

# THE DAVEY TREE EXPERT COMPANY

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April 20, 2009

Ms. Elizabeth Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Roadmap for the Potential Use of Financial Statements Prepared in Accordance  
with International Financial Reporting Standards by U.S. Issuers  
File Number S7-27-08**

Dear Ms. Murphy:

The Davey Tree Expert Company thanks the Securities and Exchange Commission (the "Commission" or the "SEC") for extending the comment period deadline. We appreciate the opportunity to comment on the roadmap for the potential use by U.S. issuers for their filings with the SEC of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")—the "Proposed Roadmap."

The Davey Tree Expert Company and its subsidiaries provide a variety of horticultural services to our customers throughout the United States and Canada. Our revenues for 2008 approximated \$596 million.

Our Residential and Commercial Services provide for the treatment, preservation, maintenance, cultivation, planting and removal of trees, shrubs and other plant life; its services also include the practices of landscaping, tree surgery, tree feeding, and tree spraying, as well as the application of fertilizers, herbicides and insecticides. Our Utility Services are 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 provide other services related to natural resource management and consulting, urban and utility forestry research and development and environmental planning. We also maintain research, technical support and laboratory diagnostic facilities.

The Davey Tree Expert Company is employee-owned. Davey Tree's common shares are registered under Section 12(g) of the Securities Exchange Act of 1934. Under Section 12(g) of the Exchange Act, a company with (a) 500 or more holders of record of a class of equity security and (b) assets in excess of \$10 million at the end of its most recent fiscal year must register that class of equity security, unless an Exchange Act registration exemption is available. Therefore, our shorthand way of describing why Davey Tree is required to report to the SEC is because Davey Tree is an "Exchange Act Section 12(g) registrant."

This is in contrast to a registrant with securities registered under Exchange Act Section 12(b) because its securities are listed on a national securities exchange, or a company that has issued securities to the public in an offering registered under the Securities Act of 1933. Davey Tree is an “accelerated filer” as that term is defined in Exchange Act Rule 12b-2. Davey Tree files periodic reports with the SEC and the Company is subject to the provisions of the Sarbanes-Oxley Act of 2002, including those provisions related to internal controls, Section 404.

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. 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, we have provided a ready market for all shareholders through our direct purchase of their common shares.

We do not consider Davey Tree to be an “issuer” under any “class of issuer” or industry. Nor do we foresee our common shares (a) being listed on a national securities exchange or (b) issued to the public in a Securities Act offering. As an employee-owned company, we have no intention of entering the capital markets, either domestically or internationally.

The following summarizes our comments to the Proposed Roadmap. Our responses to the individual questions in the Proposed Roadmap, that form the basis for our summarized comments, are included in the Attachment.

- I. We believe IFRS does not presently have the potential to be “*the*” single set of globally accepted accounting standards.
  - A. We believe that interested parties are infatuated with IFRS’ newness and attractiveness in being less prescriptive. Under IFRS the “...increased level of managerial choice could affect comparability across companies,” thus giving rise to the risk of material misstatement, auditor interpretation and increased auditor fees.
    1. We believe that the answer to those seeking “principles-based standards” is not IFRS.
    2. We believe that it is misleading to assume that some 113 countries around the world currently require or permit IFRS. We believe that there are many versions of IFRS in individual countries and jurisdictions with the standards—the rules—being modified to the needs and satisfaction of individual countries and jurisdictions—these are faux IFRS.
  - B. We believe that generally accepted accounting principles as promulgated by the Financial Accounting Standards Board (“FASB”) and as augmented by Regulation S-X where necessary (herein referred to as “U.S. GAAP”) presently are superior to IFRS.

1. We believe that U.S. GAAP are in general based on principles, derived from the FASB's Conceptual Framework with detailed guidance being desirous and necessary for users.
  2. We believe that U.S. GAAP will be perceived as more attractive and manageable for those seeking principle-based standards with the completion of the FASB's Codification project.
- II. The milestones and considerations described in the Proposed Roadmap ("Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers") do comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission but, we would add other considerations, as follows:
- A. Full convergence of IFRS with U.S. GAAP.
  - B. Acceptance of IFRS by other United States government agencies, such as the Internal Revenue Service, the Department of Labor and the U.S. Census Bureau.
  - C. Implementation costs to U.S. issuers and U.S. registrants that are reasonable as compared with mandated implementation costs that we believe are far in excess of any calculated benefits, real or imagined.
  - D. Acceptance of IFRS by other countries and jurisdictions rather than the permitted or mandated use of faux IFRS.
- III. Consideration of the mandated use of IFRS in the United States should be indefinitely suspended. We believe a structured timetable with fixed dates is not appropriate.
- IV. We believe that the mandated use of IFRS in the United States is presently inappropriate. U.S. issuers should be given the option to prepare IFRS based financial statements or U.S. GAAP based financial statements. Should the Commission believe it appropriate, selected U.S. issuers using IFRS should provide an unaudited reconciliation to the other basis of accounting standards.
- V. We believe that the time to adopt IFRS in the United States is when there are no differences between IFRS and U.S. GAAP—"full convergence." To adopt or mandate IFRS on any timetable, prior to full convergence, would have negative consequences. The most direct negative consequences would be the burdensome costs to all U.S. registrants and their shareholders. We support the Commission's intention to enhance the incentives for the continued improvements to IFRS and U.S. GAAP.
- VI. Any Roadmap to move to mandated use of IFRS should exclude: (a) investment companies; (b) employee stock purchase, savings and similar plans; (c) smaller reporting companies; and, (d) Exchange Act Section 12(g) registrants, such as The Davey Tree Expert Company.

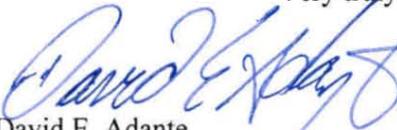
- VII. We believe mandated use of IFRS in the United States would (a) adversely affect audit quality and the availability of audit services and (b) increase audit costs. Associated costs with the audit and the internal labor costs associated with obtaining an audit will increase.
- VIII. We are supportive of the IASB's and FASB's joint work plan and believe it does serve to promote a single-set of high-quality globally accepted accounting standards. We ask the Commission to continue to encourage the progress of the joint work plan and do whatever practicable to support furtherance of the joint work plan.
- IX. Should the Commission decide to move forward and mandate IFRS,
- A. We believe reconciliation would be valuable, as an educational aid to users, in understanding differences between IFRS and U.S. GAAP. We do not believe that the statement of comprehensive income requires reconciliation.
  - B. The proposed U.S. GAAP financial information should not be audited, either under a full reconciliation or under Proposal B (our alternative secondary preference). The supplemental U.S. GAAP financial information should not require auditor involvement and we believe this would be best achieved as an Exhibit ("furnished" and not "filed").
  - C. A discussion of the reconciliation need not and should not be required in "Management's Discussion and Analysis of Financial Condition and Results of Operations" prepared under Item 303 of Regulation S-K. The reconciliation itself will provide the information that users need. Should the Commission decide to require supplemental U.S. GAAP information, it need not and should not cover quarterly periods included in the IFRS financial statements.
- X. We believe the implementation costs to U.S. issuers and U.S. registrants will be far in excess of any calculated benefits, real or imagined.
- A. Davey Tree's costs will exceed the benefits from the mandated use of IFRS.
    - 1. Based upon the estimates included in the Proposed Roadmap, the average annual burden for Davey Tree would be \$800,000 for the first three years of filings—a total of \$2.4 million. In addition, annual costs would include \$68,000 for the reconciliation. Said differently, the average annual burden for the first three years of mandated use of IFRS for Davey Tree would be \$868,000—a total of \$2,604,000—and \$68,000 annually thereafter.
    - 2. We believe there are no benefits to Davey Tree from the mandated use of IFRS—zero.

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We appreciate the opportunity to present our comments on the Proposed Roadmap. We would be pleased to further discuss our comments.

Very truly yours,



David E. Adante  
Executive Vice President, CFO  
and Secretary



Nicholas R. Susic  
Vice President and Controller

## ATTACHMENT

### The comments below address issues raised by the SEC in question 1.

In our comments below, we refer to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as “I=IFRS.” We refer to “F=IFRS” as faux international financial reporting standards, which are national standards that permit additional options that are inconsistent with I=IFRS or pretend to be identical to but are different than I=IFRS.

We believe I=IFRS does not presently have the potential to be “*the*” single set of globally accepted accounting standards.

We believe that generally accepted accounting principles as promulgated by the Financial Accounting Standards Board (“FASB”) and as augmented by Regulation S-X where necessary (herein referred to as “U.S. GAAP”) presently are superior to I=IFRS.

We believe that interested parties are infatuated with I=IFRS’ newness and attractiveness in being less prescriptive. We also believe that it is misleading to assume that some 113 countries around the world currently require or permit IFRS. We believe that there are many versions of IFRS in individual countries and jurisdictions with the standards—the rules—being modified to the needs and satisfaction of individual countries and jurisdictions—these are faux IFRS (“F=IFRS”). We agree with the former SEC Chief Accountant recently quoted that “The notion that we have IFRS worldwide is a fiction.”

The Proposed Roadmap recognizes that:

- A. The benefits associated with a set of accounting standards are dependent upon the quality of the standards, including how the standards are applied in practice. Factors that could affect the quality of I=IFRS are both institutional with respect to the IASC Foundation, including its governance and funding, as well as operational with respect to the standard setting process of the IASB.
- B. I=IFRS is not as developed as current U.S. GAAP in certain areas. I=IFRS also is not as prescriptive as U.S. GAAP in certain areas and in certain areas permits a greater amount of allowable options than currently in U.S. GAAP. This relatively lesser amount of guidance and greater optionality may increase issuers’ ability to account for transactions or events in accordance with their underlying economics but also may result in the application of greater judgment in applying the standards. “...IFRS currently permits numerous alternative accounting policies.”
- C. Comparability within any set of accounting standards depends on consistent interpretation and application across jurisdictions.

These are the specific reasons why we believe U.S. GAAP is superior to I=IFRS. We agree with the recent quote, repeated without attribution, that “...IFRS is not ready for prime time.”

Under I=IFRS the “...increased level of managerial choice could affect comparability across companies” thus giving rise to the risk of material misstatement, auditor interpretation and increased auditor fees. We are opposed to the choose-as-you-wish implications associated with I=IFRS (or F=IFRS) combined with the additional costs arising Auditor Say-So (which we discuss in our comments to question 8 below).

We believe that the answer to those seeking “principles-based standards” is not I=IFRS.

We believe that U.S. GAAP are in general based on principles, derived from the FASB’s Conceptual Framework with the detailed guidance being desirous and necessary for users.<sup>1</sup> We believe that U.S. GAAP will be perceived as more attractive and manageable for those seeking principles-based standards with the completion of the FASB’s Codification project.

If mandated use of I=IFRS is forced upon United States registrants, we cannot describe the negative consequences more eloquently than one individual having referred to I=IFRS as having the potential to be “The Tower of Babel.”

**The comments below address issues raised by the SEC in question 2.**

The milestones and considerations described in the Proposed Roadmap (“Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers”) do comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission but, we would add other considerations, as follows:

- A. Full convergence of I=IFRS with U.S. GAAP, as discussed in our comments to question 5 below.
- B. Acceptance of I=IFRS by other United States government agencies, such as the Internal Revenue Service (with respect to the last-in, first-out inventory cost method); the Department of Labor (with respect to financial statements filed with Form 5500); and, the U.S. Census Bureau (with respect to providing periodic financial data).
- C. Implementation costs to U.S. issuers and U.S. registrants that are reasonable. These would be implementation costs that are reasonable as compared with mandated implementation costs that we believe are far in excess of any calculated benefits, real or imagined. Mandated implementation costs are discussed in our comments to question 67 below.
- D. Acceptance of I=IFRS by other countries and jurisdictions rather than the permitted or mandated use of F=IFRS.

**The comments below address issues raised by the SEC in question 3.**

Consideration of the mandated use of I=IFRS in the United States should be indefinitely suspended. We believe a structured timetable with fixed dates is not appropriate.

**The comments below address issues raised by the SEC in question 4.**

We believe that the mandated use of I=IFRS in the United States is presently inappropriate.

We are of the opinion that U.S. issuers should be given the option to prepare I=IFRS based financial statements or U.S. GAAP based financial statements. Should the Commission believe it appropriate, selected U.S. issuers should provide an unaudited reconciliation to the other basis of accounting standards.

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1. Katherine Schipper, “Principles-Based Accounting Standards,” *Accounting Horizons*, Vol. 17 No.1, March 2003, p. 61-72.

Davey Tree has operations in Canada in addition to the United States. Our Canadian financial statements are prepared and used only for (a) tax purposes, (b) banking relations purposes, and (c) bank credit purposes.

As described in the Proposed Roadmap, Canadian accounting standard setters concluded that Canadian GAAP should be converged with IFRS over a transitional period, after which a separate and distinct Canadian GAAP would cease to exist as a basis of financial reporting for public companies. We also note that the staff of the Canadian Securities Administrators has proposed retaining the existing option for a domestic Canadian issuer that is also an SEC issuer to use U.S. GAAP.

**The comments below address issues raised by the SEC in question 5.**

We believe that the time to adopt I=IFRS in the United States is when there are no differences between I=IFRS and U.S. GAAP—“full convergence.”

To adopt or mandate I=IFRS on a any timetable, prior to full convergence, would have negative consequences. The most direct negative consequences would be the burdensome costs to all U.S. registrants and their shareholders, which we discuss below in our comments to question 67.

We support the Commission’s intention to enhance the incentives for the continued improvements to I=IFRS and U.S. GAAP. The contents of the Proposed Roadmap recognizes that “...the needs of the marketplace will continue to support the IASB and the FASB working together on their next phase of joint work to develop the best international standards to be used in the United States and internationally.” We support convergence.

**The comments below address issues raised by the SEC in questions 6 and 28.**

We believe it is appropriate to exclude investment companies, employee stock purchase, savings and similar plans and smaller reporting companies from filing or furnishing reports with the Commission under the Proposed Roadmap.

For the reasons discussed below, we also believe and strongly suggest that the SEC exclude “Exchange Act Section 12(g) registrants,” such as The Davey Tree Expert Company.

The Davey Tree Expert Company is employee-owned. Davey Tree’s common shares are registered under Section 12(g) of the Securities Exchange Act of 1934. Under Section 12(g) of the Exchange Act, a company with (a) 500 or more holders of record of a class of equity security and (b) assets in excess of \$10 million at the end of its most recent fiscal year must register that class of equity security, unless an Exchange Act registration exemption is available. Therefore, our shorthand way of describing why Davey Tree is required to report to the SEC is because Davey Tree is an “Exchange Act Section 12(g) registrant.”

This is in contrast to a registrant with securities registered under Exchange Act Section 12(b) because its securities are listed on a national securities exchange, or a company that has issued securities to the public in an offering registered under the Securities Act of 1933. Davey Tree is an “accelerated filer” as that term is defined in Exchange Act Rule 12b-2

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. 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, we have provided a ready market for all shareholders through our direct purchase of their common shares.

We do not consider Davey Tree to be an “issuer” under any “class of issuer” or industry. Nor do we foresee our common shares (a) being listed on a national securities exchange or (b) issued to the public in a Securities Act offering. As an employee-owned company, we have no intention of entering the capital markets, either domestically or internationally.

For the reasons above, we believe and strongly suggest that the SEC exclude Exchange Act Section 12(g) registrants, such as The Davey Tree Expert Company.

Any Roadmap to move to mandated use of I=IFRS should exclude: (a) investment companies; (b) employee stock purchase, savings and similar plans; (c) smaller reporting companies; and, (d) Exchange Act Section 12(g) registrants, such as The Davey Tree Expert Company.

**The comments below address issues raised by the SEC in question 8.**

We believe mandated use of I=IFRS in the United States would (a) adversely affect audit quality and the availability of audit services and (b) increase audit costs. Associated costs with the audit and the internal labor costs associated with obtaining an audit will increase.

Audit fees will increase with the auditor interpreting I=IFRS. Because I=IFRS is incomplete—not sufficiently comprehensive—there will be instances where judgments will differ between the registrant and their auditor, which will give rise to auditor costs being imposed unnecessarily on registrants. Also, because I=IFRS is incomplete, there will be instances of the misapplication of I=IFRS by the auditor or where the auditor resorts to making up the rules. Registrants incurred similar costs—“Auditor Say-So” costs—with the implementation of Sarbanes-Oxley Section 404. Auditor Say-So costs arise from auditor-imposed interpretations, misapplications, beliefs, individual interpretations and judgments. Said differently, audit costs will increase.

We are only presently seeing a return in the availability of competitive audit services, which were previously reduced with the implementation of Sarbanes Oxley Section 404. And even with the present return to the availability of audit services, the audit costs are greatly above pre-Section 404 costs.

**The comments below address issues raised by the SEC in questions 9 and 10.**

We are supportive of the IASB’s and FASB’s joint work plan and believe it does serve to promote a single-set of high-quality globally accepted accounting standards. We ask the Commission to continue to encourage the progress of the joint work plan and do whatever practicable to support furtherance of the joint work plan.

**The comments below address issues raised by the SEC in questions 36 and 37.**

Should the Commission decide to move forward and mandate I=IFRS, we believe a reconciliation would be valuable in understanding differences among, I=IFRS, F=IFRS and U.S. GAAP. In general, the reconciliation would serve as an educational aid to users.

We do not believe that the statement of comprehensive income requires reconciliation.

**The comments below address issues raised by the SEC in questions 39 and 40.**

A “full reconciliation,” as is required under Item 18 of Form 20-F, should be required and we suggest that the SEC challenge and, if necessary, revise its guidance to ensure that the requirements for the full reconciliation, as to form and content, are clear.

The proposed U.S. GAAP financial information should not be audited, either under a full reconciliation or under Proposal B (our alternative secondary preference). The supplemental U.S. GAAP financial information should not require auditor involvement and we believe this would be best achieved as an Exhibit rather than appearing as a note to the financial statements. We believe the information should be deemed “furnished” and not “filed” for purposes of Section 18 of the Exchange Act.

**The comments below address issues raised by the SEC in question 41.**

We believe a discussion of the reconciliation need not and should not be required in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prepared under Item 303 of Regulation S-K. The reconciliation itself will provide the information that users need.

**The comments below address issues raised by the SEC in question 42.**

Should the Commission decide to require supplemental U.S. GAAP information, it need not and should not cover quarterly periods included in the I=IFRS financial statements.

**The comments below address issues raised by the SEC in question 67.**

The estimates included in the Proposed Roadmap of the costs for issuers transitioning to I=IFRS sum to approximately \$32 million per company and relate to the first three years of filings on Form 10-K with total estimated costs for the approximate minimum of 110 issuers estimated to be eligible approximating \$3.5 billion. It is estimated that the majority of these transition costs would be incurred primarily in preparation of filings for the first year, declining by 75% in the second year and by 90% in the third year.

The estimates included in the Proposed Roadmap for Proposal B approximate \$2.7 million per adopting company over three years with “recurring cost of \$900,000 per company and reflect an assumption that issuers will choose to keep two sets of books and records as a result of the proposed reconciliation requirement.” For Exchange Act reports, estimates under Proposal B assume that 75% of the burden of preparation is carried by the company internally and 25% of the burden of preparation is carried by outside professionals retained by the company. The estimated cost of Proposal B best approximate those of “full reconciliation,” which we would favor should the Commission decide to go forward.

Estimates in the Proposed Roadmaps include the time and cost of in-house preparers, reviews by executive officers, in-house counsel, outside counsel, independent auditors and the members of the audit committee at an hourly rate of \$400 for the services of outside professionals. Estimates in the Proposed Roadmap are that the average annual burden over a three-year period would approximate 0.13% of revenue under Proposal B.

We believe that the estimated costs for mandated use of I=IFRS in the United States may be low, primarily for audit services and secondarily for outside consulting services in converting to the use of I=IFRS. As discussed in our comments related to Question 8, we believe audit costs will increase.

We believe the implementation costs to U.S. issuers and U.S. registrants will be far in excess of any calculated benefits, real or imagined.

**Davey Tree's Costs of Mandated I=IFRS**--Based upon the estimates included in the Proposed Roadmap, the average annual burden for Davey Tree would be \$800,000 for the first three years of filings—a total of \$2.4 million. In addition, annual costs would include \$68,000 for the reconciliation (based on the proportional percentage of the Proposed Roadmap estimate). Said differently, the average annual burden for the first three years of mandated use of I=IFRS for Davey Tree would be \$868,000—a total of \$2,604,000—and \$68,000 annually thereafter.

**Davey Tree's Benefits of Mandated I=IFRS**--We believe there are no benefits to Davey Tree from the mandated use of I=IFRS—zero.