
**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

July 2, 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 0-11917

THE DAVEY TREE EXPERT COMPANY

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

34-0176110

(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 Act). Yes No

There were 7,612,972 Common Shares outstanding as of July 26, 2005.

The Davey Tree Expert Company
Quarterly Report on Form 10-Q
July 2, 2005

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

	<u>July 2, 2005</u>	<u>December 31, 2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 449	\$ 1,244
Accounts receivable, net	78,805	64,432
Operating supplies	4,142	3,565
Other current assets	<u>9,326</u>	<u>11,357</u>
Total current assets	92,722	80,598
Property and equipment	284,625	269,599
Less accumulated depreciation	<u>192,539</u>	<u>185,999</u>
	92,086	83,600
Other assets	11,420	11,599
Identified intangible assets and goodwill, net	<u>6,651</u>	<u>7,308</u>
	<u>\$ 202,879</u>	<u>\$ 183,105</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 18,370	\$ 23,410
Accrued expenses	17,149	18,974
Other current liabilities	<u>15,271</u>	<u>16,007</u>
Total current liabilities	50,790	58,391
Long-term debt	40,785	19,830
Self-insurance accruals	24,921	21,354
Other noncurrent liabilities	<u>13,296</u>	<u>13,327</u>
	129,792	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	6,502	6,066
Common shares subscribed, unissued	9,147	9,198
Retained earnings	103,175	99,273
Accumulated other comprehensive income	<u>198</u>	<u>261</u>
	129,750	125,526
Less: Cost of common shares in treasury; 3,119 shares at July 2 and 3,074 shares at December 31	50,916	49,314
Common share subscription receivable	<u>5,747</u>	<u>6,009</u>
	<u>73,087</u>	<u>70,203</u>
	<u>\$ 202,879</u>	<u>\$ 183,105</u>

See notes to condensed consolidated financial statements.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2005</u>	<u>July 3, 2004</u>	<u>July 2, 2005</u>	<u>July 3, 2004</u>
Revenues	\$ 121,404	\$ 112,259	\$ 209,553	\$ 191,744
Costs and expenses:				
Operating	77,379	72,640	139,034	126,516
Selling	17,615	16,735	32,266	31,032
General and administrative	7,510	6,922	15,478	14,816
Depreciation and amortization	<u>6,318</u>	<u>5,427</u>	<u>12,187</u>	<u>10,634</u>
	<u>108,822</u>	<u>101,724</u>	<u>198,965</u>	<u>182,998</u>
Income from operations	12,582	10,535	10,588	8,746
Other income (expense):				
Interest expense	(609)	(481)	(1,033)	(931)
Interest income	46	217	103	1,830
Other, net	<u>(363)</u>	<u>(382)</u>	<u>(891)</u>	<u>(855)</u>
Income before income taxes	11,656	9,889	8,767	8,790
Income taxes	<u>4,768</u>	<u>4,055</u>	<u>3,586</u>	<u>3,604</u>
Net income	<u>\$ 6,888</u>	<u>\$ 5,834</u>	<u>\$ 5,181</u>	<u>\$ 5,186</u>
Net income per share:				
Basic	<u>\$.88</u>	<u>\$.73</u>	<u>\$.65</u>	<u>\$.63</u>
Diluted	<u>\$.83</u>	<u>\$.71</u>	<u>\$.61</u>	<u>\$.61</u>
Weighted-average shares outstanding:				
Basic	<u>7,983</u>	<u>7,983</u>	<u>8,020</u>	<u>8,184</u>
Diluted	<u>8,245</u>	<u>8,245</u>	<u>8,527</u>	<u>8,444</u>
Dividends declared per share	<u>\$.07</u>	<u>\$.065</u>	<u>\$.14</u>	<u>\$.13</u>

See notes to condensed consolidated financial statements.

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

	Six Months Ended	
	July 2, 2005	July 3, 2004
Operating activities		
Net income	\$ 5,181	\$ 5,186
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,187	10,634
Other	(147)	(406)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(14,373)	(23,676)
(Decrease) increase in operating liabilities	(3,427)	5,028
Prepetition accounts receivable collected	-	13,326
Other	<u>2,105</u>	<u>1,943</u>
Net cash provided by operating activities	1,526	12,035
Investing activities		
Capital expenditures, equipment	(19,122)	(18,937)
Other	<u>(783)</u>	<u>(1,022)</u>
Net cash used in investing activities	(19,905)	(19,959)
Financing activities		
Revolving credit facility proceeds, net	21,600	12,525
Purchase of common shares for treasury	(3,928)	(3,376)
Sale of common shares from treasury	2,741	2,125
Dividends	(1,173)	(1,111)
Other	<u>(1,656)</u>	<u>(1,520)</u>
Net cash provided by financing activities	<u>17,584</u>	<u>8,643</u>
(Decrease) increase in cash and cash equivalents	(795)	719
Cash and cash equivalents, beginning of period	<u>1,244</u>	<u>211</u>
Cash and cash equivalents, end of period	<u>\$ 449</u>	<u>\$ 930</u>
Supplemental cash flow information follows:		
Interest paid	\$ 931	\$ 954
Income taxes paid	3,609	4,233
Noncash transactions:		
Debt issued for purchases of businesses	-	1,138
Detail of acquisitions:		
Assets acquired:		
Equipment	\$ -	\$ 372
Intangibles	-	1,203
Debt issued for purchases of businesses	<u>-</u>	<u>1,138</u>
Cash paid	<u>\$ -</u>	<u>\$ 437</u>

See notes to condensed consolidated financial statements.

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 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)
July 2, 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		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Net income as reported	\$ 6,888	\$ 5,834	\$ 5,181	\$ 5,186
Add stock-based compensation included in net income as reported, net of related tax effect	6	65	12	65
Deduct stock-based compensation, determined under fair value method	<u>16</u>	<u>82</u>	<u>32</u>	<u>98</u>
Pro forma net income, FAS 123 adjusted	<u>\$ 6,878</u>	<u>\$ 5,817</u>	<u>\$ 5,161</u>	<u>\$ 5,153</u>
Net income per share--basic				
As reported	\$.88	\$.73	\$.65	\$.63
Pro forma, FAS 123 adjusted	.88	.73	.64	.63
Net income per share--diluted				
As reported	\$.83	\$.71	\$.61	\$.61
Pro forma, FAS 123 adjusted	.83	.71	.61	.61

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.

B. Seasonality of Business

Operating results for the six months ended July 2, 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.

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 2005

(Amounts in thousands, except per share data)

C. Accounts Receivable and Interest Income

Accounts receivable, net, consisted of the following:

	July 2, 2005	December 31, 2004
Accounts receivable	\$ 69,623	\$ 60,507
Receivables under contractual arrangements	<u>10,848</u>	<u>5,827</u>
	80,471	66,334
Less allowances for doubtful accounts	<u>1,666</u>	<u>1,902</u>
	<u>\$ 78,805</u>	<u>\$ 64,432</u>

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

Interest income totaling \$1,830 for the six months ended July 3, 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 nonqualified 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		Six Months Ended	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
Components of pension expense (income)				
Service costs--increase in benefit obligation earned	\$ 306	\$ 284	\$ 613	\$ 552
Interest cost on projected benefit obligation	332	347	665	665
Expected return on plan assets	(496)	(493)	(993)	(986)
Amortization of net actuarial loss	102	67	204	134
Amortization of prior service cost	1	144	2	145
Amortization of transition asset	<u>(18)</u>	<u>(18)</u>	<u>(36)</u>	<u>(36)</u>
Net pension expense of defined benefit pension plans	<u>\$ 227</u>	<u>\$ 331</u>	<u>\$ 455</u>	<u>\$ 474</u>

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 2005

(Amounts in thousands, except per share data)

D. Pension Plans (continued)

The Company expects, as of July 2, 2005, that it will not be necessary to make contributions to the defined benefit pension plans in 2005.

E. Long-Term Debt

Long-term debt consisted of the following:

	<u>July 2, 2005</u>	<u>December 31, 2004</u>
Revolving credit facility		
Prime rate borrowings	\$ 6,300	\$ 3,700
LIBOR borrowings	<u>34,000</u>	<u>15,000</u>
	40,300	18,700
Term loans	<u>1,176</u>	<u>2,040</u>
	41,476	20,740
Less current portion	<u>691</u>	<u>910</u>
	<u>\$ 40,785</u>	<u>\$ 19,830</u>

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 July 2, 2005, the Company had unused commitments under the facility approximating \$26,100, with \$93,900 committed, consisting of borrowings of \$40,300 and issued letters of credit of \$53,600. 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 July 2, 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 \$43 at July 2, 2005.

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 2005

(Amounts in thousands, except per share data)

F. Comprehensive Income

The components of comprehensive income follow:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2005</u>	<u>July 3, 2004</u>	<u>July 2, 2005</u>	<u>July 3, 2004</u>
Comprehensive Income				
Net income	\$ 6,888	\$ 5,834	\$ 5,181	\$ 5,186
Other comprehensive income (loss)				
Foreign currency translation adjustment	(68)	(170)	(97)	(225)
Derivative instruments:				
Change in fair value of interest rate swap	<u>(1)</u>	<u>247</u>	<u>55</u>	<u>161</u>
Other comprehensive income (loss), before income taxes	(69)	77	(42)	(64)
Income tax (expense) benefit, related to items of other comprehensive income (loss)	<u>-</u>	<u>(94)</u>	<u>(21)</u>	<u>(61)</u>
Other comprehensive income (loss)	<u>(69)</u>	<u>(17)</u>	<u>(63)</u>	<u>(125)</u>
Comprehensive income	<u>\$ 6,819</u>	<u>\$ 5,817</u>	<u>\$ 5,118</u>	<u>\$ 5,061</u>

G. Net Income Per Share and Common Shares Outstanding

Net income per share is computed as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2005</u>	<u>July 3, 2004</u>	<u>July 2, 2005</u>	<u>July 3, 2004</u>
Income available to common shareholders:				
Net income	<u>\$ 6,888</u>	<u>\$ 5,834</u>	<u>\$ 5,181</u>	<u>\$ 5,186</u>
Weighted-average shares:				
Basic:				
Outstanding	7,617,447	7,782,829	7,640,859	7,782,829
Partially-paid share subscriptions	<u>200,026</u>	<u>200,670</u>	<u>378,702</u>	<u>401,341</u>
Basic weighted-average shares	<u>7,817,473</u>	<u>7,983,499</u>	<u>8,019,561</u>	<u>8,184,170</u>
Diluted:				
Basic from above	7,817,473	7,983,499	8,019,561	8,184,170
Incremental shares from assumed:				
Exercise of stock subscription purchase rights	94,653	45,800	94,680	45,888
Exercise of stock options	<u>410,028</u>	<u>215,493</u>	<u>412,974</u>	<u>214,410</u>
Diluted weighted-average shares	<u>8,322,154</u>	<u>8,244,792</u>	<u>8,527,215</u>	<u>8,444,468</u>
Net income per share:				
Basic	<u>\$.88</u>	<u>\$.73</u>	<u>\$.65</u>	<u>\$.63</u>
Diluted	<u>\$.83</u>	<u>\$.71</u>	<u>\$.61</u>	<u>\$.61</u>

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 2005

(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 six months ended July 2, 2005 follows:

Shares outstanding at December 31, 2004	7,654,808
Shares purchased	(197,066)
Shares sold to employees and directors	124,916
Stock subscription offering -- cash purchases	3,962
Options exercised	<u>23,110</u>
	<u>(45,078)</u>
Shares outstanding at July 2, 2005	<u><u>7,609,730</u></u>

On July 2, 2005, the Company had 7,609,730 common shares outstanding, options exercisable to purchase 556,822 common shares, partially-paid subscriptions for 762,264 common shares and purchase rights outstanding for 254,566 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.

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
July 2, 2005

(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:

	<u>Utility Services</u>	<u>Residential Commercial Services</u>	<u>All Other</u>	<u>Reconciling Adjustments</u>	<u>Consolidated</u>
Three Months Ended July 2, 2005					
Revenues	\$ 46,111	\$ 56,086	\$ 19,207	\$ -	\$ 121,404
Income (loss) from operations	<u>2,246</u>	<u>8,718</u>	<u>3,044</u>	(1,426) (a)	12,582
Interest expense				609	609
Interest income				46	46
Other income (expense), net				<u>(363)</u>	<u>(363)</u>
Income before income taxes					<u>\$ 11,656</u>
Three Months Ended July 3, 2004					
Revenues	\$ 41,702	\$ 59,002	\$ 11,555	\$ -	\$ 112,259
Income (loss) from operations	<u>2,154</u>	<u>6,967</u>	<u>1,621</u>	(207) (a)	10,535
Interest expense				481	481
Interest income				217	217
Other income (expense), net				<u>(382)</u>	<u>(382)</u>
Income before income taxes					<u>\$ 9,889</u>
Six Months Ended July 2, 2005					
Revenues	\$ 90,179	\$ 90,001	\$ 29,373	\$ -	\$ 209,553
Income (loss) from operations	<u>3,369</u>	<u>6,543</u>	<u>2,909</u>	(2,233) (a)	10,588
Interest expense				1,033	1,033
Interest income				103	103
Other income (expense), net				<u>(891)</u>	<u>(891)</u>
Income before income taxes					<u>\$ 8,767</u>
Six Months Ended July 3, 2004					
Revenues	\$ 81,001	\$ 90,717	\$ 20,026	\$ -	\$ 191,744
Income (loss) from operations	<u>3,818</u>	<u>4,771</u>	<u>1,574</u>	(1,417) (a)	8,746
Interest expense				931	931
Interest income				1,830	1,830
Other income (expense), net				<u>(855)</u>	<u>(855)</u>
Income before income taxes					<u>\$ 8,790</u>

(a) Reconciling adjustments from segment reporting to consolidated external financial reporting include unallocated corporate items related to the reclassification of depreciation expense 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.

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2005</u>	<u>July 3, 2004</u>	<u>July 2, 2005</u>	<u>July 3, 2004</u>
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Operating	63.7	64.7	66.3	66.0
Selling	14.5	14.9	15.4	16.2
General and administrative	6.2	6.2	7.4	7.7
Depreciation and amortization	<u>5.2</u>	<u>4.8</u>	<u>5.8</u>	<u>5.5</u>
Income from operations	10.4	9.4	5.1	4.6
Other income (expense):				
Interest expense	(.5)	(.4)	(.5)	(.5)
Interest income	.0	.2	.0	1.0
Other, net	<u>(.3)</u>	<u>(.4)</u>	<u>(.4)</u>	<u>(.5)</u>
Income before income taxes	9.6	8.8	4.2	4.6
Income taxes	<u>3.9</u>	<u>3.6</u>	<u>1.7</u>	<u>1.9</u>
Net income	<u>5.7%</u>	<u>5.2%</u>	<u>2.5%</u>	<u>2.7%</u>

Second Quarter Overview

- Revenues increased 8.1% to \$121,404 in the second quarter of 2005 as compared to \$112,259 in the prior year quarter. Revenues increased 10.6% in Utility Services, declined 4.9% in Residential and Commercial Services and, in total for all other segments--Resource Group and Canadian operations--increased 66.5%.
- Income from operations for the second quarter of 2005 was \$12,582 compared to \$10,535 in the prior year quarter. Income from operations for the second quarter 2005 was \$2,246 in Utility Services, \$8,718 in Residential and Commercial Services, and \$3,188 for all other segments. Income from operations for the second quarter 2004 was \$2,154 in Utility Services, \$6,967 in Residential and Commercial Services, and \$1,691 for all other segments.
- Net income for the second quarter of 2005 was \$6,888 or \$.88 per share compared to \$5,834 or \$.73 per share in the prior year quarter.

First Half and Cash Flow Overview

- Revenues increased 9.3% to \$209,553 in the first half of 2005 compared to \$191,744 in the first half of 2004. Revenues increased 11.3% in Utility Services, declined slightly (.8%) in Residential and Commercial Services and, in total, for all other segments increased 46.7% .
- Income from operations for the first half of 2005 was \$10,588 compared to \$8,746 in the first half of 2004. Income from operations for the first half of 2005 was \$3,369 in Utility Services, \$6,543 in Residential and Commercial Services, and \$2,998 for all other segments.
- Interest income was \$103 for the first half of 2005 as compared with the \$1,830 for the first half of 2004. Interest income of \$1,830 for the first half 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 half of 2005 was \$5,181 or \$.65 per share as compared to \$5,186 or \$.63 per share in the first half of 2004.
- Cash flow provided by operations was \$1,526 in the first half of 2005 compared to \$12,035 in the first half of 2004.

Results of Operations--Second Quarter--Three Months Ended July 2, 2005 Compared to Three Months Ended July 3, 2004.

Revenues--Revenues of \$121,404 increased \$9,145 compared with \$112,259 in 2004. Utility Services increased \$4,409 or 10.6% compared with the second quarter 2004, the result of new contracts and increases in existing contracts within our eastern and western utility operations. Residential and Commercial Services decreased \$2,916 or 4.9% over the same period last year while all other segments increased \$7,726 or 66.5%. The decline in Residential and Commercial Services and increase in all other segments is the result of the Resource Group serving the metro New York contract related to the Asian Longhorned Beetle ("ALB") in 2005, while Residential and Commercial Services performed these services in 2004.

Operating Expenses--Operating expenses of \$77,379 increased \$4,739 compared with the second quarter 2004 but, as a percentage of revenues, decreased 1.0% to 63.7%. Utility Services increased \$3,372 or 10.7% compared with the second quarter 2004. Labor, equipment, fuel and subcontractor expense associated with the increased revenue, the result of 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 \$5,068 or 14.4% compared with 2004 and all other segments increased \$5,551 or 89.3%. 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.

Selling Expenses--Selling expenses of \$17,615 for the quarter increased \$880 over the second quarter 2004 but as a percentage of revenues decreased .4% to 14.5%. 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 \$7,510 increased \$588 or 8.5% from \$6,922 in the second quarter 2004, but as a percentage of revenues remained the same at 6.2%. Increases in salary expense, incentive expense, professional services and pension expense account for the increase.

Depreciation and Amortization Expense--Depreciation and amortization expense of \$6,318 increased \$891 from \$5,427 in the second quarter 2004, and as a percentage of revenues increased .4% to 5.2%. All operating segments experienced increases over the comparable quarter last year as a result of an increase in expenditures associated with the capital required due to increased revenues.

Interest Expense--Interest expense of \$609 increased \$128 from the \$481 incurred in second quarter 2004. The increase is the result of higher average levels of debt and higher interest rates.

Interest Income--Interest income for the quarter was \$46 compared with \$217 for the comparable quarter last year. Interest income in second quarter 2004 included the recognition of \$156 of interest related to the collection of our prepetition accounts receivable from Pacific Gas & Electric ("PG&E").

Income Taxes--Income tax expense for the quarter was \$4,768, as compared to \$4,055 for the second quarter 2004. The effective tax rate was 40.9% as compared to 41.0% in the second quarter 2004.

Net Income--Net income for the quarter of \$6,888 was \$1,054 more than the \$5,834 experienced in the second quarter 2004 and as a percentage of revenues increased .5% to 5.7%.

Results of Operations--First Half--Six Months Ended July 2, 2005 Compared to Six Months Ended July 3, 2004.

Revenues--Revenues of \$209,553 increased 9.3% or \$17,809 from the \$191,744 earned in the first half 2004. Utility Services increased 11.3 % or \$9,178. New contracts, increases in existing contracts and increased productivity, within our eastern and western utility operations account for the increase. Residential and Commercial Services declined slightly, \$716 or .8% from the same period last year, the result of the Resource Group serving the metro New York contract related to the Asian Longhorned Beetle ("ALB") in 2005, while Residential and Commercial Services performed these services in 2004. All other segments increased \$9,374 or 46.7% from the first half of 2004 due to the addition of the metro New York ALB contract and additional work obtained with our Canadian utility customers.

Operating Expenses--Operating expenses of \$139,034 increased \$12,518 from the \$126,516 in the first half of 2004 and as a percentage of revenues increased .3% to 66.3%. Residential and Commercial Services decreased \$3,614 or 6.7% due primarily to labor and materials associated with the ALB metro New York contract being included in Resource Group in 2005. Utility Services increased \$8,328 or 13.7% from 2004. Eastern utility operations incurred additional costs for labor and equipment associated with the start-up of new contracts and additional revenues, while our western utility operations experienced increases in labor and subcontractor costs, the result of additional revenues. All other segments increased \$6,993 or 60.6% from the first half 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 \$32,266 increased \$1,234 over the first half 2004 but as a percentage of revenues declined .8% to 15.4%. Utility Services experienced an increase of \$619 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 \$350 or 1.7% over the first half 2004. The increase is attributable to field management wages and incentives expense, offset by a reduction in employee development expense. All other segments combined increased \$499 or 12.5% for field management wages and expenses.

General and Administrative Expenses--General and administrative expenses of \$15,478 increased \$662 or 4.5% from \$14,816 in the first half 2004, but as a percentage of revenues declined .3% to 7.4%. The increase is attributable to additional salary expense, professional services and pension expense as compared to the first half 2004.

Depreciation and Amortization Expense--Depreciation and amortization expense of \$12,187 increased \$1,553 from \$10,634 in the first half of 2004, and as a percentage of revenues increased .3% to 5.8%. The increase is due to additional capital expenditures for equipment among all operating segments, the result of increased revenues.

Interest Expense--Interest expense of \$1,033 increased \$102 from the \$931 incurred in the first half of 2004. The increase is attributable to higher interest rates on bank borrowings and higher average levels of debt during the period.

Interest Income--Interest income of \$103 decreased \$1,727 from \$1,830 in the first half 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 \$3,586 as compared to \$3,604 for the first half of 2004. The effective tax rate was 40.9% as compared to 41.0% during the same period last year.

Net Income--Net income of \$5,181 was \$5 less than the \$5,186 for the first half of 2004 and as a percentage of revenues decreased .2% to 2.5%.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash decreased \$795 during the first half of 2005. Net cash provided by operating activities of \$1,526 and financing activities of \$17,584 was offset by \$19,905 of cash used in investing activities.

Net Cash Provided by Operating Activities

Operating activities for the first half of 2005 provided \$1,526 of cash, a net decrease of \$10,509 as compared to the \$12,035 provided during the first half of 2004.

The comparison of the \$1,526 cash provided by operating activities for the first half of 2005 to the \$12,035 for first half 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 half of 2004 would have used cash of \$1,291 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 \$14,373 during the first half of 2005. Although accounts receivable dollars increased, the “days-sales-outstanding” in accounts receivable decreased by 4 days to 59 from the corresponding period last year.

Operating liabilities used \$3,427 of cash, \$8,455 more than the \$5,028 provided in 2004. The use of cash in the first half 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 half of 2004.

Net Cash Used In Investing Activities

Investing activities used \$19,905 of cash, \$54 less than the \$19,959 used in the first half 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 \$17,584 of cash, \$8,941 more than the \$8,643 provided during the first half 2004. Our revolving credit facility and other borrowings provided \$8,939 more cash than that provided in the first half of 2004 and were used primarily for capital expenditures. Treasury share transactions (purchases and sales) required \$64 less than the \$1,251 used in 2004. Dividends paid increased to \$1,173 from the \$1,111 paid in the first half 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 July 2, 2005, the Company had unused commitments under the facility approximating \$26,100, with \$93,900 committed, consisting of borrowings of \$40,300 and issued letters of credit of \$53,600. 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

There are 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 July 2, 2005, to make future payments for the periods indicated.

<u>Description</u>	<u>Total</u>	<u>Six</u>	<u>Year Ending December 31,</u>				<u>Thereafter</u>
		<u>Months Ending</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
		<u>December 31,</u>					
		<u>2005</u>					
Revolving credit facility	\$ 40,300	\$ -	\$ -	\$ 40,300	\$ -	\$ -	\$ -
Term loans	1,176	46	665	465	-	-	-
Capital lease obligations	3,810	500	1,037	1,405	462	406	-
Operating lease obligations	4,771	985	1,487	1,172	707	269	151
Self-insurance accruals	35,824	7,443	10,670	7,759	4,731	2,335	2,886
Other liabilities	2,595	-	1,228	445	131	131	660
	<u>\$ 88,476</u>	<u>\$ 8,974</u>	<u>\$ 15,087</u>	<u>\$ 51,546</u>	<u>\$ 6,031</u>	<u>\$ 3,141</u>	<u>\$ 3,697</u>

The self-insurance accruals in the summary above reflect the total of the undiscounted amount accrued as at July 2, 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 July 2, 2005, we were contingently liable for letters of credit in the amount of \$57,830, of which \$53,600 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 July 2, 2005, we had working capital of \$41,932, short-term lines of credit approximating \$3,239 and \$26,100 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 July 2, 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 July 2, 2005. Weighted-average interest rates used for variable rate obligations are based on rates as derived from published spot rates, in effect as at July 2, 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 July 2, 2005 (fair value), we would receive \$43.

	<u>July 2</u>					<u>Total</u>	<u>Fair Value</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>		<u>July 2, 2005</u>
Liabilities							
Long-term debt							
Fixed rate	\$ 18	\$ 40	\$ 40	\$ -	\$ -	\$ 98	\$ 98
Average interest rate	10.0%	10.0%	10.0%				
Variable rate	\$ 28	\$ 625	\$ 40,725	\$ -	\$ -	\$ 41,378	\$ 41,305
Average interest rate	4.5%	4.8%	4.8%				
Interest rate derivative instruments							
Pay fixed, notional amount	\$15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ (43)

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 July 2, 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 July 2, 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 July 2, 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 and 3 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 six months of 2005.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
<u>Fiscal 2005</u>				
January 2 to January 29	-	-	n/a	n/a
January 30 to February 26	-	-	n/a	n/a
February 27 to April 2	<u>29,594</u>	\$ 20.00	n/a	n/a
Total First Quarter	<u>29,594</u>	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	<u>13,844</u>	20.00	n/a	n/a
Total Second Quarter	<u>166,841</u>	20.00		
Total Year to Date	<u>196,435</u>	20.00		

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

An annual meeting of shareholders was held on May 17, 2005. The following sets forth the actions considered and the results of the voting:

Election of Directors

Nominees for director for the term
expiring on the date of the annual
meeting in 2008 -- All elected.

	<u>Number of Shares</u>		
	<u>For</u>	<u>Against</u>	<u>Nonvotes</u>
Dr. Carol A. Cartwright	6,495,473	51,050	1,921,998
R. Douglas Cowan	6,514,496	32,027	1,921,998
J. Dawson Cunningham	6,529,816	16,707	1,921,998

Item 5. *Other Information*

On June 13, 2005, the Company entered into Amendment No. 4 to its Credit Agreement dated November 8, 2002. This Amendment was entered into in order to increase the letter of credit sublimit to \$70,000,000 from \$60,000,000 and to provide for the issuance of a standby letter of credit at the request of the Company's newly-formed captive insurance subsidiary, Standing Rock Insurance Company, for the benefit of the State of Vermont.

A copy of Amendment No. 4 to the Credit Agreement dated November 8, 2002 is attached to this quarterly report on Form 10-Q as Exhibit No. 10.1

Item 6. *Exhibits.*

(a) *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: August 4, 2005

By: /s/ David E. Adante
David E. Adante
Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer)

Date: August 4, 2005

By: /s/ Nicholas R. Sucic
Nicholas R. Sucic
Corporate Controller
(Principal Accounting Officer)

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>	
10.1	Amendment No. 4 to Credit Agreement by and among the Company and Key Bank National Association, as lead arranger, syndication agent and administrative agent and National City Bank, as documentation agent, for various lending institutions dated as of November 8, 2002	Filed Herewith
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

AMENDMENT NO. 4 TO CREDIT AGREEMENT

This Amendment No. 4 to Credit Agreement (this "Amendment") is dated as of June 13, 2005, by and among THE DAVEY TREE EXPERT COMPANY, an Ohio corporation ("Borrower"), the lenders party to the Credit Agreement, as hereinafter defined (the "Banks"), and KEYBANK NATIONAL ASSOCIATION, as agent for the Banks ("Agent").

WHEREAS, Borrower, Agent and the Banks are parties to a certain Credit Agreement, dated as of November 8, 2002, as amended and as the same may from time to time be further amended, restated or otherwise modified, which provides, among other things, for revolving loans, letters of credit and other financial accommodations, all upon certain terms and conditions stated therein (the "Credit Agreement"); and

WHEREAS, Borrower, Agent and the Banks desire to further amend the Credit Agreement to modify certain provisions thereof;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other valuable considerations, Borrower, Agent and the Banks hereby agree as follows:

Section 1. Definitions. Each capitalized term used herein and not otherwise defined in this Amendment shall be defined in accordance with the Credit Agreement.

Section 2. Amendments.

2.1 New Definitions. Article I of the Credit Agreement is hereby amended to add the following new definitions thereto in appropriate alphabetical order:

"Amendment No. 4 Effective Date" shall mean June 13, 2005.

"Insurance Subsidiary" shall mean Standing Rock Insurance Company, a Vermont corporation.

"Insurance Subsidiary Letter of Credit" shall mean any standby letter of credit issued at the request of the Insurance Subsidiary which standby letter of credit (and any application and reimbursement entered into in connection therewith) may, at the request of Borrower, contain a waiver of reimbursement or setoff rights against the Insurance Subsidiary by KeyBank National Association.

"Parent Guaranty of Payment" shall mean a Guaranty of Payment of Debt, in form and substance satisfactory to Agent and the Banks, executed and delivered by Borrower on the Amendment No. 4 Effective Date pursuant to which Borrower shall guaranty the payment in full of all of the obligations of the Insurance Subsidiary with respect to each Letter of Credit issued for its account or at their request.

2.2 Amended Definitions. Article I of the Credit Agreement is hereby amended to delete the definitions "Guaranty of Payment," "Letter of Credit" and "Letter of Credit Commitment" therefrom and to insert in place thereof the following:

"Guaranty of Payment" shall mean (a) in the case of Borrower, the Parent Guaranty of Payment, and (b) in the case of any Subsidiary of Borrower, each of the Guaranties of Payment of Debt

executed and delivered on or after the Closing Date in connection herewith by the Guarantors of Payment, as the same may from time to time be amended, restated or otherwise modified.

“Letter of Credit” shall mean (a) any Insurance Subsidiary Letter of Credit, and (b) any other standby letter of credit that shall be issued by Agent for the benefit of Borrower or a Guarantor of Payment, in each case including amendments thereto, if any, and having an expiration date no later than the earlier of (i) one (1) year after its date of issuance or (ii) thirty (30) days prior to the last day of the Commitment Period; provided, however, that any Letter of Credit may contain an automatic renewal provision so long as any Letter of Credit that has an automatic renewal provision permits Agent, as the issuing bank, to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued.

“Letter of Credit Commitment” shall mean the commitment of Agent, on behalf of the Banks, to issue Letters of Credit in an aggregate outstanding face amount of up to Seventy Million Dollars (\$70,000,000), during the Commitment Period, on the terms and conditions set forth in Section 2.1B hereof, as such amount may be increased in accordance with Section 2.5(e) hereof; provided, however, that at no time shall the outstanding face amount of Insurance Subsidiary Letters of Credit exceed Five Million Dollars (\$5,000,000).

2.3 Amendments to Section 2.1. Section 2.1 of the Credit Agreement is hereby amended to amend and restate subpart B thereof in its entirety as follows:

B. Letters of Credit.

Subject to the terms and conditions of this Agreement, during the Commitment Period, Agent shall, in the name of KeyBank National Association, but only as Agent for the Banks, issue such Letters of Credit for the account of Borrower, any Guarantor of Payment or the Insurance Subsidiary as Borrower may from time to time request. Borrower shall not request any Letter of Credit (and Agent shall not be obligated to issue any Letter of Credit) if, after giving effect thereto, (a) the Letter of Credit Exposure would exceed the Letter of Credit Commitment or (b) the Revolving Credit Exposure would exceed the Total Commitment Amount. The issuance of each Letter of Credit shall confer upon each Bank the benefits and liabilities of a participation consisting of an undivided *pro rata* interest in the Letter of Credit to the extent of such Bank’s Commitment Percentage.

Each request for a Letter of Credit shall be delivered to Agent not later than 11:00 A.M. (Cleveland, Ohio time) three (3) Business Days prior to the day upon which the Letter of Credit is to be issued. Each such request shall be in a form acceptable to Agent and specify the face amount thereof, the account party, the beneficiary, the intended date of issuance, the expiry date thereof, and the nature of the transaction to be supported thereby. Concurrently with each such request, Borrower, any Guarantor of Payment for whose benefit the Letter of Credit is to be issued, or the Insurance Subsidiary, as appropriate, shall execute and deliver to Agent an appropriate application and agreement, being in the standard form of Agent for such letters of credit, as amended to conform to the provisions of this Agreement if required by Agent. Agent shall give each Bank notice of each such request for a Letter of Credit.

In respect of each Letter of Credit and the drafts thereunder, if any, whether issued for the account of Borrower, a Guarantor of Payment or the Insurance Subsidiary, Borrower agrees (a) to pay to Agent, for the *pro rata* benefit of the Banks, a non-refundable commission based upon the face amount of the Letter of Credit, which shall be paid quarterly in arrears at a rate *per annum* equal to the Applicable LIBOR Margin (in effect on the date such Letter of Credit is issued or renewed) times the face amount of such Letter of Credit during such fiscal quarter; (b) to pay to Agent, for its own account as issuing bank, a fronting fee based upon the face amount of the Letter of Credit, which shall be paid on each date that such Letter of Credit is issued or renewed, at a rate per annum equal to ten (10) basis points times the face amount of such Letter of Credit; and (c) to pay to Agent, for its sole account, such other issuance, amendment, negotiation, draw, acceptance, telex, courier, postage and similar transactional fees as are generally charged by Agent under its fee schedule as in effect from time to time.

Whenever a Letter of Credit is drawn, Borrower shall immediately reimburse Agent for the amount drawn. In the event that the amount drawn is not reimbursed by Borrower within one (1) Business Day of the drawing of such Letter of Credit, at the sole option of Agent, Borrower shall be deemed to have requested a Revolving Loan, subject to the provisions of Section 2.1A, in the amount drawn. Such Revolving Loan shall be evidenced by the Revolving Credit Notes. Each Bank agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Bank acknowledges and agrees that its obligation to make a Revolving Loan pursuant to Section 2.1A when required by this Section 2.1B is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of Agent, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Bank's Revolving Credit Commitment shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this paragraph to reimburse, in full, Agent for the amount drawn on such Letter of Credit. Each such Revolving Loan shall be deemed to be a Base Rate Loan unless otherwise requested by and available to Borrower hereunder. Each Bank is hereby authorized to record on its records relating to its Revolving Credit Note such Bank's *pro rata* share of the amounts paid and not reimbursed on the Letters of Credit.

2.4 Amendment to Section 5.11. Section 5.11 is hereby amended to add the following new subpart (xii) thereto:

(xii) (i) the obligations of Borrower pursuant to the Parent Guaranty, and (ii) investments by Borrower in the Insurance Subsidiary in an aggregate amount not to exceed One Million Dollars (\$1,000,000), provided that insurance premiums paid by any Company to the Insurance Subsidiary in the ordinary course of business shall not constitute investments under this Section 5.11;

2.5 Amendment to Section 5.20. Section 5.20 of the Credit Agreement is hereby amended and restated in its entirety:

SECTION 5.20 SUBSIDIARY GUARANTIES. Each Subsidiary or other affiliate of a Company created, acquired or held subsequent to the Closing Date shall immediately execute and deliver to Agent a Guaranty of Payment of all of the Debt, such agreement to be in form and substance acceptable to Agent and the Required Banks, along with such corporate governance and authorization documents and an opinion of counsel as may be deemed necessary or advisable by Agent and the Required Banks; provided, however, that (a) the Insurance Subsidiary shall not be required to execute and deliver a Guaranty of Payment, (b) a Subsidiary shall not be required to execute such Guaranty of Payment so long as (i) the book value of the total assets of such Subsidiary is less than One Million Dollars (\$1,000,000), (ii) the aggregate of the total assets of all such Subsidiaries with total asset values of less than One Million Dollars (\$1,000,000) does not exceed the aggregate amount of Five Million Dollars (\$5,000,000), and (iii) the amount of total net sales of such Subsidiary is less than One Million Dollars (\$1,000,000); and (c) a Foreign Subsidiary shall not be required to execute a Guaranty of Payment to the extent that such Guaranty of Payment will result in adverse tax consequences for Borrower. In the event that the book value of the total assets and/or the amount of total net sales of any Subsidiary (other than the Insurance Subsidiary) that is not a Guarantor of Payment are at any time equal to or greater than One Million Dollars (\$1,000,000), Borrower shall provide Agent and the Banks with prompt written notice of such asset value.

Section 3. Effectiveness.

3.1 Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(i) Amendment Executed. This Amendment shall have been executed by Borrower, Agent and each Bank, and counterparts hereof as so executed shall have been delivered to Agent, and each Guarantor of Payment shall have acknowledged the terms hereof.

(ii) Parent Guaranty. Borrower shall have executed and delivered to Agent the Parent Guaranty of Payment.

(iii) Officer's Certificate; Resolutions. Borrower and each Guarantor of Payment shall have delivered to each Bank an officer's certificate certifying the names of the officers of Borrower or such Guarantor of Payment authorized to sign this Amendment and the other documents being executed or delivered in connection herewith, together with the true signatures of such officers and certified copies of the resolutions of the board of directors of Borrower and each Guarantor of Payment evidencing approval of the execution and delivery of this Amendment and such other documents.

(iv) Amendment and Legal Fees. Borrower shall have paid to Agent for the *pro rata* benefit of the Banks a letter of credit increase fee in the amount of Ten Thousand Dollars (\$10,000) as required pursuant to Section 2.13(e) of the Credit Agreement.

3.2 Effective Date. This Amendment shall be effective on the date upon which the conditions precedent set forth in Section 3.1 above are satisfied. Unless otherwise specifically set forth herein, each of the amendments and other modifications set forth in this Amendment shall be effective on and after such date.

Section 4. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Banks that (a) Borrower has the legal power and authority to execute and deliver this Amendment, (b) the officers executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof, (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the organizational agreements of Borrower or any law applicable to Borrower or result in a

breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower, (d) no Default or Event of Default exists under the Credit Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof, (e) Borrower is not aware of any claim or offset against, or defense or counterclaim to, any of Borrower's obligations or liabilities under the Credit Agreement or any Related Writing, and (f) this Amendment constitutes a valid and binding obligation of Borrower in every respect, enforceable in accordance with its terms.

Section 5. Miscellaneous.

5.1 Waiver. Borrower, by signing below, hereby waives and releases Agent and each of the Banks and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which Borrower is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

5.2 Credit Agreement Unaffected. Each reference that is made in the Credit Agreement or any Related Writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby. This Amendment is a Related Writing, as defined in the Credit Agreement.

5.3 Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

5.4 Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of Ohio, without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank.]

5.5 JURY TRIAL WAIVER. BORROWER, AGENT AND EACH OF THE BANKS HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE BANKS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

THE DAVEY TREE EXPERT COMPANY

By: /s/ David E. Adante
Name: David E. Adante
Title: Executive Vice President, CFO and Secretary

and /s/ Bradley L. Comport
Name: Bradley L. Comport
Title: Treasurer

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Bank

By: /s/ Michael V. Panichi
Name: Michael V. Panichi
Title: Vice President

NATIONAL CITY BANK

By: /s/ Ronald J. Majka
Name: Ronald J. Majka
Title: Senior Vice President

FIRSTMERIT BANK, N.A.

By: /s/ George Robert Mohr
Name: George Robert Mohr
Title: Vice President

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: /s/ Andrew T. Cavallari
Name: Andrew T. Cavallari
Title: Vice President

GUARANTOR ACKNOWLEDGMENT AND AGREEMENT

The undersigned consents and agrees to and acknowledges the terms of the foregoing Amendment No. 4 to Credit Agreement. The undersigned further agrees that the obligations of the undersigned pursuant to the Guaranty of Payment of Debt executed by the undersigned shall remain in full force and effect and be unaffected hereby.

The undersigned hereby waives and releases Agent and each of the Banks and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which the undersigned is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

JURY TRIAL WAIVER. THE UNDERSIGNED, AGENT AND EACH OF THE BANKS HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, THE UNDERSIGNED, AGENT AND THE BANKS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

DAVEY TREE SURGERY COMPANY

By: /s/ David E. Adante
Name: David E. Adante
Title: Executive Vice President and CFO

PARENT GUARANTY OF PAYMENT

This PARENT GUARANTY OF PAYMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, this “Guaranty”) is entered into as of June 13, 2005 by THE DAVEY TREE EXPERT COMPANY, an Ohio corporation (“Guarantor”), in favor of KEYBANK NATIONAL ASSOCIATION, as administrative agent (“Agent”), for the benefit of the Banks, as hereinafter defined.

Recitals:

A. Guarantor is a party to the Credit Agreement, as hereinafter defined, with Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, “Banks” and, individually, each a “Bank”).

B. STANDING ROCK INSURANCE COMPANY, a Vermont corporation (“Insurance Subsidiary”), is a wholly-owned subsidiary of Guarantor that desires to obtain Letters of Credit, as hereinafter defined, under the Credit Agreement and Guarantor deems it to be in its direct pecuniary and business interests that Insurance Subsidiary obtain such Letters of Credit provided for in the Credit Agreement.

C. Guarantor understands that the Banks are willing to make Letters of Credit available to the Insurance Subsidiary only upon certain terms and conditions, one of which is that Guarantor guarantee the payment of the LC Obligations, as hereinafter defined, and this Guaranty is being executed and delivered in consideration of the foregoing and for other valuable considerations.

Section 1. Definitions. Except as specifically defined herein, capitalized terms used herein that are defined in the Credit Agreement have the respective meanings ascribed to such terms in the Credit Agreement. As used herein, the following terms have the following meanings:

“Collateral” means, collectively, all property, if any, securing the Debt or any part thereof at the time in question.

“Credit Agreement” means the Credit Agreement executed by and among Guarantor, Agent and the Banks, dated as of November 8, 2002, as amended and as the same may from time to time be further amended, restated or otherwise modified.

“Insurance Company Insurance Subsidiary Letter of Credit” means any Insurance Subsidiary Insurance Subsidiary Letter of Credit, as defined in the Credit Agreement, issued pursuant to the Credit Agreement.

“LC Obligations” means, collectively, all of the Indebtedness and other obligations incurred by Insurance Subsidiary to Agent or the Banks in connection with any Insurance Subsidiary, including, but not limited, all reimbursement obligations with respect any draw under any such Insurance Subsidiary Letter of Credit.

“Obligor” means any Person that, or any of whose property, is or shall be obligated on the Debt or any part thereof in any manner and includes, without limiting the generality of the foregoing, Guarantor, and any other co-maker, endorser, guarantor of payment, subordinating creditor, assignor, grantor of a security interest, pledgor, mortgagor or any hypothecator of property, if any.

“Person” means any individual, sole proprietorship, partnership, joint venture, unincorporated organization, corporation, limited liability company, institution, trust, estate, government or other agency or political subdivision thereof or any other entity.

Section 2. Guaranty of LC Obligations. Guarantor hereby absolutely and unconditionally guarantees the prompt payment in full of all of the LC Obligations, whether now existing or hereafter arising, as and when the respective parts thereof become due and payable. If the LC Obligations, or any part thereof, is not paid in full when due and payable, Agent, on behalf of the Banks, in each case, has the right to proceed directly against Guarantor under this Guaranty to collect the payment in full of the LC Obligations, regardless of whether or not Agent, on behalf of the Banks, has theretofore proceeded or is proceeding against any other Obligor or Collateral, if any, or any of the foregoing. Agent and the Required Banks, in their sole discretion, may proceed against any Obligor and any Collateral, and may exercise each right, power or privilege that Agent or the Banks may then have, either simultaneously or separately, and, in any event, at such time or times and as often and in such order as Agent and the Required Banks, in their sole discretion, may from time to time deem expedient to collect the payment in full of the LC Obligations; provided, however, that neither Agent nor any Bank shall have any right to proceed against Insurance Subsidiary for any of the LC Obligations.

Section 3. Payments Conditional. Whenever Agent or any Bank credits any payment to the LC Obligations or any part thereof, whatever the source or form of payment, the credit shall be conditional as to Guarantor unless and until the payment is final and valid as to all the world. Without limiting the generality of the foregoing, Guarantor agrees that if any check or other instrument so applied is dishonored by the drawer or any party thereto, or if any proceeds of Collateral or payment so applied is thereafter recovered by any trustee in bankruptcy or any other Person, each Bank, in each case, may reverse any entry relating thereto on its books and Guarantor shall remain liable therefor, even if such Bank may no longer have in its possession any evidence of the LC Obligations to which the payment in question was applied.

Section 4. Guarantor's Obligations Absolute and Unconditional. Regardless of the duration of time, regardless of whether Insurance Subsidiary may from time to time cease to be indebted to the Banks and irrespective of any act, omission or course of dealing whatever on the part of Agent or any Bank, Guarantor's liabilities and other obligations under this Guaranty shall remain in full effect until the payment in full of the LC Obligations. Without limiting the generality of the foregoing:

(a) Guarantor's liabilities and other obligations under this Guaranty shall survive any dissolution of Guarantor; and

(b) Guarantor's liabilities and other obligations under this Guaranty are absolute and unconditional irrespective of any lack of validity or enforceability of the Credit Agreement, the Notes, any Loan Document or any other agreement, instrument or document evidencing the Debt or related thereto, or any other defense available to Guarantor in respect of this Guaranty.

Section 5. Disability of Obligor. Without limiting the generality of any of the other provisions hereof, Guarantor agrees that upon the dissolution of any Obligor and/or the filing or other commencement of any bankruptcy or insolvency proceedings by, for or against any Obligor, including without limitation, any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate any Obligor, Agent and the Required Banks, in their sole discretion, may declare the unpaid principal balance of and accrued interest on the LC Obligations to be forthwith due and payable in full without notice. Upon the occurrence of any of the events enumerated in the immediately preceding sentence, Guarantor shall, upon the demand of Agent, on behalf of the Banks, whenever made, pay to Agent, for the benefit of the Banks, an amount equal to the then unpaid principal balance of and accrued interest on the LC Obligations.

Section 6. Subrogation Rights. Guarantor hereby irrevocably waives all rights of subrogation that it may at any time otherwise have as a result of this Guaranty (whether contractual, under section 509

of the Bankruptcy Code, or otherwise) against Insurance Subsidiary and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from Insurance Subsidiary that it may at any time otherwise have as a result of this Guaranty.

Section 7. Notice. All notices, requests, demands and other communications provided for hereunder shall be in given in accordance with the Credit Agreement.

Section 8. Miscellaneous. This Guaranty binds Guarantor and its successors and assigns and inures to the benefit of Agent and each Bank and their respective successors and assigns, including, without limitation, each holder of any Note evidencing any Debt. If, at any time, one or more provisions of this Guaranty is or becomes invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. This Guaranty constitutes a final written expression of all of the terms of this Guaranty, is a complete and exclusive statement of those terms and supersedes all oral representations, negotiations and prior writings, if any, with respect to the subject matter hereof. The relationship between (a) Guarantor and (b) Agent and the Banks with respect to this Guaranty is solely that of debtor and creditors, respectively, and Agent and the Banks have no fiduciary obligation toward Guarantor with respect to this Guaranty or the transactions contemplated hereby. The captions herein are for convenience of reference only and shall be ignored in interpreting the provisions of this Guaranty.

Section 9. Payments Net of Taxes. All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for withholding tax or similar tax, present or future, imposed by any taxing authority in any jurisdiction (a "Tax"). If Guarantor shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Bank such additional amounts as shall be necessary to cause such Bank actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) Guarantor shall give to such Bank the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of Guarantor, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) Guarantor shall indemnify and save such Bank harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising from non-payment of such Tax) to which such Bank may be exposed or that it may incur, by reason of Guarantor's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this Section.

Section 10. Obligations. The obligations of Guarantor under this Guaranty are independent of the obligations of any other Obligor, and a separate action or actions may be brought and prosecuted against Guarantor whether or not any action is brought against any other Obligor and whether or not any other Obligor is joined in any such action.

Section 11. Governing Law; Submission to Jurisdiction. The provisions of this Guaranty and the respective rights and duties of Guarantor, Agent and the Banks hereunder shall be governed by and construed in accordance with Ohio law, without regard to principles of conflict of laws. Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Guaranty, any Loan Document or any Related Writing, and Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Guarantor, on

behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Guarantor agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

[Remainder of page intentionally left blank.]

Section 12. JURY TRIAL WAIVER. GUARANTOR, AGENT, AND THE BANKS EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG INSURANCE SUBSIDIARY, GUARANTOR, AGENT, AND THE BANKS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS GUARANTY OR ANY NOTE OR OTHER AGREEMENT, INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, Guarantor has executed and delivered this Guaranty as of the date first written above.

THE DAVEY TREE EXPERT COMPANY

By: /s/ David E. Adante

Name: David E. Adante

Title: Executive Vice President, CFO and Secretary

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: August 4, 2005

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

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: August 4, 2005

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

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 July 2, 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: August 4, 2005

/s/ R. Douglas Cowan

R. Douglas Cowan
Chairman and Chief Executive Officer

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 July 2, 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: August 4, 2005

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