date fair value of stock awards granted	**514.42**	564.34	545.69

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

	2025	2024	2023
Stock price on date of issuance	**$ 443.79**	$ 597.70	$ 509.46
Grant date fair value per option	**$ 85.83**	$ 114.55	$ 111.24
Number of options granted	**441,501**	318,015	315,555
Expected term (years)	**3.5**	3.5	3.5
Risk free rate of return	**3.51%**	4.02%	4.99%
Volatility	**20.2%**	17.81%	19.24%
Dividend yield	**0.5%**	0.3%	0.3%
Forfeiture rate	**-**	-	-

Other data for stock options, stock awards and PSUs for 2025 include (dollar amounts in thousands):

	Stock Options	**Stock Awards**	**PSUs**
Total unrecognized compensation at the end of the year	$ 63,432	$ -	$ 6,024
Weighted average period over which unrecognized compensation to be recognized (years)	2.2	-	1.6
Actual income tax benefit realized	$ 4,040	$ 416	$ 891
Aggregate intrinsic value vested and expected to vest	$ -	$ -	$ 9,710

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

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

5. Segments and Nature of the Business

In November 2023, the FASB issued Accounting Standards Update "ASU 2023-07 – Improvements to Reportable Segment Disclosures". The guidance provides enhanced disclosures about significant segment expenses. The purpose of the amendment is to provide investors with a better understanding of an entity's overall performance and assess potential future cash flows. The ASU does not change how an entity identifies its operating segments. We adopted ASU 2023-07 for the year ending December 31, 2025, and applied a retrospective approach to all periods presented in our consolidated financial statements.

Our segments include the VITAS segment and the Roto-Rooter segment, which comprise the structure used by our President and Chief Executive Officer, who has been determined to be our Chief Operating Decision Maker ("CODM") to make key operating decisions and assess performance. Relative contributions of each segment to service revenues and sales were 64% and 36% in 2025, 63% and 37% in 2024, and 58% and 42% in 2023. The vast majority of our service revenues and sales from continuing operations are generated from business within the United States. Service revenues and sales by business segment are shown in Note 2.

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

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

Our CODM evaluates the segments' operating performance based mainly on income/(loss) from operations. For each segment, the CODM compares segment income/(loss) from operations in the annual budgeting and monthly forecasting process to actual results. The CODM considers variances on a monthly basis for evaluating performance of each segment and making decisions about allocating resources to each segment.

Segment data are set forth below (in thousands):

2025 (in thousands)	VITAS	Roto-Rooter	Reportable Segments	Corporate	Chemed Consolidated
Service revenues and sales	**$ 1,630,101**	**$ 899,877**	**$ 2,529,978**	**$ -**	**$ 2,529,978**
Cost of services provided and goods sold (excluding depreciation)					
Wages	**946,833**	**306,619**	**1,253,452**	**-**	**1,253,452**
Patient care expense	**166,680**	**-**	**166,680**	**-**	**166,680**
Other expenses	**144,191**	**142,471**	**286,662**	**-**	**286,662**
Total cost of services provided and goods sold	**1,257,704**	**449,090**	**1,706,794**	**-**	**1,706,794**
Selling, general and administrative expense					
Wages	**66,845**	**85,858**	**152,703**	**17,355**	**170,058**
Advertising	**-**	**77,138**	**77,138**	**-**	**77,138**
Stock compensation	**-**	**-**	**-**	**38,296**	**38,296**
Other expenses	**33,830**	**84,051**	**117,881**	**13,815**	**131,696**
Total selling, general and administrative expense	**100,675**	**247,047**	**347,722**	**69,466**	**417,188**
Depreciation	**21,308**	**33,200**	**54,508**	**49**	**54,557**
Amortization	**104**	**10,180**	**10,284**	**-**	**10,284**
Other operating expense/(income)	**3,375**	**(466)**	**2,909**	**-**	**2,909**
Total costs and expenses	**1,383,166**	**739,051**	**2,122,217**	**69,515**	**2,191,732**
Income/(loss) from operations	**246,935**	**160,826**	**407,761**	**(69,515)**	**338,246**
Interest expense	**(185)**	**(611)**	**(796)**	**(954)**	**(1,750)**
Intercompany interest income/(expense)	**22,455**	**16,245**	**38,700**	**(38,700)**	**-**
Other income - net	**327**	**70**	**397**	**18,885**	**19,282**
Income/(expense) before income taxes	**269,532**	**176,530**	**446,062**	**(90,284)**	**355,778**
Income taxes	**(65,523)**	**(41,037)**	**(106,560)**	**16,020**	**(90,540)**
Net income/(loss)	**$ 204,009**	**$ 135,493**	**$ 339,502**	**$ (74,264)**	**$ 265,238**
Identifiable assets	**$ 784,927**	**$ 528,587**	**$ 1,313,514**	**$ 224,675**	**$ 1,538,189**
Additions to long-lived assets	**$ 32,190**	**$ 31,602**	**$ 63,792**	**$ 35**	**$ 63,827**

2024 (in thousands)	VITAS	Roto-Rooter	Reportable Segments	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,530,978	$ 900,309	$ 2,431,287	$ -	$ 2,431,287
Cost of services provided and goods sold (excluding depreciation)					
Wages	860,025	303,458	1,163,483	-	1,163,483
Patient care expense	148,165	-	148,165	-	148,165
Other expenses	138,613	126,678	265,291	-	265,291
Total cost of services provided and goods sold	1,146,803	430,136	1,576,939	-	1,576,939
Selling, general and administrative expense					
Wages	69,139	81,519	150,658	17,132	167,790
Advertising	-	73,147	73,147	-	73,147
Stock compensation	-	-	-	52,185	52,185
Other expenses	30,425	78,186	108,611	22,627	131,238
Total selling, general and administrative expense	99,564	232,852	332,416	91,944	424,360
Depreciation	20,362	32,452	52,814	50	52,864
Amortization	105	10,080	10,185	-	10,185
Other operating expense	178	268	446	-	446
Total costs and expenses	1,267,012	705,788	1,972,800	91,994	2,064,794
Income/(loss) from operations	263,966	194,521	458,487	(91,994)	366,493
Interest expense	(171)	(431)	(602)	(1,178)	(1,780)
Intercompany interest income/(expense)	20,211	14,397	34,608	(34,608)	-
Other income - net	227	69	296	34,456	34,752
Income/(expense) before income taxes	284,233	208,556	492,789	(93,324)	399,465
Income taxes	(67,414)	(48,510)	(115,924)	18,458	(97,466)
Net income/(loss)	$ 216,819	$ 160,046	$ 376,865	$ (74,866)	$ 301,999
Identifiable assets	$ 839,568	$ 529,076	$ 1,368,644	$ 299,931	$ 1,668,575
Additions to long-lived assets	$ 108,629	$ 38,274	$ 146,903	$ 275	$ 147,178

2023 (in thousands)	VITAS	Roto-Rooter	Reportable Segments	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,315,065	$ 949,352	$ 2,264,417	$ -	$ 2,264,417
Cost of services provided and goods sold (excluding depreciation)					
Wages	766,264	307,160	1,073,424	-	1,073,424
Patient care expense	126,259	-	126,259	-	126,259
Other expenses	125,100	140,819	265,919	-	265,919
Total cost of services provided and goods sold	1,017,623	447,979	1,465,602	-	1,465,602
Selling, general and administrative expense					
Wages	62,503	83,070	145,573	17,993	163,566
Advertising	-	67,709	67,709	-	67,709
Stock compensation	-	-	-	41,771	41,771
Other expenses	30,793	80,808	111,601	10,473	122,074
Total selling, general and administrative expense	93,296	231,587	324,883	70,237	395,120
Depreciation	19,959	30,790	50,749	53	50,802
Amortization	104	9,959	10,063	-	10,063
Other operating (income)/expense	(12)	2,273	2,261	-	2,261
Total costs and expenses	1,130,970	722,588	1,853,558	70,290	1,923,848
Income/(loss) from operations	184,095	226,764	410,859	(70,290)	340,569
Interest expense	(180)	(442)	(622)	(2,486)	(3,108)
Intercompany interest income/(expense)	19,400	11,918	31,318	(31,318)	-
Other income - net	1,309	126	1,435	11,471	12,906
Income/(expense) before income taxes	204,624	238,366	442,990	(92,623)	350,367
Income taxes	(46,115)	(50,125)	(96,240)	18,382	(77,858)
Net income/(loss)	$ 158,509	$ 188,241	$ 346,750	$ (74,241)	$ 272,509
Identifiable assets	$ 778,950	$ 523,450	$ 1,302,400	$ 365,695	$ 1,668,095
Additions to long-lived assets	$ 17,450	$ 43,514	$ 60,964	$ 274	$ 61,238

6. Intangible Assets

Amortization of definite-lived intangible assets for the years ended December 31, 2025, 2024 and 2023, was $10.3 million, $10.2 million and $10.1 million, respectively. The following is a schedule by year of projected amortization expense for definite-lived intangible assets (in thousands):

2026	$ 9,936
2027	616
2028	413
2029	238
2030	160
Thereafter	1,397

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

	Gross Asset	Accumulated Amortization	Net Book Value
December 31, 2025			
Referral networks	**$ 1,178**	**$ (601)**	**$ 577**
Covenants not to compete	**2,634**	**(2,484)**	**150**
Customer lists	**4,745**	**(2,649)**	**2,096**
Reacquired franchise rights	**73,635**	**(63,698)**	**9,937**
Subtotal - definite-lived intangibles	**82,192**	**(69,432)**	**12,760**
VITAS trade name	**51,300**	**-**	**51,300**
Roto-Rooter trade name	**150**	**-**	**150**
Operating licenses	**18,554**	**-**	**18,554**
Total	**$ 152,196**	**$ (69,432)**	**$ 82,764**
December 31, 2024			
Referral networks	$ 1,228	$ (507)	$ 721
Covenants not to compete	2,579	(2,422)	157
Customer lists	4,744	(2,433)	2,311
Reacquired franchise rights	73,605	(53,785)	19,820
Subtotal - definite-lived intangibles	82,156	(59,147)	23,009
VITAS trade name	51,300	-	51,300
Roto-Rooter trade name	150	-	150
Operating licenses	17,747	-	17,747
Total	$ 151,353	$ (59,147)	$ 92,206

7. Acquisitions

On January 3, 2025, Roto-Rooter completed the acquisition of one franchise in Michigan for $225,000 in cash.

On March 11, 2024, Roto-Rooter completed the acquisition of one franchise in New Jersey for $5.8 million in cash. On March 27, 2024, Roto-Rooter completed the acquisition of one franchise in Texas for $1.5 million in cash. On August 20, 2024, Roto-Rooter completed the acquisition of one franchise in Kentucky for $5.1 million in cash.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care (“Covenant”) for an aggregated purchase price of $85.0 million in cash.

The purchase price allocation of the acquired VITAS business is as follows (in thousands):

Goodwill	$ 70,803
Operating licenses	10,960
Property, plant, and equipment	3,237
	$ 85,000

The pro forma revenue and earnings for the Company for the years ended December 31, 2025, 2024 and 2023 as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	For the Years Ended December 31,		
	2025	2024	2023
Service revenues and sales	**$ 2,529,978**	$ 2,448,419	$ 2,320,177
Net income	**$ 265,238**	$ 306,224	$ 279,615
Earnings per share	**$ 18.42**	$ 20.38	$ 18.58
Diluted earnings per share	**$ 18.34**	$ 20.16	$ 18.40

Revenue and net income from other acquisitions made in 2025, 2024 and 2023 are not material.

In 2023, Roto-Rooter completed the acquisition of one franchise in South Carolina for $305,000 in cash and one franchise in Georgia for $3.689 million in cash.

Goodwill is assessed for impairment on a yearly basis as of October 1. The primary factor that contributed to the purchase price resulting in the recognition of goodwill is operational efficiencies expected as a result of consolidating stand- alone franchises and Roto-Rooter's network of nationwide branches. All goodwill recognized is deductible for tax purposes.

8. Discontinued Operations

At December 31, 2025 and 2024, the accrual for our estimated liability for potential environmental cleanup and related costs arising from the 1991 sale of DuBois amounted to $1.7 million. Of the 2025 balance, $826,000 is included in other current liabilities and $882,000 is included in other liabilities (long-term).

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

9. Cash Overdrafts, Cash Equivalents, and Supplemental Cash Flow Disclosure

Included in the accompanying Consolidated Balance Sheets are $2.1 million, $1.1 million, and $690,000 of capitalized property and equipment which were not paid for as of December 31, 2025, 2024, and 2023, respectively. These amounts have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flows. There are no material non-cash amounts included in interest expense for any period presented.

There are $11.0 million of cash overdrafts included in accounts payable as of December 31, 2025. There were no cash overdrafts included in accounts payable as of December 31, 2024.

From time to time throughout the year, we invest excess cash in money market funds directly with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. In 2023, Chemed began investing excess cash in a money market fund holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

10. Other Income -- Net

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

	For the Years Ended December 31,		
	2025	2024	2023
Market value gains related to deferred compensation trusts	**$ 10,550**	$ 20,139	$ 6,404
Interest income	**8,745**	14,610	6,270
Other	**(13)**	3	232
Total other income - net	**$ 19,282**	$ 34,752	$ 12,906

The market value gain relates to realized and unrealized activity on the assets in the deferred compensation trust. There is an offsetting amount in selling, general and administrative expense to reflect the corresponding increase in the liability.

11. Income Taxes

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

	For the Years Ended December 31,		
	2025	2024	2023
Current			
U.S. federal	**$ 83,410**	$ 85,802	$ 75,333
U.S. state and local	**12,667**	15,301	9,983
Foreign	**406**	501	569
Deferred			
U.S. federal, state and local	**(5,940)**	(4,140)	(8,029)
Foreign	**(3)**	2	2
Total	**$ 90,540**	$ 97,466	$ 77,858

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

	December 31,	
	2025	2024
Accrued liabilities	**$ 45,738**	$ 42,411
Lease liabilities	**34,613**	33,982
Stock compensation expense	**13,017**	11,229
Implicit price concessions	**5,234**	8,115
State net operating loss carryforwards	**2,384**	1,839
Other	**836**	1,214
Deferred income tax assets	**101,822**	98,790
Amortization of intangible assets	**(45,259)**	(42,754)
Accelerated tax depreciation	**(33,490)**	(29,814)
Right of use lease assets	**(31,535)**	(30,679)
Currents assets	**(4,689)**	(4,244)
State income taxes	**(2,134)**	(2,042)
Market valuation of investments	**(3,902)**	(3,661)
Deposit with OAS	**-**	(11,413)
Other	**(126)**	(128)
Deferred income tax liabilities	**(121,135)**	(124,735)
Net deferred income tax liabilities	**$ (19,313)**	$ (25,945)

At December 31, 2025 and 2024, state net operating loss carryforwards were $52.0 million and $39.4 million, respectively. These net operating losses will expire, in varying amounts, between 2026 and 2045. Based on our history of operating earnings, we have determined that our operating income will, more likely than not, be sufficient to ensure realization of our deferred income tax assets.

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

	2025	2024	2023
Balance at January 1,	**$ 1,709**	$ 1,221	$ 1,313
Decrease due to expiration of statute of limitations	**(284)**	(207)	(355)
Unrecognized tax benefits due to positions taken in current year	**(138)**	695	263
Balance at December 31,	**$ 1,287**	$ 1,709	$ 1,221

We file tax returns in the U.S. federal jurisdiction and various states. The years ended December 31, 2022 and forward remain open for review for federal income tax purposes. The earliest open year relating to any of our major state jurisdictions is the fiscal year ended December 31, 2021.

We classify interest related to our accrual for uncertain tax positions in separate interest accounts. As of December 31, 2025, and 2024, we have approximately $180,000 and $275,000, respectively, accrued in interest payable related to uncertain tax positions. These accruals are included in other current liabilities in the accompanying consolidated balance sheet. Net interest expense related to uncertain tax positions included in interest expense in the accompanying consolidated statement of income is not material.

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

	For the Years Ended December 31,					
	2025		2024		2023	
U.S. federal tax at statutory rate	**$ 74,713**	**21.0 %**	$ 83,888	21.0 %	$ 73,577	21.0 %
State and local income taxes, net of federal income tax effect (1)	**8,752**	**2.5**	11,811	3.0	2,306	0.7
Nontaxable and nondeductible expenses						
Limitation on executive compensation	**4,427**	**1.2**	6,012	1.5	5,268	1.5
Excess stock compensation tax provision/(benefits)	**696**	**0.2**	(4,442)	(1.1)	(4,330)	(1.2)
Other	**1,472**	**0.4**	1,426	0.3	1,332	0.3
Other adjustments--net	**480**	**0.1**	(1,229)	(0.3)	(295)	(0.1)
Effective income tax rate	**$ 90,540**	**25.4 %**	$ 97,466	24.4 %	$ 77,858	22.2 %

(1) The states that contribute to the majority (greater than 50%) of the tax effect in this category include California, Florida and Illinois for 2025 and 2024, and 2023.

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one-time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

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

	For the Years Ended December 31,		
	2025	2024	2023
Federal	**$ 88,500**	$ 85,000	$ 63,550
State	**13,795**	13,110	9,856
Foreign	**409**	618	470
Total (1)	**$ 102,704**	$ 98,728	$ 73,876

(1) In 2025, 2024, and 2023, there were no individual jurisdictions with cash taxes paid (net of refunds received) that equaled or exceeded 5% of total income taxes paid.

Provision has not been made for additional taxes on $35.1 million of undistributed earnings of our domestic subsidiaries. Should we elect to sell our interest in these businesses rather than to affect a tax-free liquidation, additional taxes amounting to approximately $8.0 million would be incurred based on current income tax rates.

12. Other Assets

Other assets comprise of the following (in thousands):

	December 31,	
	2025	2024
Deposit with OAS (Note 18)	**$ -**	$ 46,968
Other	**8,650**	8,789
Total other assets	**$ 8,650**	$ 55,757

13. Properties and Equipment

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

	December 31,	
	2025	2024
Land	$ **11,656**	$ 12,348
Buildings and building improvements	**139,219**	140,656
Transportation equipment	**97,960**	93,025
Machinery and equipment	**166,142**	167,767
Computer software	**79,948**	76,251
Furniture and fixtures	**86,281**	83,184
Projects under development	**12,560**	9,607
Total properties and equipment	**593,766**	582,838
Less accumulated depreciation	**(388,104)**	(382,001)
Net properties and equipment	$ **205,662**	$ 200,837

The net book value of computer software at December 31, 2025 and 2024, was $9.9 million and $8.1 million, respectively. Depreciation expense for computer software was $4.3 million, $4.3 million, and $4.5 million for the years ended December 31, 2025, 2024 and 2023, respectively.

14. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for IPUs and/or contract beds within hospitals. Roto-Rooter has leased office space.

The components of balance sheet information related to leases were as follows:

	December 31,	
	2025	2024
Assets		
Operating lease assets	**$ 131,151**	$ 127,323
Liabilities		
Current operating leases	**40,892**	42,306
Noncurrent operating leases	**102,867**	98,538
Total operating lease liabilities	**$ 143,759**	$ 140,844

The components of lease expense were as follows:

	December 31,		
	2025	2024	2023
Lease Expense (a)			
Operating lease expense	**$ 68,226**	$ 64,228	$ 59,769
Sublease income	**(123)**	(311)	(93)
Net lease expense	**$ 68,103**	$ 63,917	$ 59,676

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	**$ 55,598**	$ 51,762
Leased assets obtained in exchange for new operating lease liabilities	**$ 52,669**	$ 49,883
Weighted Average Remaining Lease Term		
Operating leases	**4.82 yrs**	
Weighted Average Discount Rate		
Operating leases	**4.14%**	

Maturity of Operating Lease Liabilities (in thousands)

2026	$	**48,403**
2027		33,662
2028		26,848
2029		20,655
2030		12,535
Thereafter		17,832
Total lease payments	$	159,935
Less: interest		(16,176)
Total liability recognized on the balance sheet	$	143,759

For leases commencing prior to 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $8.4 million related to extended lease terms that are reasonably certain of being exercised and exclude $1.1 million of lease payments for leases signed but not yet commenced.

15. Retirement Plans

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

For the Years Ended December 31,		
2025	2024	2023
$ 32,378	$ 39,134	$ 26,475

These expenses include the impact of market gains and losses on assets held in deferred compensation plans. Trust assets invested in shares of our stock are included in treasury stock, and the corresponding liability is included in a separate component of stockholders' equity. At December 31, 2025, these trusts held 54,648 shares at historical average cost of $2.3 million (2024 – 55,072 shares or $2.2 million).

We have excess benefit plans for key employees whose participation in the qualified plans is limited by U.S. Employee Retirement Income Security Act requirements. Benefits are determined based on theoretical participation in the qualified plans. Benefits are only invested in mutual funds, and participants are not permitted to diversify accumulated benefits in shares of our capital stock.

16. Earnings Per Share

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

For the Years Ended December 31,	Net Income	Shares	Earnings per Share
2025			
Earnings	**$ 265,238**	**14,398**	**$ 18.42**
Dilutive stock options	**-**	**35**	
Nonvested stock awards	**-**	**27**	
Diluted earnings	**$ 265,238**	**14,460**	**$ 18.34**
2024			
Earnings	$ 301,999	15,024	$ 20.10
Dilutive stock options	-	114	
Nonvested stock awards	-	48	
Diluted earnings	$ 301,999	15,186	$ 19.89
2023			
Earnings	$ 272,509	15,050	$ 18.11
Dilutive stock options	-	103	
Nonvested stock awards	-	47	
Diluted earnings	$ 272,509	15,200	$ 17.93

During 2025, 1.0 million stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price during most of the year. During 2024, 619,000 stock options were excluded. During 2023, 601,000 stock options were excluded.

17. Financial Instruments

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

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2025 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	**$ 140,347**	**$ 140,347**	**$ -**	**$ -**
Cash equivalents	**94,273**	**94,273**	**-**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2024 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	$ 130,960	$ 130,960	$ -	$ -
Cash equivalents	188,379	188,379	-	-

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Note 3, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

18. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following describes the material lawsuits and investigations of which the Company is currently aware.

Regulatory Matters and Litigation

VITAS was one of a group of hospice providers selected by the Office of the Inspector General's ("OIG") Office of Audit Services ("OAS") for inclusion in an audit of the provision of elevated level-of-care hospice services, which reviewed 100 out of a total population of 50,850 inpatient and continuous care claims.

On August 29, 2022, VITAS received a demand letter from its Medicare Administrative Contractor ("MAC") seeking repayment of $50.3 million. VITAS appealed the overpayment decision and deposited $50.3 million under the "Immediate Recoupment" process. The amount deposited was recorded as an "other long-term asset" in the consolidated balance sheets, as detailed in Note 12.

On February 3, 2025, an Administrative Law Judge ("ALJ") ruled that VITAS' care met Medicare's hospice standards for the applicable higher level of care as originally billed for all but one of the claims appealed, and therefore VITAS was entitled to receive payment for all such claims. With respect to the one claim that the judge did not fully side with VITAS, the judge found that four of the five days billed met the applicable standard and only one day did not.

In a letter dated March 18, 2025, VITAS' MAC provided notice that due to the ALJ's ruling the total overpayment amount was reduced to a de minimis amount, and on April 1, 2025 refunded VITAS all previously unreturned deposited amounts in excess of that dollar figure.

As a result of the cybersecurity incident and data breach on October 24, 2025 referenced in Item 1C above, multiple class action lawsuits have been filed against VITAS alleging various causes of action and seeking damages resulting from the breach. The Company intends to defend against the allegations in these lawsuits. The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time.

Regardless of the outcome of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity.

19. Capital Stock Transactions

We repurchased the following capital stock:

	For the Years Ended December 31,		
	2025	2024	2023
Total cost of repurchased shares (in thousands):	**$ 428,035**	$ 358,737	$ 73,813
Shares repurchased	**932,500**	638,235	132,969
Weighted average price per share	**$ 459.02**	$ 562.08	$ 555.12

In August 2025, the Board of Directors authorized $300.0 million for additional stock repurchase under the February 2011 repurchase program. In November 2024 and 2023, the Board of Directors authorized $300.0 million for additional stock repurchase under the February 2011 repurchase program. We currently have $127.3 million of authorization remaining under this share purchase plan.

20. Other Operating Expenses

	December 31,		
	2025	2024	2023
Legal settlements	$ **3,071**	$ -	$ 2,050
(Gain)/loss on disposal of property and equipment	**(162)**	446	211
Total other operating expenses	$ **2,909**	$ 446	$ 2,261

21. Other Current Liabilities

	December 31,	
	2025	2024
Medicare cap	**$ 30,914**	$ 13,579
All other	**27,978**	29,295
Total other current liabilities	**$ 58,892**	$ 42,874

There are no individual amounts exceeding 5% of the total current liabilities in the "all other" line item for either period presented.

22. Recent Accounting Standards

In November 2024, the FASB issued Accounting Standards Update "ASU 2024-03 – Disaggregation of Income Statement Expenses". The guidance provides enhanced disclosures about commonly presented expense categories such as cost of sales, selling, general and administrative expenses and research and development. The objective is to provide investors with a better understanding of the entity's performance, assess potential future cash flows and comparability with other entities. The guidance is effective for fiscal periods beginning December 15, 2026, and interim periods within fiscal years beginning December 15, 2027. The Company is finalizing the impact of the ASU, and expects to incorporate within our footnote disclosures in our 2026 Annual Report on Form 10-K.

In September 2025, the FASB issued Accounting Standards Update "ASU 2025-06 – Intangibles – Goodwill and Other – Internal – Use Software". The guidance seeks to modernize the accounting guidance for the costs to develop software for internal use. The guidance amends the existing standard to better align with current software development methods. Entities will start capitalizing eligible costs when management has authorized and committed to funding software projects and when it is probable that the projects will be completed and used as intended. The guidance is effective for annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. The Company is currently analyzing the impact of the ASU on the consolidated financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
2025				
Service revenues and sales	$ 1,630,101	$ 899,877	$ -	$ 2,529,978
Cost of services provided and goods sold	1,257,704	449,090	-	1,706,794
Selling, general and administrative expenses	100,675	247,047	69,466	417,188
Depreciation	21,308	33,200	49	54,557
Amortization	104	10,180	-	10,284
Other operating expense/(income)	3,375	(466)	-	2,909
Total costs and expenses	1,383,166	739,051	69,515	2,191,732
Income/(loss) from operations	246,935	160,826	(69,515)	338,246
Interest expense	(185)	(611)	(954)	(1,750)
Intercompany interest income/(expense)	22,455	16,245	(38,700)	-
Other income—net	327	70	18,885	19,282
Income/(loss) before income taxes (a)	269,532	176,530	(90,284)	355,778
Income taxes	(65,523)	(41,037)	16,020	(90,540)
Net income/(loss) (a)	$ 204,009	$ 135,493	$ (74,264)	$ 265,238

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (32,671)	$ (32,671)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Long-term incentive compensation	-	-	(5,625)	(5,625)
Legal settlements	(3,071)	-	-	(3,071)
Other	(500)	(530)	(2,690)	(3,720)
Total	$ (3,571)	$ (9,938)	$ (40,986)	$ (54,495)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (27,659)	$ (27,659)
Amortization of reacquired franchise agreements	-	(7,216)	-	(7,216)
Long-term incentive compensation	-	-	(4,972)	(4,972)
Legal settlements	(2,325)	-	-	(2,325)
Other	(378)	(406)	(2,690)	(3,474)
Excess tax expense on stock compensation	-	-	(696)	(696)
Total	$ (2,703)	$ (7,622)	$ (36,017)	$ (46,342)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(in thousands)(unaudited)

2024	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,530,978	$ 900,309	$ -	$ 2,431,287
Cost of services provided and goods sold	1,146,803	430,136	-	1,576,939
Selling, general and administrative expenses	99,564	232,852	91,944	424,360
Depreciation	20,362	32,452	50	52,864
Amortization	105	10,080	-	10,185
Other operating expenses	178	268	-	446
Total costs and expenses	1,267,012	705,788	91,994	2,064,794
Income/(loss) from operations	263,966	194,521	(91,994)	366,493
Interest expense	(171)	(431)	(1,178)	(1,780)
Intercompany interest income/(expense)	20,211	14,397	(34,608)	-
Other income—net	227	69	34,456	34,752
Income/(loss) before income taxes (a)	284,233	208,556	(93,324)	399,465
Income taxes	(67,414)	(48,510)	18,458	(97,466)
Net income/(loss) (a)	$ 216,819	$ 160,046	$ (74,866)	$ 301,999

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (32,033)	$ (32,033)
Long-term incentive compensation	-	-	(20,152)	(20,152)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Acquisition expense	(1,099)	(34)	-	(1,133)
Total	$ (1,099)	$ (9,442)	$ (52,185)	$ (62,726)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (27,053)	$ (27,053)
Long-term incentive compensation	-	-	(18,504)	(18,504)
Amortization of reacquired franchise agreements	-	(7,216)	-	(7,216)
Acquisition expense	(832)	(26)	-	(858)
Excess tax benefits on stock compensation	-	-	4,442	4,442
Total	$ (832)	$ (7,242)	$ (41,115)	$ (49,189)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATING STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands)(unaudited)

2023	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 1,315,065	$ 949,352	$ -	$ 2,264,417
Cost of services provided and goods sold	1,017,623	447,979	-	1,465,602
Selling, general and administrative expenses	93,296	231,587	70,237	395,120
Depreciation	19,959	30,790	53	50,802
Amortization	104	9,959	-	10,063
Other operating expenses/(income)	(12)	2,273	-	2,261
Total costs and expenses	1,130,970	722,588	70,290	1,923,848
Income/(loss) from operations	184,095	226,764	(70,290)	340,569
Interest expense	(180)	(442)	(2,486)	(3,108)
Intercompany interest income/(expense)	19,400	11,918	(31,318)	-
Other income—net	1,309	126	11,471	12,906
Income/(loss) before income taxes (a)	204,624	238,366	(92,623)	350,367
Income taxes	(46,115)	(50,125)	18,382	(77,858)
Net income/(loss) (a)	$ 158,509	$ 188,241	$ (74,241)	$ 272,509

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

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (30,082)	$ (30,082)
Long-term incentive compensation	-	-	(11,689)	(11,689)
Amortization of reacquired franchise agreements	-	(9,408)	-	(9,408)
Legal settlements	-	(2,056)	-	(2,056)
Total	$ -	$ (11,464)	$ (41,771)	$ (53,235)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (25,405)	$ (25,405)
Long-term incentive compensation	-	-	(10,379)	(10,379)
Amortization of reacquired franchise agreements	-	(7,216)	-	(7,216)
Impact of deferred rate tax change	1,772	3,559	(1,090)	4,241
Legal settlements	-	(1,577)	-	(1,577)
Excess tax benefits on stock compensation	-	-	4,330	4,330
Total	$ 1,772	$ (5,234)	$ (32,544)	$ (36,006)

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 ("VITAS") and Roto-Rooter Group, Inc. ("Roto-Rooter"). VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its team of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter is focused on providing plumbing, drain cleaning, excavation, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, Independent Contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The vast majority of the Company's operations are located in the United States. As both operations are service companies, our employees are the most critical resource of the Company. We have very little or no exposure related to customers, vendors or employees in other regions of the world.

The following is a summary of the key operating results for the years ended December 31, 2025, 2024 and 2023 (in thousands except percentages and per share amounts):

	2025	2024	2023
Consolidated service revenues and sales	**$ 2,529,978**	$ 2,431,287	$ 2,264,417
Consolidated net income	**$ 265,238**	$ 301,999	$ 272,509
Diluted EPS	**$ 18.34**	$ 19.89	$ 17.93
Adjusted net income	**$ 311,580**	$ 351,188	$ 308,515
Adjusted diluted EPS	**$ 21.55**	$ 23.13	$ 20.30
Adjusted EBITDA	**$ 458,710**	$ 503,002	$ 451,897
Adjusted EBITDA as a % of revenue	**18.1** %	20.7 %	20.0 %

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

2025 versus 2024

The increase in consolidated service revenues and sales from 2025 to 2024 was a result of a 6.5% increase at VITAS with Roto-Rooter being essentially flat. The increase in service revenues at VITAS is comprised primarily of a 5.2% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 3.4%. Acuity mix shift negatively impacted revenue growth by 110-basis points when compared to prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes decreased revenue growth by 100-basis points.

The service revenues at Roto-Rooter were essentially flat for 2025 compared to 2024. The plumbing revenue increase of 0.7% for 2025 versus 2024 is attributable to a 3.6% increase in job count offset by a 2.9% decrease in price and service mix shift. The drain cleaning revenue decrease of 2.4% for 2025 versus 2024 is attributable to a 2.1% increase in price and service mix shift offset by a 4.5% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues. As a result, the 4.8% increase in excavation revenue and 6.9% increase in water restoration revenue are mainly a function of plumbing and drain cleaning jobs. Contractor operations decreased 4.6%. Implicit price concessions and credit memos increased 41.8% mainly related to the water restoration business.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care ("Covenant") for an aggregated purchase price of $85.0 million in cash.

The pro forma revenue and earnings for the Company for the years ended December 31, 2025 and 2024 as if the Covenant acquisition made in 2024 was completed on January 1, 2024 are as follows (in thousands, except per share data):

	For the Years Ended December 31,	
	2025	2024
Service revenues and sales	**$ 2,529,978**	$ 2,448,419
Net income	**$ 265,238**	$ 306,224
Earnings per share	**$ 18.42**	$ 20.38
Diluted earnings per share	**$ 18.34**	$ 20.16

In late September and early October 2024, Hurricanes Helene and Milton impacted the panhandle of Florida and other parts of the southeastern United States. They did not result in any significant property loss or damage to VITAS. However, as with other similar events, we did experience a slowdown in admission activity while health systems prepared for the hurricane and then dealt with the aftermath.

2024 versus 2023

The increase in consolidated service revenues and sales from 2024 to 2023 was a result of a 16.4% increase at VITAS and a 5.2% decrease at Roto-Rooter. The increase in service revenues at VITAS is comprised primarily of a 14.1% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 2.8%. Acuity mix shift negatively impacted revenue growth by 110-basis points when compared to prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 60-basis points. The decrease in service revenues at Roto-Rooter was driven by a decrease in all lines of service.

The pandemic created a significant shortage of licensed healthcare workers industry wide. VITAS was not immune to this shortage. As a result, on July 1, 2022, VITAS implemented a hiring and retention bonus program for its licensed healthcare workers. It is a temporary program intended to help VITAS attract and retain licensed healthcare workers in light of the pandemic induced healthcare worker shortage. An eligible employee must continue in employment for a period of one-year from July 1st to receive a bonus. Additionally, employees hired between July 1, 2022 and June 30, 2023 are eligible if they continue employment for a one-year period from their hire date. Total payments for the retention bonus program were $39.2 million paid through 2024.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care (“Covenant”) for an aggregated purchase price of $85.0 million in cash.

Revenue for the Covenant acquisition for 2024, was approximately $31.0 million to $32.0 million and this translated to net income of approximately $5.0 million to $6.0 million. Adjusted EBITDA for 2024 attributed to Covenant is between $7.0 million and $8.0 million.

The pro forma revenue and earnings for the Company for the years ended December 31, 2024 and 2023 as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	For the Years Ended December 31,	
	2024	2023
Service revenues and sales	**$ 2,448,419**	$ 2,320,177
Net income	**$ 306,224**	$ 279,615
Earnings per share	**$ 20.38**	$ 18.58
Diluted earnings per share	**$ 20.16**	$ 18.40

In late September and early October 2024, Hurricanes Helene and Milton impacted the panhandle of Florida and other parts of the southeastern United States. They did not result in any significant property loss or damage to VITAS. However, as with other similar events, we did experience a slowdown in admission activity while health systems prepared for the hurricane and then dealt with the aftermath.

LIQUIDITY AND CAPITAL RESOURCES

Material changes in the balance sheet accounts from December 31, 2024 to December 31, 2025 include the following:

- An $11.4 million increase in accounts receivable due to the timing of payments. Other significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $60.0 million from the Federal government for hospice services every other Friday. The timing of a period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year.
- A $47.1 million decrease in other assets primarily related to the refund of the OAS deposit.
- A $20.3 million increase in accounts payable due to timing.
- A $33.7 million decline in accrued compensation due primarily to lower bonus expense in 2025 and timing of year end payroll at VITAS.
- A $16.0 million increase in other current liabilities due primarily to the increase in Medicare Cap liability.
- A $10.1 million increase in deferred compensation liabilities due to market valuation gains. This resulted in a similar increase in the assets associated with deferred compensation plans.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

We anticipate that our operating income and cash flows will be sufficient to operate our business and meet any commitments for the foreseeable future.

The Company had no debt outstanding at December 31, 2025 and 2024. Our current ratio was 1.1 and 1.4 at December 31, 2025 and 2024, respectively.

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement (“2022 Credit Facilities”). Terms of the 2022 Credit Facilities consist of a five-year $450.0 million revolver as well as a five-year $100.0 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally SOFR plus an additional tiered rate which varies based on our current leverage ratio. As of December 31, 2025 the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional $250.0 million.

The term loan was repaid in 2023. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from $550.0 million to $450.0 million There were no prepayment penalties associated with repayments. There are no significant deferred debt issuance costs capitalized related to the term loan.

The 2022 Credit Facilities contains the following quarterly financial covenants effective as of December 31, 2025:

Description	Requirement	Chemed December 31, 2025
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00	**(0.05) to 1.00**
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00	**260.84 to 1.00**

We forecast to be in compliance with all debt covenants through fiscal 2026.

We have issued $45.5 million in standby letters of credit as of December 31, 2025, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of December 31, 2025, we have approximately $404.5 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. We believe our cash flow from operating activities and our unused eligible lines of credit are sufficient to fund our obligations and operate our business in the near and long term. We continually evaluate cash utilization alternatives, including share repurchase, debt repayment, acquisitions, and increased dividends to determine the most beneficial use of available capital resources.

CASH FLOW

Our cash flows for 2025, 2024 and 2023 are summarized as follows (in millions):

	For the Years Ended December 31,		
	2025	2024	2023
Net cash provided by operating activities	**$ 388.3**	$ 417.5	$ 330.3
Capital expenditures	**(62.8)**	(49.5)	(56.9)
Net cash provided for operating activities after capital expenditures	**325.5**	368.0	273.4
Purchase of treasury stock in the open market	**(431.5)**	(361.4)	(67.7)
Dividends paid	**(31.7)**	(27.1)	(23.5)
Proceeds from exercise of stock options	**27.2**	56.5	102.2
Change in cash overdraft payable	**11.0**	(15.7)	15.7
Capital stock surrendered to pay taxes on stock-based compensation	**(8.8)**	(9.5)	(9.6)
Business combinations	**(0.2)**	(97.4)	(4.0)
Net decrease in long-term debt	**-**	-	(97.5)
Other--net	**4.7**	1.0	0.8
(Decrease)/increase in cash and cash equivalents	**$ (103.8)**	$ (85.6)	$ 189.8

2025 versus 2024

Net cash provided by operating activities decreased $29.2 million from the year ended December 31, 2024 to the year ended December 31, 2025. The main drivers are a decrease in earnings of $36.8 million combined with working capital changes. Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $60.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year. The swing in accounts receivable increased cash flow by $22.3 million between 2025 and 2024.

In 2025, we repurchased 932,500 shares of Chemed capital stock at a weighted average price of $459.02 per share. In 2024, we repurchased 638,235 shares of Chemed capital stock at a weighted average price of $562.08 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

2024 versus 2023

Net cash provided by operating activities increased $87.2 million from the year ended December 31, 2023 to the year ended December 31, 2024. The main drivers are an increase in earnings of $29.5 million combined with working capital changes. Significant changes in our accounts receivable balances are driven mainly by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $55.0 million from the Federal government from hospice services every other Friday. The timing of year end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year. The swing in accounts receivable increased cash flow by $52.2 million between 2024 and 2023.

In 2024, we repurchased 638,235 shares of Chemed capital stock at a weighted average price of $562.08 per share. In 2023, we repurchased 132,969 shares of Chemed stock at a weighted average price of $555.12 per share. Based on our current operations and our current sources of capital, we believe we have the ability to continue our current share repurchase program into the foreseeable future.

COMMITMENTS AND CONTINGENCIES

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

Please see Note 18 in the Notes to the Consolidated Financial Statements for a description of current material legal and regulatory matters.

CONTRACTUAL OBLIGATIONS

The table below summarizes our debt and contractual obligations as of December 31, 2025 (in thousands):

	Total	Less than 1 year	1-3 Years	3-5 Years	After 5 Years
Lease liabilities	143,759	43,349	54,269	30,498	15,643
Purchase obligations (a)	64,459	64,459	-	-	-
Other long-term obligations (b)	147,448	2,827	5,654	2,827	136,140
Total contractual cash obligations	$ 355,666	$ 110,635	$ 59,923	$ 33,325	$ 151,783

(a) Purchase obligations consist of accounts payable at December 31, 2025.

(b) Other long-term obligations comprise largely excess benefit obligations.

RESULTS OF OPERATIONS

2025 Versus 2024 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2025 versus 2024 (in thousands, except percentages):

	2025	2024	Increase/(Decrease) Percent
Service revenues and sales			
VITAS	**$ 1,630,101**	$ 1,530,978	6.5
Roto-Rooter	**899,877**	900,309	(0.0)
Total	**2,529,978**	2,431,287	4.1
Cost of services provided and goods sold	**1,706,794**	1,576,939	8.2
Selling, general and administrative expenses	**417,188**	424,360	(1.7)
Depreciation	**54,557**	52,864	3.2
Amortization	**10,284**	10,185	1.0
Other operating expenses	**2,909**	446	552.2
Total cost and expenses	**2,191,732**	2,064,794	6.1
Income from operations	**338,246**	366,493	(7.7)
Interest expense	**(1,750)**	(1,780)	1.7
Other income - net	**19,282**	34,752	(44.5)
Income before income taxes	**355,778**	399,465	(10.9)
Income taxes	**(90,540)**	(97,466)	7.1
Net income	**$ 265,238**	$ 301,999	(12.2)

The VITAS segment revenue is as follows (dollars in thousands):

	2025	2024	Increase/(Decrease) Percent
Routine homecare	**$ 1,444,494**	$ 1,326,488	8.9
Inpatient care	**133,048**	120,604	10.3
Continuous care	**86,661**	99,746	(13.1)
Other	**22,926**	19,455	17.8
Subtotal	**1,687,129**	1,566,293	7.7
Medicare cap adjustment	**(27,161)**	(8,414)	(222.8)
Implicit price concessions	**(14,305)**	(13,597)	(5.2)
Room and board, net	**(15,562)**	(13,304)	(17.0)
Net revenue	**$ 1,630,101**	$ 1,530,978	6.5

Days of care are as follows:

	2025	2024	Increase/(Decrease) Percent
Routine homecare	**6,685,968**	6,277,961	6.5
Nursing home	**1,228,789**	1,230,726	(0.2)
Respite	**45,221**	37,961	19.1
Subtotal routine homecare and respite	**7,959,978**	7,546,648	5.5
Continuous care	**113,891**	106,299	7.1
General inpatient	**79,639**	95,524	(16.6)
Total days of care	**8,153,508**	7,748,471	5.2

The increase in service revenues at VITAS is comprised primarily of a 5.2% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 3.4%. Acuity mix shift negatively impacted revenue growth by 110-basis points when compared to prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes decreased revenue growth by 100-basis points.

The Roto-Rooter segment revenue is as follows (dollars in thousands):

	2025	2024	Increase/(Decrease) Percent
Drain cleaning	**$ 231,794**	$ 237,534	(2.4)
Plumbing	**182,721**	181,370	0.7
Excavation	**238,390**	227,413	4.8
Other	**786**	883	(11.0)
Subtotal - short term core	**653,691**	647,200	1.0
Water restoration	**190,216**	178,016	6.9
Independent contractors	**69,405**	72,777	(4.6)
Franchisee fees	**5,718**	5,814	(1.7)
Other	**18,894**	23,329	(19.0)
Gross revenue	**937,924**	927,136	1.2
Implicit price concessions and credit memos	**(38,047)**	(26,827)	(41.8)
Net revenue	**$ 899,877**	$ 900,309	(0.0)

The increase in plumbing revenues for 2025 versus 2024 is attributable to a 3.6% increase in job count offset by a 2.9% decrease in price and service mix shift. The decrease in drain cleaning revenues for 2025 versus 2024 is attributable to a 2.1% increase in price and service mix shift offset by a 4.5% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues. As a result, the 4.8% increase in excavation revenue and 6.9% increase in water restoration revenue are mainly a function of plumbing and drain cleaning jobs. Contractor operations decreased 4.6%. Implicit price concessions and credit memos increased 41.8% mainly related to the water restoration business.

The consolidated gross margin excluding depreciation was 32.5% in 2025 versus 35.1% in 2024. On a segment basis, VITAS' gross margin excluding depreciation was 22.8% in 2025 and 25.1% in 2024. The decline was primarily due to an increase in Medicare Cap liability of $18.7 million and an increase in variable patient care expenses and wages. Roto-Rooter's gross margin excluding depreciation was 50.1% in 2025 and 52.2% in 2024. The decline is primarily due to a $5.3 million increase in casualty insurance expense and a 41.8% increase in implicit price concessions and credit memos primarily related to the water restoration business line as well as an increase in variable expenses.

Selling, general and administrative expenses ("SG&A") for 2025 and 2024 comprise (in thousands):

	2025	2024
SG&A expenses before long-term incentive compensation, and the impact of market value adjustments related to deferred compensation trusts	**$ 401,013**	$ 384,069
Impact of market value adjustments related to assets held in deferred compensation trusts	**10,550**	20,139
Long-term incentive compensation	**5,625**	20,152
Total SG&A expenses	**$ 417,188**	$ 424,360

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for 2025 were up 4.4% when compared to 2024. This increase was mainly a result of a $2.4 million increase in legal expenses mainly at VITAS, and a $2.7 million severance accrual related to one former VITAS executive. The remaining increase is related to normal salary increases and an increase in variable selling expenses, primarily internet marketing costs at Roto-Rooter.

Included in the allocation of the purchase price for Roto-Rooter's 2019 acquisitions was $59.2 million related to reacquired franchise rights. Reacquired franchise rights, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over the period remaining in each individual franchise agreement. The average amortization period for reacquired franchise rights for the acquisitions made in 2019 is 7.4 years. In 2025 and 2024, amortization expense from the reacquired franchise rights for these two

acquisitions was $8.1 million compared to the franchise fee revenue recognized from all other Roto-Rooter franchises, nationwide, of $1.8 million and $1.7 million, respectively.

Other operating expense for 2025 and 2024 comprise (in thousands):

	2025	2024
Legal settlements	**$ 3,071**	$ -
(Gain)/loss on disposal of property and equipment	**(162)**	446
Total other operating expenses	**$ 2,909**	$ 446

Other income-net for 2025 and 2024 comprise (in thousands):

	2025	2024
Market value adjustments related to deferred compensation trusts	**$ 10,550**	$ 20,139
Interest income	**8,745**	14,610
Other	**(13)**	3
Total other income - net	**$ 19,282**	$ 34,752

Our effective tax rate reconciliation is as follows:

	2025	2024
Income tax provision calculated using the statutory rate	**$ 74,713**	$ 83,888
State and local income taxes, less federal income tax effect	**8,752**	11,811
Nondeductible expenses		
Limitation on executive compensation	**4,427**	6,012
Excess stock compensation tax provision/(benefit)	**696**	(4,442)
Other	**1,472**	1,426
Other-net	**480**	(1,229)
Income tax provision	**$ 90,540**	$ 97,466
Effective tax rate	**25.4** %	24.4 %

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

	2025	2024
VITAS		
Legal settlements	**$ (2,325)**	$ -
Acquisition expense	**-**	(832)
Other	**(378)**	-
Roto-Rooter		
Amortization of reacquired franchise agreements	**(7,216)**	(7,216)
Acquisition expense	**-**	(26)
Other	**(406)**	-
Corporate		
Stock option expense	**(27,659)**	(27,053)
Long-term incentive compensation	**(4,972)**	(18,504)
Other	**(2,690)**	-
Excess tax (expense)/benefit on stock compensation	**(696)**	4,442
Total	**$ (46,342)**	$ (49,189)

2025 Versus 2024– Segment Results

Net income/(loss) for 2025 versus 2024 (in thousands):

	2025	2024
VITAS	**$ 204,009**	$ 216,819
Roto-Rooter	**135,493**	160,046
Corporate	**(74,264)**	(74,866)
	$ 265,238	$ 301,999

VITAS' after-tax earnings decreased mainly due to an increase in Medicare Cap liability of $18.7 million and an increase in legal expense of $3.9 million. After-tax earnings as a percent of revenue at VITAS in 2025 was 12.5% as compared to 14.2% in 2024.

Roto-Rooter's net income was negatively impacted in 2025 compared to 2024 due primarily to an increase in casualty insurance expense of $5.3 million and increased variable expenses combined with essentially flat revenue. Roto-Rooter's after-tax earnings as a percent of revenue in 2025 was 15.1% as compared to 17.8% in 2024.

After-tax Corporate expenses for 2025 decreased 0.8% when compared to 2024 due primarily to a $12.9 million decrease in stock-based compensation offset by $2.7 million in severance expense recorded for one former VITAS executive, a $5.9 million decrease in interest income and a $5.1 million decrease in excess tax benefit on stock compensation.

RESULTS OF OPERATIONS

2024 Versus 2023 – Consolidated Results

Set forth below are the year-to-year changes in the components of the statement of operations relating to income for 2024 versus 2023 (in thousands, except percentages):

	2024	2023	Increase/(Decrease) Percent
Service revenues and sales			
VITAS	**$ 1,530,978**	$ 1,315,065	16.4
Roto-Rooter	**900,309**	949,352	(5.2)
Total	**2,431,287**	2,264,417	7.4
Cost of services provided and goods sold	**1,576,939**	1,465,602	7.6
Selling, general and administrative expenses	**424,360**	395,120	7.4
Depreciation	**52,864**	50,802	4.1
Amortization	**10,185**	10,063	1.2
Other operating expenses	**446**	2,261	(80.3)
Total cost and expenses	**2,064,794**	1,923,848	7.3
Income from operations	**366,493**	340,569	7.6
Interest expense	**(1,780)**	(3,108)	42.7
Other income - net	**34,752**	12,906	169.3
Income before income taxes	**399,465**	350,367	14.0
Income taxes	**(97,466)**	(77,858)	(25.2)
Net income	**$ 301,999**	$ 272,509	10.8

The VITAS segment revenue is as follows (dollars in thousands):

	2024	2023	Increase/(Decrease) Percent
Routine homecare	**$ 1,326,488**	$ 1,136,437	16.7
Inpatient care	**120,604**	112,419	7.3
Continuous care	**99,746**	85,674	16.4
Other	**19,455**	13,582	43.2
Subtotal	**1,566,293**	1,348,112	16.2
Medicare cap adjustment	**(8,414)**	(8,000)	(5.2)
Implicit price concessions	**(13,597)**	(14,196)	4.2
Room and board, net	**(13,304)**	(10,851)	(22.6)
Net revenue	**$ 1,530,978**	$ 1,315,065	16.4

Days of care are as follows:

	2024	2023	Increase/(Decrease) Percent
Routine homecare	**6,277,961**	5,457,963	15.0
Nursing home	**1,230,726**	1,118,728	10.0
Respite	**37,961**	26,605	42.7
Subtotal routine homecare and respite	**7,546,648**	6,603,296	14.3
Continuous care	**106,299**	101,905	4.3
General inpatient	**95,524**	88,631	7.8
Total days of care	**7,748,471**	6,793,832	14.1

The increase in service revenues at VITAS is comprised primarily of a 14.1% increase in days-of-care, and a geographically weighted average Medicare reimbursement rate increase of approximately 2.8%. Acuity mix shift negatively impacted revenue growth by 110-basis points when compared to prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 60-basis points.

The Roto-Rooter segment revenue is as follows (dollars in thousands):

	2024	2023	Increase/(Decrease) Percent
Drain cleaning	**$ 237,534**	$ 249,069	(4.6)
Plumbing	**181,370**	196,695	(7.8)
Excavation	**227,413**	233,196	(2.5)
Other	**883**	936	(5.7)
Subtotal - short term core	**647,200**	679,896	(4.8)
Water restoration	**178,016**	185,550	(4.1)
Independent contractors	**72,777**	85,749	(15.1)
Franchisee fees	**5,814**	5,658	2.8
Other	**23,329**	19,083	22.3
Gross revenue	**927,136**	975,936	(5.0)
Implicit price concessions and credit memos	**(26,827)**	(26,584)	(0.9)
Net revenue	**$ 900,309**	$ 949,352	(5.2)

The decrease in plumbing revenues for 2024 versus 2023 is attributable to a 1.6% decrease in price and service mix shift and a 6.2% decrease in job count. The decrease in drain cleaning revenues for 2024 versus 2023 is attributable to a 2.9% increase in price and service mix shift offset by a 7.5% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues. As a result, the 2.5% decrease in excavation revenue and 5.7% decrease in water restoration revenue are mainly a function of the decreased plumbing and drain cleaning jobs. Contractor operations decreased 15.1%.

The consolidated gross margin excluding depreciation was 35.1% in 2024 versus 35.3% in 2023. On a segment basis, VITAS' gross margin excluding depreciation was 25.1% in 2024 and 22.6% in 2023. The increase in gross margin at VITAS is mostly the result of the increased revenues and expiration of the retention bonus program. Roto-Rooter's gross margin excluding depreciation was 52.2% in 2024 and 52.8% in 2023.

Selling, general and administrative expenses ("SG&A") for 2024 and 2023 comprise (in thousands):

	2024	2023
SG&A expenses before long-term incentive compensation, and the impact of market value adjustments related to deferred compensation trusts	**$ 384,069**	$ 377,027
Long-term incentive compensation	**20,152**	11,689
Impact of market value adjustments related to assets held in deferred compensation trusts	**20,139**	6,404
Total SG&A expenses	**$ 424,360**	$ 395,120

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for 2024 were up 1.9% when compared to 2023. This increase was mainly a result of normal salary increases and an increase in variable selling expenses, primarily increased marketing expenses at Roto-Rooter.

Included in the allocation of the purchase price for Roto-Rooter's 2019 acquisitions was $59.2 million related to reacquired franchise rights. Reacquired franchise rights, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over the period remaining in each individual franchise agreement. The average amortization period for reacquired franchise rights for the acquisitions made in 2019 is 7.4 years. In 2024 and 2023, amortization expense from the reacquired franchise rights for these two acquisitions was $8.1 million compared to the franchise fee revenue recognized from all other Roto-Rooter franchises, nationwide, of $1.7 million and $1.6 million, respectively.

Other operating expense for 2024 and 2023 comprise (in thousands):

	2024	2023
Loss on disposal of property and equipment	**$ 446**	$ 211
Legal settlements	**-**	2,050
Total other operating expenses	**$ 446**	$ 2,261

Other income-net for 2024 and 2023 comprise (in thousands):

	2024	2023
Market value gains on assets held in deferred compensation trusts	**$ 20,139**	$ 6,404
Interest income	**14,610**	6,270
Other	**3**	232
Total other (expense)/income	**$ 34,752**	$ 12,906

Our effective tax rate reconciliation is as follows:

	2024	2023
Income tax provision calculated using the statutory rate	$ **83,888**	$ 73,577
State and local income taxes, less federal income tax effect	**11,811**	2,306
Nondeductible expenses		
Limitation on executive compensation	**6,012**	5,268
Excess stock compensation tax benefits	**(4,442)**	(4,330)
Other	**1,426**	1,332
Other-net	**(1,229)**	(295)
Income tax provision	$ **97,466**	$ 77,858
Effective tax rate	**24.4** %	22.2 %

During the third quarter of 2023, the Company recognized a tax benefit from realignment of its state and local corporate tax structure based on the location of operating resources and profitability by business segment. This benefit includes a reduction in current state and local tax expense and a one time benefit of $4.2 million in reduction of deferred tax liabilities reflecting the lower tax rates.

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

	2024	2023
VITAS		
Acquisition expense	**$ (832)**	$ -
Impact of deferred rate tax change	**-**	1,772
Roto-Rooter		
Amortization of reacquired franchise agreements	**(7,216)**	(7,216)
Acquisition expense	**(26)**	-
Impact of deferred rate tax change	**-**	3,559
Legal settlements	**-**	(1,577)
Corporate		
Stock option expense	**(27,053)**	(25,405)
Long-term incentive compensation	**(18,504)**	(10,379)
Impact of deferred rate tax change	**-**	(1,090)
Excess tax benefits on stock compensation	**4,442**	4,330
Total	**$ (49,189)**	$ (36,006)

2024 Versus 2023 – Segment Results

Net income/(loss) for 2024 versus 2023 (in thousand):

	2024	2023
VITAS	**$ 216,819**	$ 158,509
Roto-Rooter	**160,046**	188,241
Corporate	**(74,866)**	(74,241)
	$ 301,999	$ 272,509

VITAS' after-tax earnings increased mainly to higher revenue and the expiration of the retention bonus program. After-tax earnings as a percent of revenue at VITAS in 2024 was 14.2% as compared to 12.1% in 2023.

Roto-Rooter's after-tax earnings decreased due to lower revenue and a $3.6 million tax benefit due to the impact of the deferred rate tax change in 2023 which did not recur in 2024. Roto-Rooter's after-tax earnings as a percent of revenue at Roto-Rooter in 2024 was 17.8% as compared to 19.8% in 2023.

After-tax Corporate expenses for 2024 increased 0.8% when compared to 2023 due mainly to a $5.3 million severance agreement in 2024 and a $1.1 million tax expense due to the impact of the deferred rate tax change in 2023, which did not recur in 2024.

CRITICAL ACCOUNTING ESTIMATES

VITAS Revenue Implicit Price Concessions

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily government programs (Medicare and Medicaid) or commercial health insurers. Revenue is recorded at the government-mandated service level rate or the contractually agreed-upon service level rate, whichever is applicable for the patient being served. At the same time, a reduction in revenue is estimated and recorded for expected contractual adjustments. These contractual adjustments are referred to as "implicit price concessions". Implicit price concessions at VITAS are considered critical accounting estimates as they involve a significant amount of judgment by management. Over 95% of VITAS' revenue is from Medicare or Medicaid, resulting in the majority of implicit price concessions being related to Federal or state payors. The remainder of this discussion focuses on the process related to these Federal or state related implicit price concessions.

The laws and regulations governing hospice services are voluminous. Federal and state agencies, or their designated intermediaries, scrutinize hospice claims under various review initiatives to determine their validity and appropriateness. These reviews generally target specific categories of patients and are not statistically chosen. The Company has processes and procedures in place to help ensure compliance. The estimate of implicit price concessions is based on two main assumptions, as follows:

- There are a small percentage of claims that are rejected by the payor soon after billing. These claims generally contain a minor non-medical, documentation defect in the billing process. The estimated implicit price concession for this type of claim is based mainly on historical experience which is relatively consistent from year-to-year. The implicit price concession estimate relating to this assumption is not material.

- There are claims subject to the review process described above which are initially denied by the reviewer. There are many reasons that a claim may be denied including, but not limited to: defects in the non-medical documentation; a difference of opinion with respect to the medical condition of the patient; or a perceived lack of adequate medical documentation. Each denial is researched by a team of internal VITAS employees. There is a standard appeal process for any claim we believe was inappropriately denied. The appeal for these claims may take several months if not years to make it through the entire appeal process. The estimated implicit price concession for this type of claim is based on a number of key factors, including our historical success rate of appeal, settlement history for similar reviews, the types of reviews being conducted and the overall current review environment.

  Our estimate currently assumes that we ultimately do not receive consideration for approximately 20% to 30% of claims currently selected for review or expected to be selected for review. If our current estimate changes by 1%, there would be a $2.8 million impact on our estimate of implicit price concessions.

Our estimates of implicit price concessions at VITAS are updated and reviewed quarterly based on the most recent facts available. Subsequent changes in facts and circumstances are recorded in the period they become known. There have been no changes to the assumptions that would significantly impact our estimate of implicit price concessions.

Insurance Accruals

For the Roto-Rooter segment and Chemed's Corporate Office, we initially self-insure for all casualty insurance claims (workers' compensation, auto liability and general liability). As a result, we closely monitor and frequently evaluate our historical claims experience to estimate the appropriate level of accrual for self-insured claims. Our third-party administrator ("TPA") processes and reviews claims on a monthly basis. Currently, our exposure on any single claim is capped by stop-loss coverage at $750,000, with the exception of auto liability claims which are capped at $3.0 million of stop-loss coverage. In developing our estimates, we accumulate historical claims data for the previous 10 years to calculate loss development factors ("LDF") by insurance coverage type. LDFs are applied to known claims to estimate the ultimate potential liability for known and unknown claims for each open policy year. LDFs are updated annually. Because this methodology relies heavily on historical claims data, the key risk is whether the historical claims are an accurate predictor of future claims exposure. The risk also exists that certain claims have been incurred and not reported on a timely basis. To mitigate these risks, in conjunction with our TPA, we closely monitor claims to ensure timely accumulation of data and compare claims trends with the industry experience of our TPA.

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

Our casualty insurance liabilities are recorded gross before any estimated recovery for amounts exceeding our stop loss limits. Estimated recoveries from insurance carriers are recorded as accounts receivable. Claims experience adjustments to our casualty and workers' compensation accrual for the years ended December 31, 2025, 2024 and 2023, were net pretax expense/(credits) of $81,000, ($10,374,000), and ($6,862,000), respectively.

As an indication of the sensitivity of the accrued liability to reported claims, our analysis indicates that a 1% across-the-board increase or decrease in the amount of projected losses would increase or decrease the accrued insurance liability at December 31, 2025 by $5.4 million or 8.7%. While the amount recorded represents our best estimate of the casualty and workers' compensation insurance liability, we have calculated, based on historical claims experience, the actual loss could reasonably be expected to increase or decrease by approximately $500,000 as of December 31, 2025.

Chemed Corporation and Subsidiary Companies
Unaudited Consolidating Summaries and Reconciliations of Adjusted EBITDA (in thousands)

2025	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 204,009**	**$ 135,493**	**$ (74,264)**	**$ 265,238**
Add/(deduct):				
Interest expense	**185**	**611**	**954**	**1,750**
Income taxes	**65,523**	**41,037**	**(16,020)**	**90,540**
Depreciation	**21,308**	**33,200**	**49**	**54,557**
Amortization	**104**	**10,180**	**-**	**10,284**
EBITDA	**291,129**	**220,521**	**(89,281)**	**422,369**
Add/(deduct):				
Intercompany interest/(expense)	**(22,455)**	**(16,245)**	**38,700**	**-**
Interest income	**(334)**	**(77)**	**(8,335)**	**(8,746)**
Stock option expense	**-**	**-**	**32,671**	**32,671**
Long-term incentive compensation	**-**	**-**	**5,625**	**5,625**
Legal settlements	**3,071**	**-**	**-**	**3,071**
Other	**500**	**530**	**2,690**	**3,720**
Adjusted EBITDA	**$ 271,911**	**$ 204,729**	**$ (17,930)**	**$ 458,710**

2024	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 216,819	$ 160,046	$ (74,866)	$ 301,999
Add/(deduct):				
Interest expense	171	431	1,178	1,780
Income taxes	67,414	48,510	(18,458)	97,466
Depreciation	20,362	32,452	50	52,864
Amortization	105	10,080	-	10,185
EBITDA	304,871	251,519	(92,096)	464,294
Add/(deduct):				
Intercompany interest/(expense)	(20,211)	(14,397)	34,608	-
Interest income	(224)	(69)	(14,317)	(14,610)
Stock option expense	-	-	32,033	32,033
Long-term incentive compensation	-	-	20,152	20,152
Acquisition expense	1,099	34	-	1,133
Adjusted EBITDA	$ 285,535	$ 237,087	$ (19,620)	$ 503,002

2023	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 158,509	$ 188,241	$ (74,241)	$ 272,509
Add/(deduct):				
Interest expense	180	442	2,486	3,108
Income taxes	46,115	50,125	(18,382)	77,858
Depreciation	19,959	30,790	53	50,802
Amortization	104	9,959	-	10,063
EBITDA	224,867	279,557	(90,084)	414,340
Add/(deduct):				
Intercompany interest/(expense)	(19,400)	(11,918)	31,318	-
Interest income	(1,078)	(125)	(5,067)	(6,270)
Stock option expense	-	-	30,082	30,082
Long-term incentive compensation	-	-	11,689	11,689
Legal settlements	-	2,056	-	2,056
Adjusted EBITDA	$ 204,389	$ 269,570	$ (22,062)	$ 451,897

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

	For the Years Ended December 31,		
	2025	2024	2023
Net income as reported	**$ 265,238**	$ 301,999	$ 272,509
Add/(deduct) pre-tax cost of:			
Stock option expense	**32,671**	32,033	30,082
Amortization of reacquired franchise agreements	**9,408**	9,408	9,408
Long-term incentive compensation	**5,625**	20,152	11,689
Legal settlements	**3,071**	-	2,056
Acquisition expense	**-**	1,133	-
Other	**3,720**	-	-
Add/(deduct) tax impacts:			
Tax impact of the above pre-tax adjustments (1)	**(8,849)**	(9,095)	(8,658)
Tax impact of deferred tax rate change	**-**	-	(4,241)
Excess tax expense/(benefit) on stock compensation	**696**	(4,442)	(4,330)
Adjusted net income	**$ 311,580**	$ 351,188	$ 308,515
Diluted Earnings Per Share As Reported			
Net income	**$ 18.34**	$ 19.89	$ 17.93
Average number of shares outstanding	**14,460**	15,186	15,200
Adjusted Diluted Earnings Per Share			
Net income	**$ 21.55**	$ 23.13	$ 20.30
Average number of shares outstanding	**14,460**	15,186	15,200

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

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

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

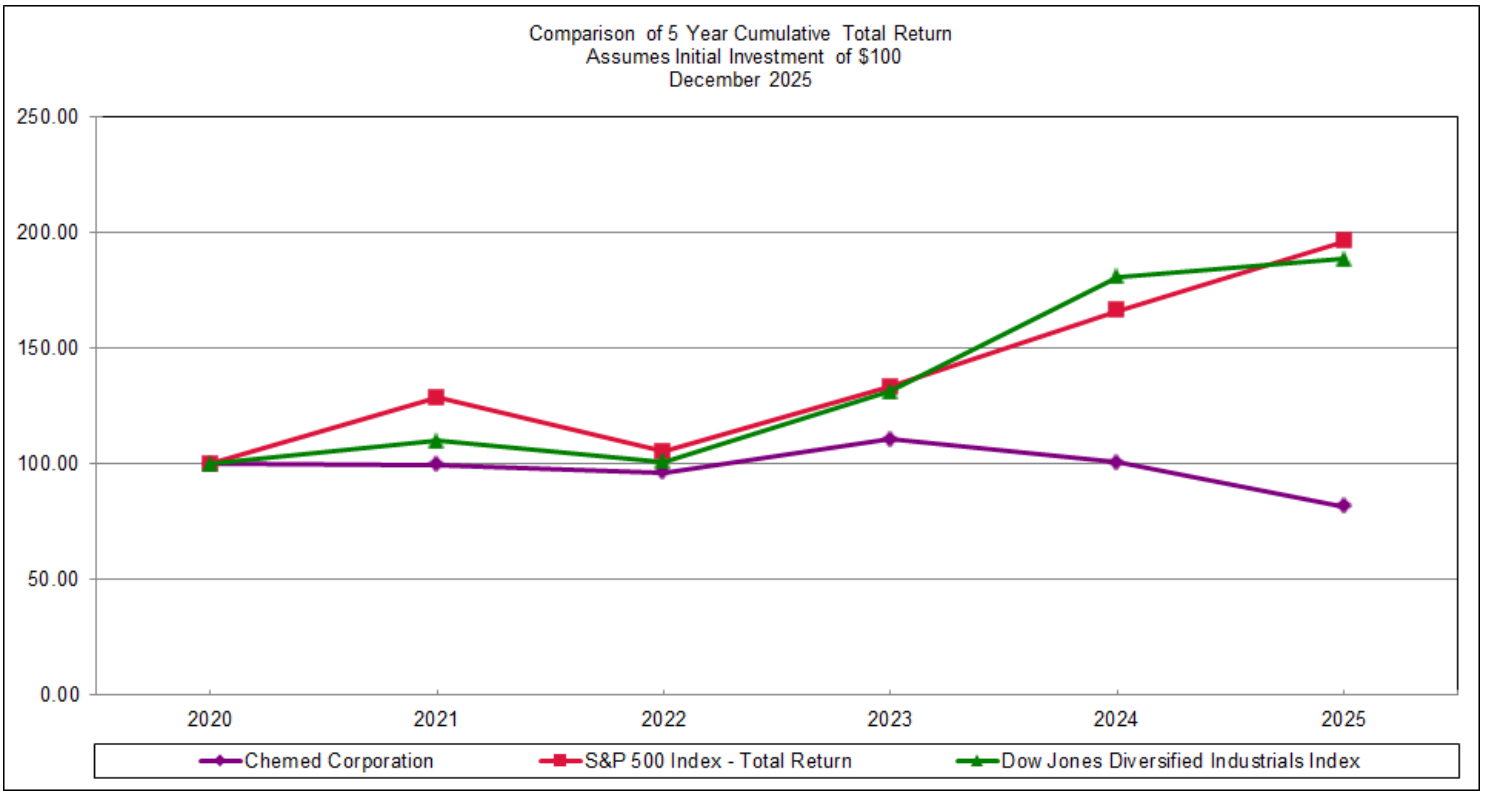
	Three Months Ended December 31,		Year Ended December 31,	
OPERATING STATISTICS	**2025**	2024	**2025**	2024
Net revenue ($000)				
Homecare	**$ 372,480**	$ 358,507	**$ 1,444,494**	$ 1,326,488
Inpatient	**32,903**	31,307	**133,048**	120,604
Continuous care	**18,438**	25,451	**86,661**	99,746
Other	**6,029**	5,556	**22,926**	19,455
Subtotal	**$ 429,850**	$ 420,821	**$ 1,687,129**	$ 1,566,293
Room and board, net	**(4,285)**	(3,867)	**(15,562)**	(13,304)
Contractual allowances	**(4,430)**	(3,521)	**(14,305)**	(13,597)
Medicare cap allowance	**(2,375)**	(2,425)	**(27,161)**	(8,414)
Total	**$ 418,760**	$ 411,008	**$ 1,630,101**	$ 1,530,978
Net revenue as a percent of total before Medicare cap allowance				
Homecare	**86.7%**	85.2%	**85.6%**	84.7%
Inpatient	**7.7**	7.4	**7.9**	7.7
Continuous care	**4.3**	6.0	**5.1**	6.4
Other	**1.3**	1.4	**1.4**	1.2
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.9)**	(0.9)	**(0.9)**	(0.8)
Contractual allowances	**(1.0)**	(0.8)	**(0.9)**	(0.9)
Medicare cap allowance	**(0.6)**	(0.6)	**(1.6)**	(0.5)
Total	**97.5%**	97.7%	**96.6%**	97.8%
Days of Care				
Homecare	**1,705,085**	1,656,206	**6,685,968**	6,277,961
Nursing home	**305,331**	322,713	**1,228,789**	1,230,726
Respite	**11,602**	11,155	**45,221**	37,961
Subtotal routine homecare and respite	**2,022,018**	1,990,074	**7,959,978**	7,546,648
Inpatient	**27,444**	27,235	**113,891**	106,299
Continuous care	**17,063**	23,189	**79,639**	95,524
Total	**2,066,525**	2,040,498	**8,153,508**	7,748,471
Number of days in relevant time period	**92**	92	**365**	366
Average daily census ("ADC") (days)				
Homecare	**18,533**	18,002	**18,318**	17,153
Nursing home	**3,319**	3,508	**3,367**	3,363
Respite	**126**	121	**123**	104
Subtotal routine homecare and respite	**21,978**	21,631	**21,808**	20,620
Inpatient	**298**	296	**312**	290
Continuous care	**186**	252	**218**	261
Total	**22,462**	22,179	**22,338**	21,171
Total Admissions	**17,419**	16,427	**70,817**	67,447
Total Discharges	**17,599**	16,333	**70,530**	64,618
Average length of stay (days)	**115.1**	105.5	**120.2**	103.0
Median length of stay (days)	**17.0**	18.0	**18.0**	17.0
ADC by major diagnosis				
Cerebro	**44.3%**	44.2%	**44.6%**	44.0%
Neurological	**11.4**	12.9	**11.7**	13.2
Cancer	**10.0**	9.9	**9.8**	10.0
Cardio	**16.0**	16.2	**16.0**	16.2
Respiratory	**7.6**	6.9	**7.4**	7.1
Other	**10.7**	9.9	**10.5**	9.5
Total	**100.0%**	100.0%	**100.0%**	100.0%
Admissions by major diagnosis				
Cerebro	**27.3%**	28.0%	**27.4%**	27.8%
Neurological	**6.8**	7.0	**6.9**	7.6
Cancer	**26.4**	25.9	**26.0**	25.3
Cardio	**14.6**	15.3	**14.7**	15.6
Respiratory	**10.8**	9.8	**10.9**	9.9
Other	**14.1**	14.0	**14.1**	13.8
Total	**100.0%**	100.0%	**100.0%**	100.0%
Bad debt expense as a percent of revenues	**1.1 %**	0.9 %	**1.0** %	0.9 %
Accounts receivable --Days of revenue outstanding- excluding unapplied Medicare payments	**38.7**	40.0	**N.A.**	N.A.
Accounts receivable--Days of revenue outstanding- including unapplied Medicare payments	**28.9**	28.5	**N.A.**	N.A.

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

In addition to historical information, this report contains forward-looking statements and performance trends that are based upon assumptions subject to certain known and unknown risks, uncertainties, contingencies and other factors. Such forward-looking statements and trends include, but are not limited to, the impact of laws and regulations on our operations, our estimate of future effective income tax rates and the recoverability of deferred tax assets. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. Our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of our projections and other financial matters.

Comparative Stock Performance

The graph below compares the yearly percentage change in the Company's cumulative total stockholder return on Capital Stock (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the period December 31, 2020, to December 31, 2025, assuming dividend reinvestment, and (B) the difference between the Company's share price at December 31, 2020 and December 31, 2025; by (ii) the share price at December 31, 2020) with the cumulative total return, assuming reinvestment of dividends, of the (1) S&P 500 Stock Index and (2) Dow Jones Industrial Diversified Index.



December 31	2020	2021	2022	2023	2024	2025
Chemed Corporation	100.00	99.62	96.40	110.74	100.64	81.63
S&P 500	100.00	128.71	105.40	133.10	166.40	196.16
Dow Jones Diversified Industrials	100.00	109.99	101.05	131.18	180.87	188.48

EXHIBIT 7

Disclosures/State Riders

GUARANTEE OF PERFORMANCE

For value received, Chemed Corporation, a Delaware corporation located at 2600 Chemed Center, 255 East Fifth Street, Cincinnati, Ohio 45202-4726, absolutely and unconditionally guarantees the performance by its subsidiary, Roto-Rooter Corporation, an Iowa corporation located at 300 Ashworth Road, West Des Moines, Iowa 50265 (the "Franchisor"), of all the Franchisor's obligations under its franchise registrations in states requiring the registration of the offer and sale of its franchises (the "Franchise Registrations") and under its Franchise Agreements and related agreements entered into after the date written below, as the same may hereafter be amended, modified, renewed, or extended from time to time (the "Franchise Documents"). This guarantee with respect to such Franchise Registrations and Franchise Documents shall continue in force until all obligations of the Franchisor under said Franchise Registrations and Franchise Documents with respect to its franchisees shall have been satisfied or until the Franchisor's liability to said franchisees under said Franchise Registrations and Franchise Documents have been completely discharged, whichever occurs first. Chemed Corporation shall not be discharged from liability hereunder as long as any claim by said franchisees against the Franchisor remains outstanding. Notice of acceptance is waived. Notice of default on the part of the Franchisor is not waived. This guarantee shall be binding on Chemed Corporation, its successors, assigns and its legal representatives. This guarantee shall not apply with respect to any franchisees who acquire their franchises from the Franchisor at any time after the audited financial statements of Chemed Corporation no longer are included in the Franchisor's Franchise Disclosure Document.

IN WITNESS WHEREOF, Chemed Corporation has, by a duly authorized officer, executed this guarantee on this 20th day of March, 2026.

CHEMED CORPORATION

By: _____

Title: President and CEO

ADDITIONAL DISCLOSURES FOR THE MULTISTATE FRANCHISE DISCLOSURE DOCUMENT OF ROTO-ROOTER CORPORATION

The following are additional disclosures for the Multistate Franchise Disclosure Document of ROTO-ROOTER CORPORATION required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

HAWAII

The third paragraph of Section 20 of the Franchise Agreement does not apply in Hawaii.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under the applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

These franchises will be/have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Regulatory Agencies or a finding by the Director of Regulatory Agencies that the information provided herein in true, complete and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding Franchise or other Agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the offering circular, together with a copy of all proposed agreements relating to the sale of the franchise. This offering circular contains a summary only of certain material provisions of the Franchise Agreement. The contract or Agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

MARYLAND

1. The State of Maryland requires that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2. The State of Maryland permits a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The State of Maryland requires Item 17 be amended to include additional language:

   Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

   Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

MINNESOTA

1. The following language is added as the last paragraph of Item 13:

The Minnesota Department of Commerce requires that we indemnify Minnesota franchisees against liability to third parties resulting from claims from third parties that your use of the Company's trademarks infringed trademark rights of the third party. We do not indemnify against the consequences of your use of our trademarks except in accordance with the requirements of the Franchise Agreement, and, as a condition to tender the defense of the claim to us. If we accept the tender of the defense, we have the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

2. **Renewal, Termination, Transfer and Dispute Resolution**. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Any release required as a condition of renewal or transfer/ assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NORTH DAKOTA

1. The following is added to the end of the "Summary" section of Item 17(m), entitled **Conditions for our approval of transfer**:

However, any release required as a condition of assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise

Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including

attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

RIDER TO THE
ROTO-ROOTER CORPORATION
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

RIDER made this _____ day of _____ effective _____ between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and _____, ("Franchisee") of _____.

1. **Background**. Company and Franchisee are parties to that certain Franchise Agreement Number _____ dated _____ (the "Franchise Agreement") that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because (a) Franchisee is a resident of the State of Illinois, and/or (b) the Roto-Rooter Business that Franchisee will operate under the Franchise Agreement is located within the State of Illinois and the offer or sale of the franchise for the Roto-Rooter Business Franchisee will operate under the Franchise Agreement was made in the State of Illinois.

2. **General Provisions**. The second and third paragraphs of Section 20 of the Franchise Agreement are deleted in their entirety and replaced with the following:

> This Agreement, when accepted in West Des Moines, Iowa, by an authorized officer of Company, constitutes the entire Agreement and understanding between the parties and no other representation (except for those made in the Franchise Disclosure Document that Franchisee received from Company), promise or agreement, oral or otherwise, shall be of any force or effect.
>
> This Agreement sets forth the entire agreement and understanding of the parties in respect of the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by Company or Franchisee which is not embodied in this Agreement (except for the representations made in the Franchise Disclosure Document that Franchisee received from Company). Neither Company nor Franchisee has relied upon, or shall be bound by or liable for, any alleged representation (except for the representations made in the Franchise Disclosure Document that Franchisee received from Company), promise, inducement or statement of intention not so set forth.

IN WITNESS WHEREOF, the parties have executed or caused this Rider to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) - - Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly or severally

_____
Partner, jointly or severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By _____
Authorized Officer

_____
Title

GUARANTY

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

RIDER TO THE
ROTO-ROOTER CORPORATION
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

RIDER made this _____ day of _____ effective _____ between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and _____, ("Franchisee") of _____.

1. **Background**. Company and Franchisee are parties to that certain Franchise Agreement Number _____ dated _____ (the "Franchise Agreement") that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because (a) Franchisee is a resident of Maryland and the Roto-Rooter Business that Franchisee will operate under the Franchise Agreement is located within the State of Maryland; and/or (b) the offer or sale of the franchise for the Roto-Rooter Business Franchisee will operate under the Franchise Agreement was made in the State of Maryland.

2. **General Provisions**. The Franchise Agreement is amended to include the following in the State of Maryland:

> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
>
> The Franchise Agreement permits a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Addition of Paragraphs**. The following paragraphs are hereby added to the end of the Franchise Agreement as Section 17:

> Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. **Certain Deletions**. Section 20 (General Provisions) of the Franchise Agreement is amended as follows:

A. The second paragraph in Section 20 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

> This Agreement, when accepted in West Des Moines, Iowa, by an authorized officer of Company, constitutes the entire Agreement and understanding between the parties and no other representation, promise or agreement, oral or otherwise, shall be of any force or effect. This Agreement sets forth the entire agreement and understanding of the parties in respect of the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof. Nothing in this or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

B. The third paragraph in Section 20 of the Franchise Agreement is hereby deleted in its entirety.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise Acknowledgment section.

The undersigned acknowledges receipt of this Rider.

IN WITNESS WHEREOF, the parties have executed or caused this Rider to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) - - Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly or severally

_____
Partner, jointly or severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By _____
Authorized Officer

_____
Title

GUARANTY

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

RIDER TO THE
ROTO-ROOTER CORPORATION
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA

RIDER made this _____ day of _____ effective _____ between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and _____, ("Franchisee") of _____.

1. **Background**. Company and Franchisee are parties to that certain Franchise Agreement Number _____ dated _____ (the "Franchise Agreement") that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because (a) the Roto-Rooter Business that Franchisee will operate under the Franchise Agreement is located within the State of Minnesota; and/or (b) the offer or sale of the franchise for the Roto-Rooter Business Franchisee will operate under the Franchise Agreement was made in the State of Minnesota.

2. **Use of Trademarks and Service Marks**. The following language is added to the end of Section 8:

> The Minnesota Department of Commerce requires that Company indemnify Minnesota franchisees against liability to third parties resulting from claims from third parties that Franchisee's use of Company's trademarks infringed trademark rights of the third party. Company does not indemnify against the consequences of Franchisee's use of Company's trademarks except in accordance with the requirements of this Agreement, and, as a condition to tender the defense of the claim to Company. If Company accepts the tender of the defense, Company has the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

3. **Termination By Franchisee**. The following language is added to the end of Section 12:

> However, with respect to franchises governed by Minnesota law, Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **Assignment of Rights By Franchisee**. The following language is added to the end of Section 14(c)(iv):

Any release required as a condition of assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

Minnesota-Specific Language.

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4000J. Also, a court will determine if a bond is required.

3. The Limitations Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY OF ONLY CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

IN WITNESS WHEREOF, the parties have executed or caused this Rider to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) - - Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly or severally

_____
Partner, jointly or severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By _____
Authorized Officer

_____
Title

GUARANTY

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

RIDER TO THE
ROTO-ROOTER CORPORATION
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

RIDER made this _____ day of _____ effective _____ between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and _____, ("Franchisee") of _____.

1. **Background**. Company and Franchisee are parties to that certain Franchise Agreement Number _____ dated _____ (the "Franchise Agreement") that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because (a) Franchisee is a resident of North Dakota and the Roto-Rooter Business that Franchisee will operate under the Franchise Agreement is located within the State of North Dakota; and/or (b) the offer or sale of the franchise for the Roto-Rooter Business Franchisee will operate under the Franchise Agreement was made in the State of North Dakota.

2. **Assignment of Rights By Franchisee**. The following language is added to the end of Section 14(c)(iv):

> ; provided, however, that the Release Agreement shall not apply to the extent prohibited by the North Dakota Franchise Investment Law, as amended.

IN WITNESS WHEREOF, the parties have executed or caused this Rider to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) - - Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly or severally

_____
Partner, jointly or severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By _____
Authorized Officer

_____
Title

GUARANTY

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

RIDER TO THE
ROTO-ROOTER CORPORATION
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WASHINGTON

RIDER made this _____ day of _____ effective _____ between ROTO-ROOTER CORPORATION ("Company") of West Des Moines, Iowa, and _____, ("Franchisee") of _____.

1. **Background**. Company and Franchisee are parties to that certain Franchise Agreement Number _____ dated _____ (the "Franchise Agreement") that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because (a) the Roto-Rooter Business that Franchisee will operate under the Franchise Agreement is located within the State of Washington; and/or (b) Franchisee is a resident of Washington; and/or (c) the offer or sale of the franchise for the Roto-Rooter Business Franchisee will operate under the Franchise Agreement was made in the State of Washington.

2. **Addition of Paragraphs**. The following paragraphs are hereby added to the end of the Franchise Agreement as Section 21:

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

a. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

b. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

c. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the

arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

d. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

e. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

f. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

g. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

h. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

i. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

j. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

k. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

l. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

m. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

n. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

o. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

p. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

q. **Prohibitions on Communicating with Regulators**. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with

or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

r. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under the applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned acknowledges receipt of this Rider.

IN WITNESS WHEREOF, the parties have executed or caused this Rider to be duly executed, all as of the day and year first above written.

ROTO-ROOTER CORPORATION

By _____
(Signature and Title) - - Authorized Officer

If Franchisee is an Individual:

Franchisee:

_____

_____
Name

If Franchisee is a Partnership:

Franchisee:

_____
Partner, jointly or severally

_____
Partner, jointly or severally

If Franchisee is a Corporation:

Franchisee:

_____
Name of Corporation

By _____
Authorized Officer

_____
Title

GUARANTY

To Be Executed By Principal Stockholder(s) If Franchisee Is a Corporation.

The undersigned, principal stockholder(s) of the above Franchisee, for value received, hereby absolutely and unconditionally guarantee(s) full performance and payment when due of all of Franchisee's obligations to Company pursuant to the above Agreement.

_____

_____

_____

EXHIBIT 8

State Effective Dates

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT 9

Receipts

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF ROTO-ROOTER CORPORATION OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

FOURTEEN CALENDAR DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR

FOURTEEN CALENDAR DAYS BEFORE ANY PAYMENT TO US.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST SEVEN CALENDAR DAYS BEFORE YOU MAY SIGN THE FRANCHISE AGREEMENT.

IF ROTO-ROOTER CORPORATION DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT 1.

Roto-Rooter Corporation authorizes the respective state agencies identified on Exhibit 1 to receive service of process for Roto-Rooter Corporation in the particular state. I have received a Franchise Disclosure Document dated March 31, 2026. This disclosure document included the following Exhibits:

1 List of State Agencies/Agents for Service of Process
2 Franchise Agreements and Rider
3 Tables of Contents - Manuals
4 List of Franchisees
5 Franchisees Who Have Left the System
6 Financial Statements

_____
Franchisee

_____
Date

Franchise Seller Offering the Franchise
Debbie Smith
Roto-Rooter Corporation
255 East Fifth Street, Suite 2500
Cincinnati, OH 45202
Ph: (513) 762-6537

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF ROTO-ROOTER CORPORATION OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

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IF ROTO-ROOTER CORPORATION DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT 1.

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4	List of Franchisees
5	Franchisees Who Have Left the System
6	Financial Statements

_____
Franchisee

_____
Date

Franchise Seller Offering the Franchise
Debbie Smith
Roto-Rooter Corporation
255 East Fifth Street, Suite 2500
Cincinnati, OH 45202
Ph: (513) 762-6537