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

# FORM 10-Q

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

**For the quarterly period ended**

**October 1, 2005**

**OR**

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

**For the transition period from ______________ to ______________**

**Commission file number 000-11917**

# THE DAVEY TREE EXPERT COMPANY
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Ohio** | **34-0176110** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

**1500 North Mantua Street**
**P.O. Box 5193**
**Kent, Ohio 44240**
(Address of principal executive offices) (Zip code)

**(330) 673-9511**
(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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

There were 7,491,205 Common Shares outstanding as of November 1, 2005.

# The Davey Tree Expert Company
# Quarterly Report on Form 10-Q
# October 1, 2005

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## THE DAVEY TREE EXPERT COMPANY
## CONDENSED CONSOLIDATED BALANCE SHEETS *(Unaudited)*
**(In thousands, except per share data)**

| | October 1, 2005 | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 449 | $ 1,244 |
| Accounts receivable, net | 80,739 | 64,432 |
| Operating supplies | 3,775 | 3,565 |
| Other current assets | 13,847 | 11,357 |
| Total current assets | 98,810 | 80,598 |
| Property and equipment | 283,494 | 269,599 |
| Less accumulated depreciation | 194,274 | 185,999 |
| | 89,220 | 83,600 |
| Other assets | 12,209 | 11,599 |
| Identified intangible assets and goodwill, net | 6,546 | 7,308 |
| | $ 206,785 | $ 183,105 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 17,222 | $ 23,410 |
| Accrued expenses | 21,022 | 18,974 |
| Other current liabilities | 14,479 | 16,007 |
| Total current liabilities | 52,723 | 58,391 |
| Long-term debt | 36,875 | 19,830 |
| Self-insurance accruals | 25,855 | 21,354 |
| Other noncurrent liabilities | 13,901 | 13,327 |
| | 129,354 | 112,902 |
| Common shareholders' equity: | | |
| Common shares, $1.00 par value, per share; 24,000 shares authorized; 10,728 shares issued | 10,728 | 10,728 |
| Additional paid-in capital | 6,516 | 6,066 |
| Common shares subscribed, unissued | 8,906 | 9,198 |
| Retained earnings | 107,724 | 99,273 |
| Accumulated other comprehensive income | 551 | 261 |
| | 134,425 | 125,526 |
| Less: Cost of common shares in treasury; 3,172 shares at October 1, 2005 and 3,074 shares at December 31, 2004 | 52,174 | 49,314 |
| Common share subscription receivable | 4,820 | 6,009 |
| | 77,431 | 70,203 |
| | $ 206,785 | $ 183,105 |

*See notes to condensed consolidated financial statements.*

## THE DAVEY TREE EXPERT COMPANY
## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(Unaudited)*
**(In thousands, except per share data)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| **Revenues** | $ 116,387 | $ 110,661 | $ 325,940 | $ 302,405 |
| Costs and expenses: | | | | |
| Operating | 74,803 | 72,621 | 213,837 | 199,137 |
| Selling | 19,282 | 17,589 | 51,548 | 48,621 |
| General and administrative | 7,621 | 7,071 | 23,099 | 21,887 |
| Depreciation and amortization | 6,480 | 5,862 | 18,667 | 16,496 |
| Gain on sale of assets, net | (582) | (102) | (539) | (243) |
| | 107,604 | 103,041 | 306,612 | 285,898 |
| **Income from operations** | 8,783 | 7,620 | 19,328 | 16,507 |
| Other income (expense): | | | | |
| Interest expense | (572) | (509) | (1,605) | (1,440) |
| Interest income | 60 | 64 | 163 | 1,894 |
| Other, net | (280) | (100) | (1,128) | (1,096) |
| **Income before income taxes** | 7,991 | 7,075 | 16,758 | 15,865 |
| Income taxes | 2,866 | 2,901 | 6,452 | 6,505 |
| **Net income** | $ 5,125 | $ 4,174 | $ 10,306 | $ 9,360 |
| **Net income per share:** | | | | |
| Basic | $ .66 | $ .53 | $ 1.26 | $ 1.12 |
| Diluted | $ .61 | $ .50 | $ 1.18 | $ 1.08 |
| **Weighted-average shares outstanding:** | | | | |
| Basic | 7,779 | 7,939 | 8,180 | 8,370 |
| Diluted | 8,426 | 8,311 | 8,734 | 8,671 |
| **Dividends declared per share** | $ .07 | $ .065 | $ .21 | $ .195 |

*See notes to condensed consolidated financial statements.*

## THE DAVEY TREE EXPERT COMPANY
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(Unaudited)*
**(In thousands)**

| | Nine Months Ended | |
|---|---|---|
| | **October 1, 2005** | **October 2, 2004** |
| **Operating activities** | | |
| Net income | $ 10,306 | $ 9,360 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 18,667 | 16,496 |
| Other | 29 | 425 |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (16,307) | (30,685) |
| (Decrease) increase in operating liabilities | (195) | 17,314 |
| Prepetition accounts receivable collected | - | 13,326 |
| Other | (2,453) | (1,146) |
| **Net cash provided by operating activities** | 10,047 | 25,090 |
| **Investing activities** | | |
| Capital expenditures, equipment | (20,803) | (24,739) |
| Other | (1,863) | (1,809) |
| **Net cash used in investing activities** | (22,666) | (26,548) |
| **Financing activities** | | |
| Revolving credit facility proceeds, net | 17,700 | 6,100 |
| Purchase of common shares for treasury | (5,975) | (4,920) |
| Sale of common shares from treasury | 4,153 | 3,832 |
| Dividends | (1,749) | (1,667) |
| Other | (2,305) | (1,244) |
| **Net cash provided by financing activities** | 11,824 | 2,101 |
| **(Decrease) increase in cash and cash equivalents** | (795) | 643 |
| Cash and cash equivalents, beginning of period | 1,244 | 211 |
| **Cash and cash equivalents, end of period** | **$ 449** | **$ 854** |
| Supplemental cash flow information follows: | | |
| Interest paid | $ 1,591 | $ 1,422 |
| Income taxes paid | 8,723 | 4,594 |
| Noncash transactions: | | |
| Debt issued for purchases of businesses | - | 1,138 |
| Detail of acquisitions: | | |
| Assets acquired: | | |
| Equipment | $ 18 | $ 268 |
| Intangibles | 200 | 1,307 |
| Debt issued for purchases of businesses | - | 1,138 |
| Cash paid | $ 218 | $ 437 |

*See notes to condensed consolidated financial statements.*

**The Davey Tree Expert Company**
**Notes to Condensed Consolidated Financial Statements (Unaudited)**
**October 1, 2005**
(Amounts in thousands, except per share data)

## A. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature.

Certain information and disclosures required by GAAP for complete financial statements have been omitted in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2004.

***Accounting Estimates*--**The consolidated financial statements and notes prepared in accordance with accounting principles generally accepted in the United States include estimates and assumptions made by management that affect reported amounts. Actual results could differ from those estimates.

***Stock-Based Compensation*--**The Company accounts for stock-based compensation using the intrinsic-value method in APB Opinion No. 25, "Accounting for Stock Issued to Employees." Under the intrinsic value method, no compensation cost is recognized if the exercise price of the stock option is equal to the market value of the shares at the date of grant. For the Company's Performance-Based Restricted Stock Unit awards, compensation cost is recognized over the requisite vesting periods based on the fair market value on the date of grant. The Company will begin to recognize compensation expense for stock-based awards in January 2006 in accordance with FASB Statement of Financial Accounting Standards ("FAS") No. 123R, as described below.

The Davey Tree Expert Company 2004 Omnibus Stock Plan ("Plan") was approved by the Company's shareholders at its annual shareholders' meeting in May 2004. The Plan is administered by the Compensation Committee ("Committee") of the Board of Directors, with the maximum number of common shares that may be granted to or purchased by all employees and directors under this Plan being 5,000,000. In addition to the maintenance of the Employee Stock Purchase Plan, the Plan provides for the grant of stock options, restricted stock, stock appreciation rights, stock purchase rights, stock equivalent units, cash awards, and other stock or performance-based incentives. These awards are payable in cash or common shares, or any combination thereof, as established by the Committee.

***Performance-Based Restricted Stock Units*--**During February 2005, the Committee awarded 37,468 Performance-Based Restricted Stock Units, which have a five year vesting period, to certain management employees. During May 2004, the Committee awarded 44,151 Performance-Based Restricted Stock Units to certain management employees, of which 27,643 units have a four year vesting period and 16,508 units have a five year vesting period.

The alternative policy to the intrinsic-value method in APB Opinion No. 25 is the fair value method included in FAS No. 123, "Accounting for Stock-Based Compensation." The fair value method is based on the fair value of the stock option awarded, determined by an option pricing model, net of any amount the holders must pay for the stock options when granted.

## The Davey Tree Expert Company
## Notes to Condensed Consolidated Financial Statements (Unaudited)
## October 1, 2005

(Amounts in thousands, except per share data)

### A. Basis of Financial Statement Preparation (continued)

The following table presents the pro forma net income as if the fair value method in FAS 123 had been applied to the stock awards.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| Net income as reported | $ 5,125 | $ 4,174 | $ 10,306 | $ 9,360 |
| Add stock-based compensation included in net income as reported, net of related tax effect | 7 | 22 | 19 | 87 |
| Deduct stock-based compensation, determined under fair value method | 16 | 39 | 48 | 137 |
| Pro forma net income, FAS 123 adjusted | $ 5,116 | $ 4,157 | $ 10,277 | $ 9,310 |
| Net income per share--basic | | | | |
| As reported | $ .66 | $ .53 | $ 1.26 | $ 1.12 |
| Pro forma, FAS 123 adjusted | .66 | .52 | 1.26 | 1.11 |
| Net income per share--diluted | | | | |
| As reported | $ .61 | $ .50 | $ 1.18 | $ 1.08 |
| Pro forma, FAS 123 adjusted | .61 | .50 | 1.18 | 1.07 |

***Accounting Pronouncement Issued But Not Yet Adopted***--In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123 (revised), "Share-Based Payment (“FAS 123R”).” FAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes a fair-value measurement objective in determining the value of such a cost. FAS 123R will be effective for the year beginning January 1, 2006. FAS 123R is a revision of FAS 123, “Accounting for Stock-Based Compensation,” and supersedes APB Opinion No. 25. The Company is currently evaluating the impact of FAS 123R on its consolidated financial statements.

***Financial Statement Presentation-Changes***--Certain amounts for prior interim periods have been reclassified to conform to the current interim period presentation.

### B. Seasonality of Business

Operating results for the nine months ended October 1, 2005 are not indicative of results that may be expected for any other interim period or for the year ending December 31, 2005 because of business seasonality. Business seasonality results in higher revenues during the second and third quarters as compared with the first and fourth quarters of the year, while the methods of accounting for fixed costs, such as depreciation expense, are not significantly impacted by business seasonality.

(Amounts in thousands, except per share data)

## C. Accounts Receivable and Interest Income

Accounts receivable, net, consisted of the following:

| | October 1, 2005 | December 31, 2004 |
|---|---|---|
| Accounts receivable | $ 72,488 | $ 60,507 |
| Receivables under contractual arrangements | 9,797 | 5,827 |
| | 82,285 | 66,334 |
| Less allowances for doubtful accounts | 1,546 | 1,902 |
| | $ 80,739 | $ 64,432 |

Receivables under contractual arrangements consist of work-in-process in accordance with the terms of contracts, primarily with utility services customers.

Interest income totaling $1,894 for the nine months ended October 2, 2004 includes the recognition of $1,692 in connection with the collection of the prepetition accounts receivable from Pacific Gas & Electric in April 2004.

## D. Pension Plans

Substantially all of the Company's domestic employees are covered by noncontributory defined benefit pension plans. A plan for nonbargaining employees provides a benefit based primarily on annual compensation up to a defined level and years of credited service. Another plan is for bargaining employees not covered by union pension plans and provides benefits at a fixed monthly amount based upon length of service. During May 2004, the Company adopted a Supplemental Executive Retirement Plan ("SERP") and a Benefits Restoration Pension Plan ("Restoration Plan") for certain management employees. Both the SERP and the Restoration Plan are defined benefit plans under which nonqualifed supplemental pension benefits will be paid in addition to amounts received under the Company's qualified retirement defined benefit pension plans, which are subject to Internal Revenue Service limitations on covered compensation.

The results of operations included the following net periodic benefit cost recognized related to the defined benefit pension plans.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| **Components of pension expense (income)** | | | | |
| Service costs--increase in benefit obligation earned | $ 307 | $ 277 | $ 920 | $ 829 |
| Interest cost on projected benefit obligation | 333 | 333 | 998 | 998 |
| Expected return on plan assets | (497) | (493) | (1,490) | (1,479) |
| Amortization of net actuarial loss | 102 | 67 | 306 | 201 |
| Amortization of prior service cost | 1 | 72 | 3 | 217 |
| Amortization of transition asset | (18) | (18) | (54) | (54) |
| Net pension expense of defined benefit pension plans | $ 228 | $ 238 | $ 683 | $ 712 |

(Amounts in thousands, except per share data)

**D. Pension Plans (continued)**

The Company expects, as of October 1, 2005, to make a defined-benefit pension plan contribution of $111 before December 31, 2005. No contributions have been made year-to-date, October 1, 2005.

**E. Long-Term Debt**

Long-term debt consisted of the following:

| | October 1, 2005 | December 31, 2004 |
|---|---|---|
| Revolving credit facility | | |
| Prime rate borrowings | $ 6,400 | $ 3,700 |
| LIBOR borrowings | 30,000 | 15,000 |
| | 36,400 | 18,700 |
| Term loans | 1,140 | 2,040 |
| | 37,540 | 20,740 |
| Less current portion | 665 | 910 |
| | $ 36,875 | $ 19,830 |

***Revolving Credit Facility*--**The Company has a $120,000 revolving credit facility with a group of banks, which will expire in December 2007 and permits borrowings, as defined, up to $120,000 with a letter of credit sublimit of $70,000 (amended in June 2005 to $70,000 from a previous $60,000 letter of credit sublimit). The revolving credit facility contains certain affirmative and negative covenants customary for this type of facility and includes financial covenant ratios, as defined, with respect to funded debt to EBITDA (earnings before interest, taxes, depreciation and amortization), and funded debt to capitalization.

As of October 1, 2005, the Company had unused commitments under the facility approximating $32,124, with $87,876 committed, consisting of borrowings of $36,400 and issued letters of credit of $51,476. Borrowings outstanding bear interest, at the Company’s option, at the agent bank’s prime rate or LIBOR plus a margin adjustment ranging from .7% to 1.5%, based on a ratio of funded debt to EBITDA. A commitment fee ranging from .15% to .20% is also required based on the average daily unborrowed commitment.

The Company uses interest rate swaps to effectively convert a portion of variable-rate revolving credit borrowings to a fixed rate, thus reducing the impact of interest-rate changes on future interest expense. As of October 1, 2005, the Company had an interest rate swap outstanding, with an underlying notional amount totaling $15,000, requiring interest to be paid at 2.89% and maturing in November 2005. The fair value of the swap is the amount quoted by the financial institution that the Company would pay or receive to terminate the agreement, an asset of $31 at October 1, 2005.

## The Davey Tree Expert Company
## Notes to Condensed Consolidated Financial Statements (Unaudited)
## October 1, 2005
(Amounts in thousands, except per share data)

### F. Comprehensive Income

The components of comprehensive income follow:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| **Comprehensive Income** | | | | |
| **Net income** | $ 5,125 | $ 4,174 | $ 10,306 | $ 9,360 |
| **Other comprehensive income (loss)** | | | | |
| Foreign currency translation adjustment | 360 | 389 | 263 | 164 |
| Derivative instruments: | | | | |
| Change in fair value of interest rate swap | (12) | 1 | 43 | 162 |
| Other comprehensive income, before income taxes | 348 | 390 | 306 | 326 |
| Income tax (expense) benefit, related to items of other comprehensive income | 5 | - | (16) | (61) |
| Other comprehensive income | 353 | 390 | 290 | 265 |
| **Comprehensive income** | $ 5,478 | $ 4,564 | $ 10,596 | $ 9,625 |

### G. Net Income Per Share and Common Shares Outstanding

Net income per share is computed as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| Income available to common shareholders: | | | | |
| Net income | $ 5,125 | $ 4,174 | $ 10,306 | $ 9,360 |
| Weighted-average shares: | | | | |
| Basic: | | | | |
| Outstanding | 7,592,327 | 7,736,952 | 7,624,504 | 7,767,425 |
| Partially-paid share subscriptions | 187,074 | 202,224 | 555,123 | 602,277 |
| Basic weighted-average shares | 7,779,401 | 7,939,176 | 8,179,627 | 8,369,702 |
| Diluted: | | | | |
| Basic from above | 7,779,401 | 7,939,176 | 8,179,627 | 8,369,702 |
| Incremental shares from assumed: | | | | |
| Exercise of stock subscription purchase rights | 126,844 | 95,122 | 105,519 | 62,419 |
| Exercise of stock options | 519,486 | 276,417 | 448,868 | 239,048 |
| Diluted weighted-average shares | 8,425,731 | 8,310,715 | 8,734,014 | 8,671,169 |
| Net income per share: | | | | |
| Basic | $ .66 | $ .53 | $ 1.26 | $ 1.12 |
| Diluted | $ .61 | $ .50 | $ 1.18 | $ 1.08 |

(Amounts in thousands, except per share data)

## G. Net Income Per Share and Common Shares Outstanding (continued)

***Common Shares Outstanding***--A summary of the activity of the common shares outstanding for the nine months ended October 1, 2005 follows:

| | |
|---|---|
| Shares outstanding at December 31, 2004 | 7,654,808 |
| Shares purchased | (293,906) |
| Shares sold to employees and directors | 141,029 |
| Stock subscription offering -- cash purchases | 23,126 |
| Options exercised | 31,610 |
| | (98,141) |
| Shares outstanding at October 1, 2005 | 7,556,667 |

On October 1, 2005, the Company had 7,556,667 common shares outstanding, options exercisable to purchase 548,822 common shares, partially-paid subscriptions for 742,197 common shares and purchase rights outstanding for 253,857 common shares.

The partially-paid subscriptions relate to common shares purchased at $12.00 per share, in connection with the stock subscription offering completed in August 2002, whereby some employees opted to finance their subscription with a down-payment of at least 10% of their total purchase price and a seven-year promissory note for the balance due, with interest at 4.75%. Promissory note payments, of both principal and interest, are made either by payroll deduction or annual lump-sum payment. The promissory notes are collateralized with the common shares subscribed and the common shares are only issued when the related promissory note is paid-in-full. Dividends are paid on all unissued subscribed shares.

The purchase rights outstanding were granted, in connection with the stock subscription offering completed in August 2002, to all employees (excluding directors, officers and certain operations management) that purchased $5 or more of common stock. Each right to purchase one additional common share at $12.00 per share was granted for every two common shares purchased. Each right may be exercised at the rate of one-seventh per year and will expire seven years after the date that the right was granted. Employees may not exercise a right should they cease to be employed by the Company.

## H. Segment Information

The Company’s operating results are reported in two segments: Residential and Commercial Services and Utility Services for operations in the United States. Residential and Commercial Services provides for the treatment, preservation, maintenance, cultivation, planting and removal of trees, shrubs and other plant life; its services also include the practice of landscaping, tree surgery, tree feeding and tree spraying, as well as the application of fertilizer, herbicides and insecticides. Utility Services is principally engaged in the practice of line clearing for public utilities, including the clearing of tree growth from power lines, clearance of rights-of-way and chemical brush control.

(Amounts in thousands, except per share data)

## H. Segment Information (continued)

The Company also has two nonreportable segments: Canadian operations, which provides a comprehensive range of Davey horticultural services, and Davey Resource Group, which provides services related to natural resource management and consulting, forestry research and development, and environmental planning and also maintains research, technical support and laboratory diagnostic facilities. Canadian operations and Davey Resource Group are presented below as "All Other."

***Measurement of Segment Profit and Loss and Segment Assets*--**The Company evaluates performance and allocates resources based primarily on operating income and also actively manages business unit operating assets.

Segment information reconciled to consolidated external reporting information follows:

| | Utility Services | Residential Commercial Services | All Other | Reconciling Adjustments | Consolidated |
|---|---|---|---|---|---|
| **Three Months Ended October 1, 2005** | | | | | |
| Revenues | $ 50,416 | $ 50,317 | $ 15,654 | $ - | $ 116,387 |
| Income (loss) from operations | 2,317 | 4,258 | 2,388 | (180) (a) | 8,783 |
| Interest expense | | | | 572 | 572 |
| Interest income | | | | 60 | 60 |
| Other income (expense), net | | | | (280) | (280) |
| Income before income taxes | | | | | $ 7,991 |
| **Three Months Ended October 2, 2004** | | | | | |
| Revenues | $ 48,586 | $ 50,608 | $ 11,467 | $ - | $ 110,661 |
| Income (loss) from operations | 2,078 | 5,074 | 792 | (324) (a) | 7,620 |
| Interest expense | | | | 509 | 509 |
| Interest income | | | | 64 | 64 |
| Other income (expense), net | | | | (100) | (100) |
| Income before income taxes | | | | | $ 7,075 |
| **Nine Months Ended October 1, 2005** | | | | | |
| Revenues | $ 140,595 | $ 140,318 | $ 45,027 | $ - | $ 325,940 |
| Income (loss) from operations | 5,686 | 10,801 | 5,297 | (2,456) (a) | 19,328 |
| Interest expense | | | | 1,605 | 1,605 |
| Interest income | | | | 163 | 163 |
| Other income (expense), net | | | | (1,128) | (1,128) |
| Income before income taxes | | | | | $ 16,758 |
| **Nine Months Ended October 2, 2004** | | | | | |
| Revenues | $ 129,587 | $ 141,325 | $ 31,493 | $ - | $ 302,405 |
| Income (loss) from operations | 5,896 | 9,845 | 2,366 | (1,600) (a) | 16,507 |
| Interest expense | | | | 1,440 | 1,440 |
| Interest income | | | | 1,894 | 1,894 |
| Other income (expense), net | | | | (1,096) | (1,096) |
| Income before income taxes | | | | | $ 15,865 |

(a) Reconciling adjustments from segment reporting to consolidated external financial reporting include unallocated corporate items related to the reclassification of depreciation expense, gain (loss) on sale of net assets and allocation of corporate expenses.

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

**(Amounts in thousands, except per share data)**

We provide a wide range of horticultural services to residential, commercial, utility and institutional customers throughout the United States and Canada.

Our operating results are reported in two segments: Residential and Commercial Services and Utility Services for operations in the United States. Residential and Commercial Services provides for the treatment, preservation, maintenance, cultivation, planting and removal of trees, shrubs and other plant life; its services also include the practice of landscaping, tree surgery, tree feeding and tree spraying, as well as the application of fertilizer, herbicides and insecticides. Utility Services is principally engaged in the practice of line clearing for public utilities, including the clearing of tree growth from power lines, clearance of rights-of-way and chemical brush control.

We also have two nonreportable segments: Canadian operations, which provides a comprehensive range of Davey horticultural services, and Davey Resource Group, which provides services related to natural resource management and consulting, forestry research and development, and environmental planning. In addition, the Davey Resource Group also maintains research, technical support and laboratory diagnostic facilities.

## RESULTS OF OPERATIONS

The following table sets forth our consolidated results of operations as a percentage of revenues.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 1, 2005 | October 2, 2004 | October 1, 2005 | October 2, 2004 |
| Revenues | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Costs and expenses: | | | | |
| Operating | 64.3 | 65.6 | 65.6 | 65.8 |
| Selling | 16.6 | 15.9 | 15.8 | 16.1 |
| General and administrative | 6.5 | 6.4 | 7.1 | 7.2 |
| Depreciation and amortization | 5.6 | 5.3 | 5.7 | 5.5 |
| Gain on sale of assets, net | (.5) | (.1) | (.2) | (.1) |
| Income from operations | 7.5 | 6.9 | 5.9 | 5.5 |
| Other income (expense): | | | | |
| Interest expense | (.5) | (.5) | (.5) | (.5) |
| Interest income | .1 | .2 | - | .6 |
| Other, net | (.2) | (.2) | (.3) | (.4) |
| Income before income taxes | 6.9 | 6.4 | 5.1 | 5.2 |
| Income taxes | 2.5 | 2.6 | 2.0 | 2.1 |
| Net income | 4.4% | 3.8% | 3.2% | 3.1% |

**Third Quarter Overview**

- Revenues increased 5.2% to $116,387 in the third quarter of 2005 as compared to $110,661 in the prior year quarter. Revenues increased 3.8% in Utility Services, declined slightly (.6%) in Residential and Commercial Services and, in total for all other segments--Resource Group and Canadian operations--increased 34.4%.

- Income from operations for the third quarter of 2005 was $8,783 compared to $7,620 in the prior year quarter. Income from operations for the third quarter 2005 was $2,317 in Utility Services, $4,258 in Residential and Commercial Services, and $2,388 for all other segments. Income from operations for the third quarter 2004 was $2,078 in Utility Services, $5,074 in Residential and Commercial Services, and $792 for all other segments.

- Net income for the third quarter of 2005 was $5,125 or $.66 per share compared to $4,174 or $.53 per share in the prior year quarter.

**First Nine Months and Cash Flow Overview**

- Revenues increased 7.8% to $325,940 in the first nine months of 2005 compared to $302,405 in the first nine months of 2004. Revenues increased 8.5% in Utility Services, declined slightly (.7%) in Residential and Commercial Services and, in total, for all other segments increased 42.2%.

- Income from operations for the first nine months of 2005 was $19,328 compared to $16,507 in the first nine months of 2004. Income from operations for the first nine months of 2005 was $5,686 in Utility Services, $10,801 in Residential and Commercial Services, and $5,297 for all other segments.

- Interest income was $163 for the first nine months of 2005 as compared with the $1,894 for the first nine months of 2004. Interest income of $1,894 for the first nine months of 2004 includes the recognition of $1,692 in connection with the collection of prepetition accounts receivable from Pacific Gas & Electric in April 2004.

- Net income for the first nine months of 2005 was $10,306 or $1.26 per share as compared to $9,360 or $1.12 per share in the first nine months of 2004.

- Cash flow provided by operations was $10,047 in the first nine months of 2005 compared to $25,090 in the first nine months of 2004.

**Results of Operations--Third Quarter--Three Months Ended October 1, 2005 Compared to Three Months Ended October 2, 2004.**

***Revenues***--Revenues of $116,387 increased $5,726 compared with $110,661 in 2004. Utility Services increased $1,830 or 3.8% compared with the third quarter 2004. Storm-damage work arising from hurricane damage (Hurricane Katrina and Hurricane Rita) in the southern United States, as well as new contracts and increases in existing contracts within our eastern and western utility operations, accounted for the increase. Residential and Commercial Services decreased $291 or .6% from the same period last year, with the decrease primarily related to the shift in servicing of the ALB contract in 2005 to the Resource Group offset by increases in other services. In 2004, the ALB contract was serviced by Residential and Commercial Services with revenues approximating $871. All Other segments increased $3,973 or 34.4% with the increase occurring from the shift in 2005 of the ALB contract to the Resource Group ($1,152 of revenues), along with new and expanded inventory and consulting contracts and additional revenue in Canada.

***Operating Expenses--***Operating expenses of $74,803 increased $2,182 compared with the third quarter 2004 but, as a percentage of revenues, decreased 1.3% to 64.3%. Utility Services increased $1,052 or 2.8% compared with the third quarter 2004. Additional costs for labor, equipment and subcontractor expense associated with the storm-damage inflicted by Hurricanes Katrina and Rita as well as the increased revenue from new contracts and increases in existing contracts from 2004 in both our eastern and western utility operations, accounted for the increase. Residential and Commercial Services decreased $490 or 1.7% compared with 2004 and all other segments increased $1,330 or 18.8%. The decrease in Residential and Commercial Services and increase in all other segments is primarily attributable to the metro New York ALB contract being serviced by Residential and Commercial Services in 2004 and by Resource Group in 2005 and consists primarily of labor, material and subcontractor costs. Increases in fuel costs have also contributed to the increase in operating expenses for all segments.

***Selling Expenses--***Selling expenses of $19,282 for the quarter increased $1,693 over the third quarter 2004. All operating segments experienced increases attributable primarily to increased field management wages and incentives, the result of the increase in revenues.

***General and Administrative Expenses--***General and administrative expenses of $7,621 increased $550 or 7.8% from $7,071 in the third quarter 2004. The increase is attributable to incentive expense and pension expense.

***Depreciation and Amortization Expense--***Depreciation and amortization expense of $6,480 increased $618 from $5,862 in the third quarter 2004, and as a percentage of revenues increased .3% to 5.6%. All operating segments experienced increases over the comparable quarter last year, the result of increased expenditures associated with the capital required due to the continued increase in business-levels.

***Interest Expense--***Interest expense of $572 increased $63 from the $509 incurred in the third quarter 2004. The increase is the result of higher interest rates on our bank borrowings as compared to the prior year.

***Net Income--***Net income for the quarter of $5,125 was $951 more than the $4,174 experienced in the third quarter 2004 and as a percentage of revenues increased .6% to 4.4%.

**Results of Operations--Nine Months Ended October 1, 2005 Compared to Nine Months Ended October 2, 2004.**

***Revenues--***Revenues of $325,940 increased 7.8% or $23,535 from the $302,405 earned in the first nine months of 2004. Utility Services increased 8.5% or $11,008. Storm-damage work from hurricane damage (Hurricane Katrina and Hurricane Rita) in the southern United States, as well as new contracts and increases in existing contracts and productivity within our eastern and western utility operations, accounted for the increase. Residential and Commercial Services decreased $1,007 or .7% from the same period last year, with the decrease primarily related to the shift in servicing of the ALB contract in 2005 to the Resource Group offset by increases in other services. In 2004, the ALB contract was serviced by Residential and Commercial Services with revenues approximating $7,176. All Other segments increased $13,347 or 42.2% with the increase occurring from the shift in 2005 of the ALB contract to the Resource Group ($7,650 of revenues), along with new and expanded inventory and consulting contracts and additional revenue in Canada.

***Operating Expenses--***Operating expenses of $213,837 increased $14,700 from the $199,137 in the first nine months of 2004 but as a percentage of revenues decreased .2% to 65.6%. Residential and Commercial services decreased $4,104 or 5.0% due primarily to labor and materials associated with the metro New York ALB contract being included in Resource Group in 2005. Utility Services increased

$9,380 or 9.5% from 2004. Additional costs for labor, equipment and subcontractor expense associated with the storm-damage inflicted by Hurricanes Katrina and Rita as well as the increased revenue from new contracts and increases in existing contracts from 2004 in both our eastern and western utility operations, accounted for the increase. All other segments increased $8,323 or 44.7% from the first nine months of 2004 for labor, materials, equipment and subcontractor expenses related to the increase in revenues, resulting from the metro New York ALB contract and the additional work obtained with our Canadian utility customers. Increases in fuel costs have also contributed to the increase in operating expenses for all segments.

***Selling Expenses***--Selling expenses of $51,548 increased $2,927 over the first nine months of 2004 but as a percentage of revenues declined .3% to 15.8%. Utility Services experienced an increase of $962 or 8.0% over the same period last year, primarily for field management wages and incentives associated with the increased revenue. Residential and Commercial Services experienced an increase of $945 or 2.8% over the first nine months of 2004. The increase is attributable to increases in field management wages and incentive expense, auto expense and branch office expenses. All other segments combined increased $1,459 or 24.3% for field management wages and expenses.

***General and Administrative Expenses***--General and administrative expenses of $23,099 increased $1,212 or 5.5% from $21,887 in the first nine months of 2004, but as a percentage of revenues declined .1% to 7.1%. The increase is attributable to additional salary and incentive expense and pension expense, partially offset by a reduction in professional services expense.

***Depreciation and Amortization Expense***--Depreciation and amortization expense of $18,667 increased $2,171 from $16,496 in the first nine months of 2004. The increase is the result of increased expenditures associated with the capital required due to the continued increase in business-levels.

***Interest Expense***--Interest expense of $1,605 increased $165 from the $1,440 incurred in the first nine months of 2004. The increase is attributable to higher interest rates on bank borrowings as compared to the prior year.

***Interest Income***--Interest income of $163 decreased $1,731 from $1,894 in the first nine months of 2004. Interest income in 2004 included the recognition of $1,692 in connection with the collection of the prepetition accounts receivable from Pacific Gas & Electric.

***Income Taxes***--Income tax was $6,452 as compared to $6,505 for the first nine months of 2004. The effective tax rate was 38.5% as compared to 41.0% during the same period last year.

***Net Income***--Net income of $10,306 was $946 more than the $9,360 for the first nine months of 2004 and as a percentage of revenues increased .1% to 3.2%.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal financial requirements are for capital spending, working capital and business acquisitions.

Cash decreased $795 during the first nine months of 2005. Net cash provided by operating activities of $10,047 and financing activities of $11,824 was offset by $22,666 of cash used in investing activities.

### *Net Cash Provided by Operating Activities*

Operating activities for the first nine months of 2005 provided $10,047 of cash, a net decrease of $15,043 as compared to the $25,090 provided during the first nine months of 2004.

The comparison of the $10,047 cash provided by operating activities for the first nine months of 2005 to the $25,090 for first nine months of 2004 is impacted by the collection in April 2004 of the prepetition accounts receivable from Pacific Gas & Electric (collected in April 2004). Operating activities for the first nine months of 2004 would have provided cash of $11,764 excluding the collection of the prepetition accounts receivable.

Net cash provided by operating activities during both periods was affected by seasonal increases in working capital.

Accounts receivable dollars increased $16,307 during the first nine months of 2005, with the increase arising primarily from the change in business seasonality and business levels. With respect to the change in accounts receivable arising from business seasonality, the "days-sales-outstanding" in accounts receivable ("DSO") at the end of third quarter 2005 decreased by seven days to 63 days from the end of third quarter 2004. The DSO at December 31, 2004 was 61 days.

Operating liabilities used $195 of cash, $17,509 more than the $17,314 provided in 2004. The use of cash in the first nine months of 2005 is attributable to decreases in accounts payable and accrued expenses partially offset by increases in self-insurance accruals, as compared with the first nine months of 2004.

***Net Cash Used In Investing Activities***

Investing activities used $22,666 of cash, $3,882 less than the $26,548 used in the first nine months of 2004. The decrease is attributable to a lower level of capital expenditures related to business acquisitions. We anticipate that capital expenditures in 2005 will not exceed that of 2004.

***Net Cash Provided by Financing Activities***

Financing activities provided $11,824 of cash, $9,723 more than the $2,101 provided during the first nine months of 2004. Our revolving credit facility and other borrowings provided $10,539 more cash than that provided in the first nine months of 2004 and were used primarily for capital expenditures. Treasury share transactions (purchases and sales) required $734 more than the $1,088 used in 2004. Dividends paid increased to $1,749 from the $1,667 paid in the first nine months of 2004.

***Revolving Credit Facility--***The Company has a $120,000 revolving credit facility with a group of banks, which will expire in December 2007 and permits borrowings, as defined, up to $120,000 with a letter of credit sublimit of $70,000 (amended in June 2005 to $70,000 from a previous $60,000 letter of credit sublimit).

As of October 1, 2005, the Company had unused commitments under the facility approximating $32,124, with $87,876 committed, consisting of borrowings of $36,400 and issued letters of credit of $51,476. Borrowings outstanding bear interest, at the Company’s option, at the agent bank’s prime rate or LIBOR plus a margin adjustment ranging from .7% to 1.5%, based on a ratio of funded debt to EBITDA. A commitment fee ranging from .15% to .20% is also required based on the average daily unborrowed commitment.

***Off-Balance Sheet Arrangements***

The Company has no “off-balance sheet arrangements” as that term is defined in Securities and Exchange Commission (“SEC”) Regulation S-K, Item 303(a)(4)(ii).

### *Contractual Obligations Summary*

The following is a summary of our long-term contractual obligations, as at October 1, 2005, to make future payments for the periods indicated.

| Description | Total | Three Months Ending December 31, 2005 | Year Ending December 31, 2006 | 2007 | 2008 | 2009 | Thereafter |
|---|---|---|---|---|---|---|---|
| Revolving credit facility | $ 36,400 | $ - | $ - | $ 36,400 | $ - | $ - | $ - |
| Term loans | 1,140 | 10 | 665 | 465 | - | - | - |
| Capital lease obligations | 3,560 | 250 | 1,037 | 1,405 | 462 | 406 | - |
| Operating lease obligations | 4,277 | 490 | 1,487 | 1,172 | 707 | 270 | 151 |
| Self-insurance accruals | 38,289 | 4,148 | 12,578 | 9,021 | 5,871 | 3,017 | 3,654 |
| Other liabilities | 2,856 | - | 1,379 | 502 | 135 | 135 | 705 |
| | $ 86,522 | $ 4,898 | $ 17,146 | $ 48,965 | $ 7,175 | $ 3,828 | $ 4,510 |

The self-insurance accruals in the summary above reflect the total of the undiscounted amount accrued as at October 1, 2005 and amounts estimated to be due each year may differ from actual payments required to fund claims. Other liabilities include estimates of future funding requirements related to retirement plans and other items. Because their future cash outflows are uncertain, noncurrent deferred taxes have been excluded from the summary above.

As of October 1, 2005, we were contingently liable for letters of credit in the amount of $55,706, of which $51,476 is committed under the revolving credit facility. Substantially all of these letters of credit, which expire within a year, are planned for renewal as necessary.

Also, as is common in our industry, we have performance obligations that are supported by surety bonds, which expire during 2005 through 2008. We intend to renew the performance bonds where appropriate and as necessary.

### *Capital Resources*

Cash generated from operations and our revolving credit facility is our primary source of capital.

Business seasonality results in higher revenues during the second and third quarters as compared with the first and fourth quarters of the year, while our methods of accounting for fixed costs, such as depreciation expense, are not significantly impacted by business seasonality. Capital resources during these periods are equally affected. We satisfy seasonal working capital needs and other financing requirements with the revolving credit facility and several other short-term lines of credit. We are continuously reviewing our existing sources of financing and evaluating alternatives. At October 1, 2005, we had working capital of $46,087, short-term lines of credit approximating $3,667 and $32,124 available under our revolving credit facility.

Our sources of capital presently allow us the financial flexibility to meet our capital-spending plan and to complete business acquisitions.

### *Accounting Pronouncements Issued But Not Yet Adopted*

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123 (revised), “Share-Based Payment,” (“FAS 123R”). FAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes a fair-value measurement objective in determining the value of such a cost. FAS 123R will be effective for the year beginning January 1, 2006. FAS 123R is a revision of FAS 123, “Accounting for Stock-Based Compensation,” and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” The Company is currently evaluating the impact of FAS 123R on its consolidated financial statements.

*Critical Accounting Policies and Estimates*

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

The Company considers its critical accounting policies to be those that require the more significant estimates, judgments and assumptions in the preparation of its financial statements, including those related to accounts receivable, specifically those receivables under contractual arrangements primarily arising from Utility Services customers; allowances for doubtful accounts; and self-insurance accruals. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

There have been no significant changes in estimates, judgments and assumptions in the preparation of these interim financial statements from those used in the preparation of the Company's latest annual financial statements.

## Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) that is, statements related to future, not past events. In this context, forward-looking statements relate to future events or our future financial performance. In some cases, forward-looking statements may be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to differ materially from what is expressed or implied in these forward-looking statements. Some important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: (a) our business, other than tree services to utility customers, being highly seasonal and weather dependent; (b) climate and weather trends; (c) extreme weather conditions impacting demand for our services, including the frequency and severity of storms as well as inclement weather which could delay the services we provide; (d) general economic conditions in the United States and Canada, especially as they may affect consumer spending levels; (e) competitive factors and pricing practices, especially in our Utility Services segment; (f) significant customers, particularly utilities, may experience financial difficulties or bankruptcy, resulting in payment delays or delinquencies; (g) unexpected increases in operating costs, such as fuel prices, health care and casualty insurance; (h) beliefs and assumptions about the collectibility of receivables; (i) unexpected increases in liabilities relating to casualty insurance and occupational health and safety matters; (j) changes in various government laws, regulations and policies; (k) our ability to successfully integrate acquired operations; and (l) because no public market exists for our common shares, the ability of shareholders to sell their common shares could be limited.

**Item 3.** ***Quantitative and Qualitative Disclosures about Market Risk.***

***Interest Rate Risk***

We are exposed to market risk related to changes in interest rates on long-term debt obligations. The interest rates on substantially all of our long-term debt outstanding are variable. We have entered into an interest rate swap to limit our exposure to interest rate volatility. (Interest rate “swaps” are the exchange of interest rate payments based on fixed versus floating interest rates which reduce the risk of interest rate changes on future interest expense-“hedging.”)

The following table provides information, as of October 1, 2005, about our debt obligations and interest rate swap. For debt obligations, the table presents principal cash flows, weighted-average interest rates by expected maturity dates and fair values. For the interest rate swaps, the table presents the underlying face (notional) amount, weighted-average interest rate by contractual maturity dates and the fair value to settle the swaps at October 1, 2005. Weighted-average interest rates used for variable rate obligations are based on rates as derived from published spot rates, in effect as at October 1, 2005.

The interest rate swap has an underlying face (notional) amount of $15,000, which is used to calculate the cash flow to be exchanged and does not represent the exposure to credit loss. If we were to settle the swap agreement at October 1, 2005 (fair value), we would receive $31.

| | October 1 | | | | | | Fair Value October 1, |
|---|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **Thereafter** | **Total** | **2005** |
| **Liabilities** | | | | | | | |
| Long-term debt | | | | | | | |
| Fixed rate | $ 9 | $ 40 | $ 40 | $ - | $ - | $ 89 | $ 89 |
| Average interest rate | 10.0% | 10.0% | 10.0% | | | | |
| Variable rate | $ - | $ 625 | $ 36,825 | $ - | $ - | $ 37,450 | $ 37,385 |
| Average interest rate | 4.6% | 4.8% | 4.8% | | | | |
| **Interest rate derivative instruments** | | | | | | | |
| Pay fixed, notional amount | $15,000 | $ - | $ - | $ - | $ - | $ 15,000 | $ (31) |
| Average pay rate | 2.89% | | | | | | |
| Average receive rate | 3.85% | | | | | | |

***Foreign Currency Rate Risk***

We are exposed to market risk related to foreign currency exchange rate risk resulting from our operations in Canada, where we provide a comprehensive range of horticultural services.

Our financial results could be affected by factors such as changes in the foreign currency exchange rate or differing economic conditions in the Canadian markets as compared with the markets for our services in the United States. Our earnings are affected by translation exposures from currency fluctuations in the value of the U. S. dollar as compared to the Canadian dollar. Similarly, the Canadian dollar-denominated assets and liabilities may result in financial exposure as to the timing of transactions and the net asset / liability position of our Canadian operations.

For the quarter ended October 1, 2005, the result of a hypothetical 10% uniform change in the value of the U.S. dollar as compared with the Canadian dollar would not have a material effect on our results of operations or our financial position. Our sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

**Item 4.** ***Controls and Procedures.***

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to the Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 1, 2005 in alerting them on a timely basis to material information required to be included in our periodic filings with the SEC.

During the quarter ended October 1, 2005, there were no significant changes in our internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The Davey Tree Expert Company

## Part II. Other Information

Items 1, 3, 4 and 5 are not applicable.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds.***

The following table provides information on purchases made by the Company of its common shares outstanding during the first nine months of 2005.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| **Fiscal 2005** | | | | |
| January 2 to January 29 | - | - | n/a | n/a |
| January 30 to February 26 | - | - | n/a | n/a |
| February 27 to April 2 | 29,594 | $ 20.00 | n/a | n/a |
| Total First Quarter | 29,594 | 20.00 | | |
| April 3 to April 30 | 77,057 | 20.00 | n/a | n/a |
| May 1 to May 28 | 75,940 | 20.00 | n/a | n/a |
| May 29 to July 2 | 13,844 | 20.00 | n/a | n/a |
| Total Second Quarter | 166,841 | 20.00 | | |
| July 3 to July 30 | 631 | 20.00 | n/a | n/a |
| July 31 to August 27 | 68,882 | 21.00 | n/a | n/a |
| August 28 to October 1 | 27,959 | 21.00 | n/a | n/a |
| Total Third Quarter | 97,472 | 20.67 | | |
| **Total Year to Date** | 293,907 | 20.29 | | |

n/a--Not applicable. There are no publicly announced plans or programs of the Company to purchase its common shares.

Our common shares are not listed or traded on an established public trading market and market prices are, therefore, not available. Semiannually, for purposes of our 401KSOP, the fair market value of our common shares is determined by an independent stock valuation firm, based upon our performance and financial condition, using a peer group of comparable companies selected by that firm. The peer group currently consists of ABM Industries Incorporated, Dycom Industries, Inc., FirstService Corporation, Quanta Services, Inc., Rollins, Inc., and The ServiceMaster Company. The semiannual valuations are effective for a period of six months and the per share price established by those valuations is the price at which our Board of Directors has determined our common shares will be bought and sold during that six-month period in transactions involving the Company or one of its employee benefit or stock purchase plans. Since 1979, the Company has provided a ready market for all shareholders through its direct purchase of their common shares, although the Company is under no obligation to do so. The purchases listed above were added to the treasury stock of the Company.

**Item 6.** ***Exhibits.***

*See Exhibit Index page, below*.

**Signatures**

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

THE DAVEY TREE EXPERT COMPANY

| | | |
|---|---|---|
| Date: November 3, 2005 | By: | /s/ David E. Adante<br>David E. Adante<br>Executive Vice President, Chief Financial Officer and Secretary<br>(Principal Financial Officer) |
| Date: November 3, 2005 | By: | /s/ Nicholas R. Sucic<br>Nicholas R. Sucic<br>Corporate Controller<br>(Principal Accounting Officer) |

## Exhibit Index

| Exhibit No. | Description | |
|---|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed Herewith |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed Herewith |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. | Furnished Herewith |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. | Furnished Herewith |

**Exhibit 31.1**

## Certification

***Certification of Chief Executive Officer***

I, R. Douglas Cowan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Davey Tree Expert Company;

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

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

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

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

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

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

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2005

/s/ R. Douglas Cowan
R. Douglas Cowan
Chairman and Chief Executive Officer

**Exhibit 31.2**

## Certification

***Certification of Chief Financial Officer***

I, David E. Adante, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Davey Tree Expert Company;

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

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

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

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

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

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

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2005

/s/ David E. Adante
David E. Adante
Executive Vice President, Chief Financial Officer
and Secretary

**Exhibit 32.1**

**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

***Certification of Chief Executive Officer***

I, R. Douglas Cowan, Chairman and Chief Executive Officer of The Davey Tree Expert Company (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1.) The Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2005

/s/ R. Douglas Cowan
R. Douglas Cowan
Chairman and Chief Executive Officer

**Exhibit 32.2**

**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

***Certification of Chief Financial Officer***

I, David E. Adante, Executive Vice President, Chief Financial Officer and Secretary of The Davey Tree Expert Company (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1.) The Quarterly Report on Form 10-Q of the Company for the period ended October 1, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2005

/s/ David E. Adante
David E. Adante
Executive Vice President, Chief Financial Officer and Secretary