

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

ROTO-ROOTER INC
Form 10-Q/A
December 17, 2003

=====

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1

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

For Quarter Ended June 30, 2003

Commission File Number 1-8351

ROTO-ROOTER, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No

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

Class	Amount	Date
Capital Stock	9,873,083 Shares	July 31, 2003
\$1 Par Value		

=====

Page 1 of 25

EXPLANATORY NOTE

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

This quarterly report on Form 10-Q/A ("Form 10-Q/A") is being filed to amend and restate in its entirety the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2003, which was filed with the SEC on August 13, 2003 ("Original Form 10-Q"). Accordingly, pursuant to rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Form 10-Q/A contains the complete text of items 1, 2 and 4 of Part I and items 4 and 6 of Part II, as amended, as well as certain currently dated certifications.

In October 2003, Roto-Rooter, Inc. ("Company"), in consultation with its independent accountants, reevaluated its accounting for Yellow Pages costs and concluded these costs did not qualify for capitalization as direct-response advertising under Statement of Position 93-7, Reporting on Advertising Costs, which for the Company was effective January 1, 1995. In its previously-filed financial statements, the Company capitalized and amortized these costs over the lives of the directories, typically 12 months.

Accordingly, the Company's consolidated financial statements as of and for the three months ended March 31, 2003 and 2002 and as of December 31, 2002 have been restated to recognize Yellow Pages advertising expenses when the directories are placed in circulation rather than to capitalize and amortize such costs.

The amendments contained herein reflect changes resulting from the foregoing adjustments with regard to deferred advertising and the related income tax effect. The Company has not updated the information contained herein for events and transactions occurring subsequent to August 13, 2003, the filing date of the Original Form 10-Q, except to reflect the restatement of the Company's financial statements for the periods indicated above.

Events have taken place that would have been reflected in the Original Form 10-Q if they had taken place prior to the date of the original filing. The Company recommends this report be read in conjunction with the Company's reports filed subsequent to August 13, 2003.

Page 2 of 25

ROTO-ROOTER, INC. AND
SUBSIDIARY COMPANIES

INDEX

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Consolidated Balance Sheet -
June 30, 2003 and
December 31, 2002

Consolidated Statement of Income -
Three months and six months ended
June 30, 2003 and 2002

Consolidated Statement of Cash Flows -
Six months ended
June 30, 2003 and 2002

Notes to Unaudited Financial Statements

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

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

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

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

Item 6. Exhibits and Reports on Form 8-K

Page 3 of 25

PART I. FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS ROTO-ROOTER, INC. AND SUBSIDIARY COMPANIES UNAUDITED CONSOLIDATED BALANCE SHEET (IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

ASSETS

Current assets

Cash and cash equivalents
Accounts receivable, less allowances of \$3,392
(2002 - \$3,309)
Inventories
Statutory deposits
Current deferred income taxes
Prepaid expenses and other current assets

Total current assets

Investments of deferred compensation plans held in trust
Other investments
Note receivable
Properties and equipment, at cost less accumulated
depreciation of \$63,496 (2002 - \$62,370)
Identifiable intangible assets less accumulated
amortization of \$7,319 (2002 - \$7,167)
Goodwill less accumulated amortization
Other assets

Total Assets

LIABILITIES

Current liabilities

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Accounts payable
Current portion of long-term debt
Income taxes
Deferred contract revenue
Accrued insurance
Other current liabilities

Total current liabilities
Long-term debt
Mandatorily redeemable preferred securities of the Chemed
Capital Trust
Deferred compensation liabilities
Other liabilities

Total Liabilities

MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF THE CHEMED CAPITAL TRUST

STOCKHOLDERS' EQUITY

Capital stock-authorized 15,000,000 shares \$1 par;
issued 13,451,281 (2002-13,448,475) shares
Paid-in capital
Retained earnings
Treasury stock - 3,579,962 (2002-3,630,689) shares, at cost
Unearned compensation
Deferred compensation payable in Company stock
Notes receivable for shares sold
Accumulated other comprehensive income

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity

* Reclassified to conform to 2003 presentation
See accompanying notes to unaudited financial statements.
Page 4 of 25

ROTO-ROOTER, INC. AND SUBSIDIARY COMPANIES UNAUDITED CONSOLIDATED STATEMENT OF INCOME (IN THOUSANDS EXCEPT PER SHARE DATA)

THREE MONTHS ENDED
JUNE 30,

2003 2002

(RESTATED)

Continuing Operations

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Service revenues and sales	\$ 77,271	\$ 79,082
	-----	-----
Cost of services provided and goods sold		
(excluding depreciation)	45,611	46,624
General and administrative expenses	14,532	12,508
Selling and marketing expenses	10,558	10,158
Depreciation	2,990	3,486
	-----	-----
Total costs and expenses	73,691	72,776
	-----	-----
Income from operations	3,580	6,306
Interest expense	(599)	(763)
Distributions on preferred securities	(268)	(271)
Other income - net	2,455	953
	-----	-----
Income before income taxes	5,168	6,225
Income taxes	(1,868)	(2,370)
	-----	-----
Income from continuing operations	3,300	3,855
Discontinued operations	-	1,124
	-----	-----
Net Income	\$ 3,300	\$ 4,979
	=====	=====
Earnings Per Share		
Income from continuing operations	\$.33	\$.39
	=====	=====
Net income	\$.33	\$.51
	=====	=====
Average number of shares outstanding	9,908	9,857
	=====	=====
Diluted Earnings Per Share		
Income from continuing operations	\$.33	\$.39
	=====	=====
Net income	\$.33	\$.50
	=====	=====
Average number of shares outstanding	9,942	9,898
	=====	=====
Cash Dividends Per Share	\$.12	\$.11
	=====	=====

See accompanying notes to unaudited financial statements.

Cash Flows From Operating Activities

Net income

Adjustments to reconcile net income to net cash provided
by operating activities:

- Depreciation and amortization
- Gains on sales of available-for-sale investments
- Provision for deferred income taxes
- Provision for uncollectible accounts receivable
- Discontinued operations
- Changes in operating assets and liabilities, excluding
amounts acquired in business combinations
 - Decrease/(increase) in accounts receivable
 - Decrease in inventories
 - Decrease in statutory deposits
 - Increase in prepaid expenses and other
current assets
 - Decrease in accounts payable, deferred contract
revenue and other current liabilities
 - Increase in income taxes
 - Increase in other assets
 - Increase in other liabilities
- Noncash expense of internally financed ESOPs
- Other sources/(uses)

Net cash provided by continuing operations

Net cash provided by discontinued operations

Net cash provided by operating activities

Cash Flows From Investing Activities

- Capital expenditures
- Proceeds from sales of available-for-sale investments
- Business combinations, net of cash acquired
- Net uses by discontinued operations
- Proceeds from sales of property and equipment
- Investing activities from discontinued operations
- Other uses

Net cash used by investing activities

Cash Flows From Financing Activities

- Dividends paid
- Issuance of capital stock
- Purchases of treasury stock
- Repayment of long-term debt
- Proceeds from issuance of long-term debt
- Other sources

Net cash used by financing activities

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

See accompanying notes to unaudited financial statements.

Page 6 of 25

ROTO-ROOTER, INC. AND SUBSIDIARY COMPANIES Notes to Unaudited Financial Statements

1. On May 19, 2003, shareholders of Chemed Corporation approved changing the company's name to Roto-Rooter, Inc. As used herein, the term Company refers to Roto-Rooter, Inc. or Roto-Rooter, Inc. and its subsidiaries.
2. The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, they do not include all the disclosures required under generally accepted accounting principles for complete financial statements. However, in the opinion of the management of the Company, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of the Company. For further information regarding the Company's accounting policies, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2002.

The Company uses Accounting Principles Board Opinion No. 25 ("APB No. 25"), Accounting for Stock Issued to Employees, to account for stock-based compensation. Since the Company's stock options qualify as fixed options under APB No. 25 and since the option price equals the market price on the date of grant, there is no compensation expense for stock options. Stock awards are expensed during the period the related services are provided.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair-value-recognition provisions of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation (in thousands, except per share data:)

	Three Months Ended June 30	
	2003	2002
Net Income as restated	\$ 3,300	\$ 4,979
Add: stock-based compensation expense included in net income as reported,		
net of income tax effects	11	30

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Deduct: total stock-based employee compensation determined under a fair-value-based method for all stock options and awards, net of income tax effects	(234)	(222)
	-----	-----
Pro forma net income	\$ 3,077	\$ 4,787
	=====	=====
Earnings Per Share		
As restated	\$.33	\$.51
	=====	=====
Pro forma	\$.31	\$.49
	=====	=====
Diluted earnings per share		
As restated	\$.33	\$.50
	=====	=====
Pro forma	\$.31	\$.48
	=====	=====

Page 7 of 25

	Six Months Ended June 30	
	-----	-----
	2003	2002
	-----	-----
Net Income as restated	\$ 6,857	\$ 10,553
Add: stock-based compensation expense included in net income as reported, net of income tax effects	45	60
Deduct: total stock-based employee compensation determined under a fair-value-based method for all stock options and awards, net of income tax effects	(459)	(327)
	-----	-----
Pro forma net income	\$ 6,443	\$ 10,286
	=====	=====
Earnings Per Share		
As restated	\$.69	\$ 1.07
	=====	=====
Pro forma	\$.65	\$ 1.04
	=====	=====
Diluted earnings per share		
As restated	\$.69	\$ 1.07
	=====	=====
Pro forma	\$.65	\$ 1.04
	=====	=====

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

3. In October 2003, the Company, in consultation with its independent accountants, reevaluated its accounting for Yellow Pages costs and concluded that these costs did not qualify for capitalization as direct-response advertising under Statement of Position 93-7, Reporting on Advertising Costs, which for the Company was effective January 1, 1995. In its previously filed financial statements the Company capitalized and amortized these costs over the life of the directory, typically 12 months.

Accordingly, the Company's consolidated financial statements as of and for the three and six month periods ended June 30, 2003 and 2002 and as of December 31, 2002 have been restated to recognize Yellow Pages advertising expenses when the directories are placed in circulation rather than to capitalize and amortize such costs.

Page 8 of 25

The impact of the restatement on the restated components of the Company's consolidated balance sheet is as follows (in thousands):

	Reported -----	Restated -----
December 31, 2002: -----		
Current deferred income taxes	\$ 7,278	\$ 9,894
Prepaid expenses and other current assets	13,333	7,716
Total assets	338,929	335,929
Other current liabilities	21,657	23,513
Retained earnings	132,793	127,938
Total stockholders' equity	203,277	198,422
Total liabilities and stockholders' equity	338,929	335,929
June 30, 2003: -----		
Current deferred income taxes	\$ 7,424	\$ 9,224
Prepaid expenses and other current assets	13,682	8,538
Total assets	341,734	338,390
Retained earnings	135,766	132,422
Total stockholders' equity	206,715	203,371
Total liabilities and stockholders' equity	341,734	338,390

The impact of the restatement on the restated components of the Company's consolidated statement of income is as follows (in thousands):

Reported	Restated
----------	----------

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

For the three months ended	-----	-----
June 30, 2003:		

Selling and marketing expenses	\$ 11,339	\$ 10,558
Income taxes	(1,594)	(1,868)
Income from continuing operations	2,792	3,300
Net income	2,792	3,300
Earnings per share-		
Income from continuing operations	.28	.33
Net income	.28	.33
Diluted earnings per share-		
Income from continuing operations	.28	.33
Net income	.28	.33
For the six months ended		
June 30, 2003:		

Selling and marketing expenses	\$ 22,417	\$ 20,091
Income taxes	(3,336)	(4,150)
Income from continuing operations	5,345	6,857
Net income	5,345	6,857
Earnings per share-		
Income from continuing operations	.54	.69
Net income	.54	.69
Diluted earnings per share-		
Income from continuing operations	.54	.69
Net income	.54	.69

Page 9 of 25

	Reported	Restat
	-----	-----
For the three months ended		
June 30, 2002:		

Selling and marketing expenses	\$ 10,788	\$ 10,
Income taxes	(2,150)	(2,
Income from continuing operations	3,445	3,
Net income	4,569	4,
Earnings per share-		
Income from continuing operations	.35	
Net income	.46	
Diluted earnings per share-		
Income from continuing operations	.35	
Net income	.46	
For the six months ended		
June 30, 2002:		

Selling and marketing expenses	\$ 22,781	\$ 20,
Income taxes	(4,097)	(4,
Income from continuing operations	7,250	8,
Net income	9,241	10,
Earnings per share-		
Income from continuing operations	.74	

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Net income	.94	1
Diluted earnings per share-		
Income from continuing operations	.73	
Net income	.93	1

4. During the second quarter of 2003, the administrative functions for employee benefits, retirement services, risk management, public relations, cash management and taxation of the corporate office and the Plumbing and Drain Cleaning business were combined to enable the Company to benefit from economies of scale. In May 2003 the shareholders of the Company approved changing the corporation's name from Chemed Corporation to Roto-Rooter Inc. Due to these changes and the changing composition of businesses comprising the Company over the past several years, management re-evaluated the Company's segment reporting as it relates to corporate office administrative expenses. The discontinuance of businesses in 1997 (Omnia Group and National Sanitary Supply), 2001 (Cadre Computer) and 2002 (Patient Care), results in more than 80% of the Company's business represented by Roto-Rooter's Plumbing and Drain Cleaning business.

To better reflect how executive management evaluates its operations, the costs of the administrative functions of the corporate office have been combined with the operating results of the Plumbing and Drain Cleaning business (formerly the Roto-Rooter Group) to form the Plumbing and Drain Cleaning segment. The Service America segment remains essentially unchanged. Data for the former Roto-Rooter Group and corporate office overhead for all prior periods have been restated for comparability purposes.

As in the past, unallocated investing and financing income and expense includes interest income and expense, dividend income and other nonoperating income and expense related to unallocated corporate assets and liabilities.

Page 10 of 25

Service revenues and sales and aftertax earnings by business segment follow (in thousands):

	Three Months Ended June 30,		Six Months June 30,
	2003	2002	2003
Service Revenues and Sales			

Plumbing and Drain Cleaning	\$ 64,592	\$ 63,095	\$ 129,317
Service America	12,679	15,987	25,599
	-----	-----	-----
Total	\$ 77,271	\$ 79,082	\$ 154,916
	=====	=====	=====
Aftertax Earnings			

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

(as restated-see Note 3)

Plumbing and Drain Cleaning Service America	\$ 2,954 35	\$ 3,617 59	\$ 3,978 (a) 75
	-----	-----	-----
Total Segment Earnings	2,989	3,676	4,053
Unallocated Investing and Financing - Net	311	179	2,804 (b)
	-----	-----	-----
Income from Continuing Operations	3,300	3,855	6,857
Discontinued Operations	-	1,124	-
	-----	-----	-----
Net Income	\$ 3,300	\$ 4,979	\$ 6,857
	=====	=====	=====

- (a) Amount includes aftertax severance charges of \$2,358,000 (\$.24 per share).
- (b) Amount includes aftertax capital gain on the sales of investments of \$2,151,000 (\$.22 per share) in the first quarter of 2003.
- (c) Amount includes aftertax capital gain on sales of investments of \$775,000 (\$.08 per share) in the first quarter of 2002.
5. Other income--net from continuing operations comprises the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,
	2003	2002	2003
	-----	-----	-----
Market value adjustments on trading investments of deferred compensation trusts	\$1,217	\$ (13)	\$ 565
Interest income	703	619	1,518
Dividend income	607	616	1,223
Gains on sales of available-for-sale investments	-	-	3,544
Other	(72)	(269)	(133)
	-----	-----	-----
Total	\$2,455	\$ 953	\$6,717
	=====	=====	=====

6. In March 2003, the Company and a corporate officer reached agreement providing for termination of the officer's employment in exchange for payment under her employment contract. The contractual payments comprise a \$1,000,000 lump sum payment made in March 2003 and monthly payments of \$52,788 beginning March 2003 and ending May 2007. The present value of these payments (\$3,627,000) is included in general and administrative expenses.

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

7. Earnings per common share are computed using the weighted average number of shares of capital stock outstanding. Diluted earnings per common share are computed below (as restated - see Note 3) (in thousands except per share data):

	Income (Numerator)	Shares (Denominator)
Income from Continuing Operations - For the Three Months Ended June 30, -----	-----	-----
2003		
Earnings	\$ 3,300	9,903
Dilutive stock options	-	3
Diluted earning	\$ 3,300	9,944
2002		
Earnings	\$ 3,855	9,854
Dilutive stock options	-	4
Diluted earning	\$ 3,855	9,894
Net Income - For the Three Months Ended June 30, -----		
2003		
Earnings	\$ 3,300	9,903
Dilutive stock options	-	3
Diluted earning	\$ 3,300	9,944
2002		
Earnings	\$ 4,979	9,854
Dilutive stock options	-	4
Diluted earning	\$ 4,979	9,894
Income from Continuing Operations - For the Six Months Ended June 30, -----		
2003		
Earnings	\$ 6,857	9,894
Dilutive stock options	-	2
Diluted earning	\$ 6,857	9,924
2002		
Earnings	\$ 8,562	9,854
Dilutive stock options	-	4

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Diluted earning	\$ 8,562	9,89
	=====	=====
Net Income -		
For the Six Months Ended June 30,		

2003		
Earnings	\$ 6,857	9,89
Dilutive stock options	-	2
	-----	-----
Diluted earning	\$ 6,857	9,92
	=====	=====
2002		
Earnings	\$ 10,553	9,85
Dilutive stock options	-	4
	-----	-----
Diluted earning	\$ 10,553	9,89
	=====	=====

The impact of the convertible preferred securities has been excluded from the above computations because it is antidilutive on earnings per share from continuing operations for all periods presented.

8. The Company's total comprehensive income was (in thousands):

	Three Months Ended June 30,		Six Months June 30
	2003	2002	2003
	-----	-----	-----
Total Comprehensive Income	\$ 3,323	\$ 4,882	\$ 4,389
	=====	=====	=====

The difference between the Company's net income and comprehensive income is the unrealized appreciation or depreciation on its available-for-sale securities.

Page 12 of 25

9. During 2003, three purchase business combinations were completed within the Plumbing and Drain Cleaning segment for an aggregate purchase price of \$1,944,000 (\$1,538,000 in cash and a note payable for \$406,000). The businesses acquired provide drain cleaning and plumbing services under the Roto-Rooter name. The results of operations of these businesses are not material to the results of operations of the Company.

The purchase prices were allocated as follows (in thousands):

Goodwill	\$ 1,793
Other	151

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Total purchase price	1,944
Less: Note payable	(406)

Cash outlay	\$ 1,538
	=====

10. In the normal course of business the Company enters into various guarantees and indemnifications in its relationships with customers and others. Examples of these arrangements include guarantees of service and product performance. The Company's experience indicates guarantees and indemnifications do not materially impact the Company's financial condition or results of operations.
 11. In August 2001, the Financial Accounting Standards Board ("FASB") approved the issuance of Statement of Financial Accounting Standards ("SFAS") No. 143, Accounting for Asset Retirement Obligations. This statement became effective for fiscal years beginning after June 15, 2002, and requires recognizing legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. Since the Company has no material asset retirement obligations, the adoption of SFAS No. 143 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.
 12. In July 2002, the FASB approved the issuance of SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. Generally, SFAS No. 146 stipulates that defined exit costs (including restructuring and employee termination costs) are to be recorded on an incurred basis rather than on a commitment basis, as previously required. This statement is effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.
 13. In November 2002, the FASB approved the issuance of FASB Interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The initial recognition and initial measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.
- Page 13 of 25
14. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure. It is effective for annual periods ending, and for interim periods beginning, after December 15, 2002. Because the Company uses Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, to account for stock-based compensation, the adoption of SFAS No. 148 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.
 15. In January 2003, the FASB approved the issuance of FIN No. 46, Consolidation of Variable Interest Entities. It is effective for variable interest entities created after January 31, 2003, and for variable interest entities in which an enterprise obtains an interest after that date. The adoption of this statement did not have a material

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

impact on the Company's financial statements.

16. In May 2003, the FASB approved the issuance of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. As a result of the issuance of this pronouncement, the Company now reports the mandatorily redeemable convertible preferred securities of the Chemed Capital Trust as a noncurrent liability rather than in the "mezzanine" (i.e., between liabilities and equity) as reported previously. This reclassification does not affect the Company's compliance with its debt covenants. The adoption of this statement did not impact the statement of income.
17. On August 7, 2003, Vitas Healthcare Corporation ("Vitas") gave notice that it will retire the Company's investment in the 9% Redeemable Preferred Stock Of Vitas on August 18, 2003. Cash proceeds to the Company will total \$27.3 million and the Company will realize a pretax gain of approximately \$1.8 million in the third quarter of 2003. During 2003, the dividends on this investment contributed \$628,000 per quarter to the aftertax earnings of the Company. Dividends will cease to accrue on August 17, 2003.

The Company holds three warrants for the purchase of up to approximately 48% of the outstanding common stock of Vitas. The Board of Directors of the Company recently authorized the exercise of all or a portion of these warrants.

Page 14 of 25

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

The decline in other investments from \$37,326,000 at December 31, 2002 to \$32,789,000 at June 30, 2003 is due to the sales of investments during the first quarter of 2003. The decline in other current liabilities from \$23,513,000 at December 31, 2002 to \$19,631,000 at June 30, 2003 is primarily due to the payment in the first quarter of 2003 of incentive compensation and discretionary thrift plan contributions for 2002 and accrued advertising expenses. There are no other significant changes in the balance sheet accounts during the first six months of 2003.

At June 30, 2003, Roto-Rooter, Inc. had approximately \$98.6 million of lines of credit with various banks. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

RESULTS OF OPERATIONS

SECOND QUARTER 2003 VERSUS SECOND QUARTER 2002-CONSOLIDATED RESULTS

The Company's service revenues and sales for the second quarter of 2003 declined 2% versus revenues for the second quarter of 2002. This \$1.8 million decline was attributable to the following (dollar amounts in thousands):

	Increase/ (Decrease)	
	Amount	Percent
Service America		
Service contracts	\$ (2,312)	(20.0) %
Demand services	(996)	(22.5)

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Plumbing and Drain Cleaning		
Plumbing	807	3.3
Drain cleaning	(388)	(1.5)
Other	1,078	9.0

Total	\$ (1,811)	(2.3)
	=====	

The decline in Service America's service contract revenues is attributable to selling insufficient new service contracts to replace contracts canceled or not renewed. The annualized value of contracts in place during the second quarter of 2003 was 20% lower than the 2002 quarter. As revenues from demand services are largely dependent upon service contract customers, the decline in service contracts in place was largely responsible for the decline in demand services in 2003.

The increase in plumbing revenues for the second quarter of 2003 versus 2002 comprises a 1.8% increase in the number of jobs performed, and a 1.5% increase in the average price per job. The decline in drain cleaning revenues for the second quarter of 2003 versus 2002 comprised a 4.0% decrease in the number of jobs partially offset by a 2.5% increase in the average price per job. The increase in other revenues for the second quarter of 2003 versus 2002 is attributable to increases in product sales, industrial and municipal sales and license revenues from contractor operations.

Page 15 of 25

The consolidated gross margin was 41% in the second quarters of 2003 and 2002. On a segment basis, the Plumbing and Drain Cleaning segment's gross margin declined 1.2% points, primarily due to increased labor costs. Service America's gross margin increased 1.0% points due to reduced labor costs as a result of recent reductions in service technician headcount.

General and administrative expenses for the second quarter of 2003 were \$14,532,000, an increase of \$2,024,000 (16.2%) versus the second quarter of 2002. Of this increase, \$1,230,000 was attributable to market gains on assets of deferred compensation trusts in the second quarter of 2003 versus a small loss in such assets in 2002 (all within the Plumbing and Drain Cleaning segment). These gains and losses are included in other income with an equivalent charge or credit to general and administrative expenses for the change in the related deferred compensation liability. The remainder of the increase is primarily attributable to higher expenses in the Plumbing and Drain cleaning segment as the result of higher legal expenses during the 2003 quarter and normal salary and wage increases during 2003.

Selling and marketing expenses for the second quarter of 2003 were \$10,558,000, an increase of \$400,000 (3.9%) versus the second quarter of 2002. Selling and marketing expenses of the Plumbing and Drain Cleaning segment increased \$788,000 (9.3%) in the 2003 quarter, largely as the result of higher expenses (primarily wages and benefits) for centralized call centers. For Service America, selling and marketing expenses declined \$388,000 (23.6%) in 2003, primarily as the result of the reduction in the number of employees.

Depreciation expense for the second quarter of 2003 declined \$496,000 (14.2%) from \$3,486,000 in the second quarter of 2002 to \$2,990,000 in the 2003 quarter. \$248,000 of this decline relates to the Service America segment and \$248,000 relates to the Plumbing and Drain Cleaning segment. Both reductions were primarily attributable to reduced depreciation on service vehicles, resulting from recent declines in capital outlays.

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

Income from operations declined \$2,726,000 (43.2%) from \$6,306,000 in the second quarter of 2002 to \$3,580,000 in the second quarter of 2003. Substantially all of this decline occurred within the Plumbing and Drain Cleaning segment. Of this decline, \$1,230,000 was attributable to the aforementioned increase in deferred compensation expense (which is completely offset in the "other income" line of the statement of income). Higher call center expenses and higher legal fees in the 2003 quarter contributed significantly to the decline in income from operations.

Interest expense, substantially all of which is classified as Unallocated Investing and Financing-net, declined from \$763,000 in the second quarter of 2002 to \$599,000 in the 2003 quarter. This decline is primarily attributable to lower debt levels in 2003 as the result of using cash proceeds from the sale of Patient Care late in 2002 to pay down the Company's revolving line of credit.

Page 16 of 25

Other income increased \$1,502,000 in the second quarter of 2003 versus the second quarter of 2002. Most of this increase (\$1,230,000) is attributable to the aforementioned increase in market adjustments for assets held in deferred compensation trusts in the 2003 quarter (which is entirely offset in the "general and administrative expense" category of the statement of income).

The Company's effective income tax rate declined from 38.1% in the second quarter of 2002 to 36.1% in the second quarter of 2003. This decline is attributable to a lower effective state and local tax rate in the Plumbing and Drain Cleaning segment and to a larger dividend exclusion (Unallocated Investing and Financing-net) as a percent of pretax income in the 2003 quarter versus 2002.

Income from continuing operations for the second quarter declined \$555,000 from \$3,855,000 (\$.39 per share) in 2002 to \$3,300,000 (\$.33 per share) in 2003. Most of this decline is attributable to lower earnings of the Plumbing and Drain Cleaning Segment in 2003.

Net income for the second quarter declined \$1,679,000 from \$4,979,000 (\$.51 per share and \$.50 per diluted share) in 2002 to \$3,300,000 (\$.33 per share) in 2003. Net income for the 2002 quarter included \$1,124,000 (\$.12 per share and \$.11 per diluted share) from the operations of Patient Care sold in October 2002.

SECOND QUARTER 2003 VERSUS SECOND QUARTER 2002-SEGMENT RESULTS

Data relating to the increase or decrease in service revenues and sales and to aftertax earnings as a percent of sales for each segment are set forth below:

Three Months Ended	Service Revenues and Sales Percent Increase/ (Decrease)	Aftertax Earnings Percent of Revenues (Aftertax Margin)
June 30, -----	2003 vs. 2002 -----	2003 -----
Plumbing and Drain Cleaning	2 %	4.6%
Service America	(21)	0.3
Total	(2)	3.9

The change in aftertax earnings for the second quarter of 2003 versus 2002 is summarized below (in thousands):

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

	Increase/ (Decrease) -----
Service America	\$ (24)
Plumbing and Drain Cleaning	(663)
Unallocated Investing and Financing-net	132

Income from continuing operations	\$ (555)
	=====

The decline in the aftertax earnings and the related decline in the aftertax margin of the Plumbing and Drain Cleaning segment is primarily attributable to higher labor costs, higher call center costs and higher legal expenses during the 2003 quarter. The increase in Unallocated Investing and Financing-net is attributable to interest income on the \$12.5 million note receivable from the sale of Patient Care in October 2002.

Page 17 of 25

SIX MONTHS 2003 VERSUS SIX MONTHS 2002 - CONSOLIDATED RESULTS

The Company's service revenues and sales for the first six months of 2003 declined 3% versus revenues for the first six months of 2002. This \$5.0 million decline was attributable to the following (dollar amounts in thousands):

	Increase/(Decrease)	
	Amount	Percent
	-----	-----
Service America		
Service contracts	\$ (4,313)	(18.5)%
Demand services	(1,649)	(19.9)
Plumbing and Drain Cleaning		
Plumbing	604	1.2
Drain cleaning	(808)	(1.5)
Other	1,147	4.6

Total	\$ (5,019)	(3.1)
	=====	

The decline in Service America's revenues is attributable to selling insufficient new service contracts to replace contracts canceled or not renewed. The annualized value of contracts in place during the first six months of 2003 was 19% lower than the 2002 period. The decline in service contracts in place was largely responsible for the decline in demand services in 2003.

The increase in the plumbing revenues for the first six months of 2003 versus 2002 comprises a 1.9% increase in the number of jobs performed and a .7% decline in the average price per job. The decline in drain cleaning revenues for the first six months of 2003 versus 2002 comprise a 4.0% decrease in the number of jobs partially offset by a 2.5% increase in the average price per job. The increase in other revenues for the first six months of 2003 versus 2002 is attributable to increases in industrial and municipal sales and contractor operations.

The consolidated gross margin was 40.8% in the first six months of 2003 and 40.5% in the 2002 period. On a segment basis, the Plumbing and Drain Cleaning segment's gross margin was essentially the same in both periods. Service America's gross margin increased 1.1% points due to reduced labor costs as a result of recent reductions in service technician headcount.

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

General and administrative expenses for the first six months of 2003 were \$31,056,000, an increase of \$5,894,000 (23.4%) versus the first six months of 2002. Expenses for the 2003 period include a \$3,627,000 charge from severance for a corporate officer in 2003. In addition, \$649,000 of this increase was attributable to recording market gains on assets of deferred compensation trusts in the first six months of 2003 versus a small loss in such assets in 2002 (all within the Plumbing and Drain Cleaning segment). These gains and losses are included in other income with an equivalent charge or credit to general and administrative expenses for the change in the related deferred compensation liability. The remainder of the increase is primarily attributable to higher expenses in the Plumbing and Drain Cleaning segment as the result of higher legal expenses during the 2003 period and normal salary and wage increases during 2003.

Page 18 of 25

Selling and marketing expenses for the first six months of 2003 were \$20,091,000, a decline of \$673,000 (3.2%) versus the first six months of 2002. Selling and marketing expenses of the Plumbing and Drain Cleaning segment increased \$214,000, 1.2% in the 2003 period. For Service America selling and marketing expenses declined \$887,000 (26.5%) in 2003, primarily as the result of the reduction in the number of employees.

Depreciation expense for the first six months of 2003 declined \$936,000 (13.4%) from \$6,978,000 in the first six months of 2002 to \$6,042,000 in the 2003 period. Of this decline, \$458,000 relates to the Service America segment and \$478,000 relates to the Plumbing and Drain Cleaning segment. Both reductions were primarily attributable to reduced depreciation on service vehicles, resulting from recent declines in capital outlays.

Income from operations declined \$5,935,000 (49.9%) from \$11,899,000 in the first six months of 2002 to \$5,964,000 in the first six months of 2003. Most of this decline occurred within the Plumbing and Drain Cleaning segment. The previously mentioned severance charge in the first quarter of 2003 accounted for \$3,627,000 of the decline while \$649,000 of the decline was attributable to the increase in deferred compensation expense (which is completely offset in the "other income" line of the statement of income). Higher call center expenses and higher legal fees in the 2003 period also contributed to the decline in income from operations.

Interest expense, substantially all of which is classified as Unallocated Investing and Financing-net, declined from \$1,536,000 in the first six months of 2002 to \$1,138,000 in the 2003 period. This is primarily attributable to lower debt levels in 2003 as the result of using cash proceeds from the sale of Patient Care in 2002 to pay down the Company's revolving line of credit.

Other income increased \$3,175,000 in the first six months of 2003 versus the first six months of 2002. This increase is primarily attributable to larger capital gains on the sales of investments (\$3,544,000 in the first six months of 2003 versus \$1,141,000 in 2002) and the aforementioned increase in market adjustments for assets held in deferred compensation trusts (\$649,000) in the 2003 period (which is entirely offset in the "general and administrative expense" category of the statement of income).

The Company's effective income tax rate increased from 35.9% in the first six months of 2002 to 37.7% in the first six months of 2003. This is primarily attributable to the lack of a state income tax benefit on the severance charges incurred in 2003.

Income from continuing operations for the first six months declined \$1,705,000 from \$8,562,000 (\$.87 per share) in 2002 to \$6,857,000 (\$.69 per share) in 2003. Earnings for the first six months of 2003 included an aftertax

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

severance charge of \$2,358,000 (\$.24 per share) and aftertax capital gains on the sales of investments of \$2,151,000 (\$.22 per share). Earnings for 2002 included capital gains on the sales of investments of \$775,000 (\$.08 per share).

Page 19 of 25

Net income for the first six months declined \$3,696,000 from \$10,553,000 (\$1.07 per share) in 2002 to \$6,857,000 (\$.69 per share) in 2003. Net income for the 2002 period included \$1,991,000 (\$.20 per share) from the operations of Patient Care sold in October 2002.

SIX MONTHS 2003 VERSUS SIX MONTHS 2002 - SEGMENT RESULTS

Data relating to the increase or decrease in service revenues and sales and to aftertax earnings as a percent of sales for each segment are set forth below:

Six Months Ended	Service Revenues and Sales Percent Increase/ (Decrease)	Aftertax Earnings Percent of Revenues (Aftertax Margin)
June 30, -----	2003 vs. 2002 -----	2003 -----
Plumbing and Drain Cleaning	1 %	3.1%
Service America	(19)	0.3
Total	(3)	2.6

The change in aftertax earnings for the first six months of 2003 versus 2002 is summarized below (in thousands):

	Increase/ (Decrease)

Service America	\$ (311)
Plumbing and Drain Cleaning	(3,048)
Unallocated Investing and Financing-net	1,654

Income from continuing operations	\$ (1,705)
	=====

The decline in the aftertax earnings of Service America during the first six months of 2003 versus 2002 is attributable largely to the negative impact of leverage (relatively fixed general and administrative expenses during a period of declining revenues). The decline in the aftertax earnings and the related decline in the aftertax margin of the Plumbing and Drain Cleaning segment is primarily attributable to a severance charge incurred in the first quarter of 2003 for a corporate officer (\$2,358,000). The remainder of the decline in this segment's earnings is attributable to higher call center costs and higher legal expenses during the 2003 period. The increase in Unallocated Investing and Financing income/expense is attributable to larger aftertax capital gains in the 2003 period (\$2,151,000 in 2003 versus \$775,000 in 2002) and to interest income

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

on the \$12.5 million note receivable from the sale of Patient Care in October 2002 (\$322,000).

RECENT ACCOUNTING STATEMENTS

In August 2001, the Financial Accounting Standards Board ("FASB") approved the issuance of Statement of Financial Accounting Standards ("SFAS") No. 143, Accounting for Asset Retirement Obligations. This statement became effective for fiscal years beginning after June 15, 2002, and requires recognizing legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development

Page 20 of 25

or normal operation of a long-lived asset. Since the Company has no material asset retirement obligations, the adoption of SFAS No. 143 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.

In July 2002, the FASB approved the issuance of SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. Generally, SFAS No. 146 stipulates that defined exit costs (including restructuring and employee termination costs) are to be recorded on an incurred basis rather than on a commitment basis, as previously required. This statement is effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.

In November 2002, the FASB approved the issuance of FASB interpretation ("FIN") No. 45, Guarantor's Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The initial recognition and initial measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure. It is effective for annual periods ending, and for interim periods beginning, after December 15, 2002. Because the Company uses Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, to account for stock-based compensation, the adoption of SFAS No. 148 in 2003 did not have a material impact on Roto-Rooter, Inc.'s financial statements.

In January 2003, the FASB approved the issuance of FIN No. 46, Consolidation of Variable Interest Entities. It is effective for variable interest entities created after January 31, 2003, and for variable interest entities in which an enterprise obtains an interest after that date. The adoption of this statement did not have a material impact on the Company's financial statements.

In May 2003, the FASB approved the issuance of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. As a result of the issuance of this pronouncement, the Company now reports the mandatorily redeemable convertible preferred securities of the Chemed Capital Trust as a noncurrent liability rather than in the "mezzanine" (i.e., between liabilities and equity) as reported previously. This reclassification does not affect the Company's compliance with its debt covenants. The adoption of this statement did not impact the statement of income.

Page 21 of 25

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

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

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

The Company recently carried out an evaluation, under the supervision of the Company's President and Chief Executive Officer, and with the participation of the Executive Vice President and Treasurer and the Vice President and Controller, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-14/15d-14(a). Based upon the foregoing, the Company's President and Chief Executive Officer, Executive Vice President and Treasurer and Vice President and Controller concluded that as of the date of this report the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company and its consolidated subsidiaries required to be included in the Company's Exchange Act reports. There have been no significant changes in internal control over financial reporting during the quarter ended June 30, 2003.

Page 22 of 25

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) Roto-Rooter, Inc. held its annual meeting of stockholders on May 19, 2003.
- (b) The names of directors elected at this annual meeting are as follows:

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

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

- (c) The stockholders ratified the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as independent accountants for the Company and its consolidated subsidiaries for the year 2003: 9,212,452 votes were cast in favor of the proposal, 148,890 votes were cast against it, 25,299 votes abstained, and there were no broker non-votes.
- (d) The stockholders then voted on the approval and adoption of an amendment to the Certificate of Incorporation changing the Company's name to Roto-Rooter, Inc.: 9,314,899 votes were cast in favor of the proposal, 51,156 votes were cast against it, 20,586 votes abstained, and there were no broker non-votes.

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

	FOR -----	AGAINST -----
Edward L. Hutton	8,085,483	1,301,158
Kevin J. McNamara	8,100,177	1,286,464
Charles H. Erhart, Jr.	8,157,616	1,229,025
Joel F. Gemunder	8,100,419	1,286,223
Patrick P. Grace	8,159,965	1,226,676
Thomas C. Hutton	8,095,422	1,291,219
Sandra E. Laney	7,843,740	1,542,901
Timothy S. O'Toole	8,103,108	1,283,533
Donald E. Saunders	8,090,958	1,295,683
George J. Walsh, III	8,169,375	1,217,266
Frank E. Wood	8,165,849	1,220,792

Page 23 of 25

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits

Exhibit No. -----	Description -----
31.1	Certification by Kevin J. McNamara pursuant to Rule 13A - 14 of the Exchange Act of 1934.
31.2	Certification by Timothy S. O'Toole pursuant to Rule 13A - 14 of the Exchange Act of 1934.
31.3	Certification by Arthur V. Tucker, Jr. pursuant to Rule 13A - 14 of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant

Edgar Filing: ROTO-ROOTER INC - Form 10-Q/A

to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Timothy S. O'Toole pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification by Arthur V. Tucker, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

- A Current Report on Form 8-K, dated May 19, 2003, was filed May 21, 2003. The report includes the Company's announcement of changing its name from Chemed Corporation to Roto-Rooter, Inc.
- A Current Report on Form 8-K, dated July 17, 2003, was filed July 21, 2003. The report includes the Company's earnings announcement for the second quarter.
- An Amended Current Report on Form 8-K/A, dated July 17, 2003, was filed July 21, 2003. The report includes the Company's earnings announcement (including a properly formatted balance sheet) for the second quarter.

Page 24 of 25

SIGNATURES

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

Roto-Rooter, Inc.

(Registrant)

Dated: December 17, 2003

By /s/ Kevin J. McNamara

Kevin J. McNamara
(President and Chief
Executive Officer)

Dated: December 17, 2003

By /s/ Timothy S. O'Toole

Timothy S. O'Toole
(Executive Vice President
and Treasurer)

Dated: December 17, 2003

By /s/ Arthur V. Tucker, Jr.

Arthur V. Tucker, Jr.
(Vice President and

