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 March 29, 2008

OR

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

For the transition period from ______________ to ______________

Commission file number 000-11917

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

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

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

(330) 673-9511
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one):	☐ Large Accelerated Filer	☒ Accelerated Filer
	☐ Non-Accelerated Filer	☐ Smaller Reporting Company

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

There were 7,203,650 Common Shares, $1.00 par value, outstanding as of May 1, 2008.

The Davey Tree Expert Company
Quarterly Report on Form 10-Q
March 29, 2008

INDEX

"We," "Us," "Our," "Davey" and "Davey Tree," unless the context otherwise requires, means The Davey Tree Expert Company and its subsidiaries.

THE DAVEY TREE EXPERT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS *(Unaudited)*

(In thousands, except per share data dollar amounts)

	March 29, 2008	December 31, 2007
Assets		
Current assets:		
Cash	$ 1,802	$ 1,819
Accounts receivable, net	73,286	72,011
Operating supplies	5,041	3,688
Other current assets	16,421	14,365
Total current assets	96,550	91,883
Property and equipment	362,489	340,032
Less accumulated depreciation	233,370	231,793
	129,119	108,239
Other assets	19,816	19,797
Identified intangible assets and goodwill, net	17,246	11,730
	$ 262,731	$ 231,649
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 21,794	$ 20,419
Accrued expenses	18,951	26,311
Other current liabilities	23,629	24,710
Total current liabilities	64,374	71,440
Long-term debt	65,847	32,099
Self-insurance accruals	35,305	28,710
Other noncurrent liabilities	4,601	5,018
	170,127	137,267
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	8,730	7,953
Common shares subscribed, unissued	7,370	7,571
Retained earnings	135,128	137,132
Accumulated other comprehensive income (loss)	(525)	400
	161,431	163,784
Less: Cost of Common shares held in treasury; 3,414 shares at March 29, 2008 and 3,463 shares at December 31, 2007	66,861	67,310
Common shares subscription receivable	1,966	2,092
	92,604	94,382
	$ 262,731	$ 231,649

See notes to condensed consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(Unaudited)*

(In thousands, except per share dollar amounts)

	Three Months Ended	
	March 29, 2008	**March 31, 2007**
Revenues	$ 115,599	$ 103,841
Costs and expenses:		
Operating	79,321	71,840
Selling	19,262	17,156
General and administrative	10,701	9,308
Depreciation and amortization	7,476	6,726
Gain on sale of assets, net	(221)	(4)
	116,539	105,026
Loss from operations	(940)	(1,185)
Other income (expense):		
Interest expense	(695)	(863)
Interest income	80	115
Other, net	(638)	(474)
Loss before income taxes	(2,193)	(2,407)
Income tax benefits	(859)	(926)
Net loss	$ (1,334)	$ (1,481)
Net loss per share -- basic and diluted	$ (.18)	$ (.19)
Weighted-average shares outstanding -- basic and diluted	7,433	7,677
Dividends declared per share	$ .085	$ .080

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 29, 2008	**March 31, 2007**
Operating activities		
Net loss	$ (1,334)	$ (1,481)
Adjustments to reconcile net loss to net		
cash provided by (used in) operating activities:		
Depreciation and amortization	7,476	6,726
Other	(46)	(81)
Changes in operating assets and liabilities:		
Accounts receivable	1,768	487
Operating liabilities	(6,821)	(3,563)
Other	(3,772)	(1,917)
	(1,395)	1,652
Net cash (used in) provided by operating activities	(2,729)	171
Investing activities		
Capital expenditures:		
Equipment	(11,804)	(18,275)
Land and buildings	(389)	(2,043)
Purchases of businesses	(14,172)	(1,316)
Other	278	(114)
Net cash used in investing activities	(26,087)	(21,748)
Financing activities		
Revolving credit facility proceeds, net	29,950	23,600
Purchase of common shares for treasury	(1,230)	(1,235)
Sale of common shares from treasury	2,005	1,991
Dividends	(670)	(657)
Other	(1,256)	(3,748)
Net cash provided by financing activities	28,799	19,951
Decrease in cash	(17)	(1,626)
Cash, beginning of period	1,819	2,101
Cash, end of period	**$ 1,802**	**$ 475**
Supplemental cash flow information follows:		
Interest paid	$ 652	$ 639
Income taxes paid	1,408	992
Detail of acquisitions:		
Assets acquired:		
Receivables	$ 3,043	$ -
Equipment	16,518	504
Intangibles	5,802	1,980
Prepaids	62	-
Liabilities assumed	(5,614)	(94)
Debt issued for purchases of businesses	(5,639)	(1,074)
Cash paid	$ 14,172	$ 1,316

A. Basis of Financial Statement Preparation

The condensed consolidated financial statements present the financial position, results of operations and cash flows of The Davey Tree Expert Company and its subsidiaries. “We,” “Us,” “Our,” “Davey” and “Davey Tree” means The Davey Tree Expert Company and its subsidiaries, unless the context indicates otherwise.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. The consolidated financial statements include all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal, recurring nature. All significant intercompany accounts and transaction have been eliminated.

Certain information and disclosures required by U.S. GAAP for complete financial statements have been omitted in accordance with the rules and regulations of the SEC. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements included in our annual report on Form 10-K for the year ended December 31, 2007 (the “2007 Annual Report”).

Use of Estimates in Financial Statement Preparation**--**The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts. Our consolidated financial statements include amounts that are based on management’s best estimates and judgments. Estimates are used for, but not limited to, accounts receivable valuation, self-insurance accruals, income taxes and revenue recognition. Actual results could differ from those estimates.

Interim Results of Operations**--**Interim results may not be indicative of calendar year performance because of seasonal and short-term variations.

New Accounting Pronouncement Requiring Adoption**--**In September 2006, the Finacial Accounting Standards Board (“FASB”) issued FAS Statement No. 157, “Fair Value Measurements” (“FAS 157”) which establishes a framework for measuring fair value and requires expanded presentations regarding fair value measurements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP FAS 157-2”), “Effective Date of FASB Statement No. 157,” which allows for the deferral of the adoption date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or presented at fair value in the financial statements on a recurring basis. We have elected to defer the adoption of FAS 157 for the assets and liabilities within the scope of FSP FAS 157-2. The effective provisions of FAS 157 are included in Note G, “Fair Value Measurements.” The adoption of FAS 157 for those assets and liabilities within the scope of FSP FAS 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows.

A. Basis of Financial Statement Preparation (continued)

New Accounting Pronouncement Requiring Adoption--In March 2008, the FASB issued FAS 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement 133" ("FAS 161"). FAS 161 requires entities to provide enhanced disclosures relating to: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under FAS 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FAS 161 must be applied prospectively to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under FAS 133 for all financial statements issued for fiscal years and interim periods beginning after November 15, 2008, which for us begins with our 2009 calendar year, with early application encouraged. The adoption of FAS 161 will not have a material effect on our financial position, results of operation or cash flows.

New Accounting Pronouncement Requiring Adoption--In December 2007, the FASB issued Statement No. 141 (revised 2007), "Business Combinations" ("FAS 141R"), which replaces FAS 141, "Business Combinations." FAS 141R retains the underlying concepts of FAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS 141R changed the method of applying the acquisition method in a number of significant aspects. Early adoption is not permitted. We are required to adopt FAS 141R prospectively for any acquisitions on or after January 1, 2009.

B. Seasonality of Business

Due to the seasonality of our business, our operating results for the three months ended March 29, 2008 are not indicative of results that may be expected for any other interim period or for the year ending December 31, 2008. Business seasonality is the result of traditionally 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, amortization, rent and interest expense, are not significantly impacted by business seasonality.

C. Business Combinations

We made investments in five businesses during the quarter ended March 29, 2008 for an aggregate purchase price of $19,811, including cash payments of $14,172 and future cash payments to be made of $5,639. Additional consideration for these acquisitions is contingent upon continued employment, which is expensed as compensation over the employment period and not included in the purchase price.

Acquired amortizable intangibles totaled $2,371 and have estimated useful lives of between three and seven years. The excess of purchase price over the fair value of the net assets acquired was $3,431 of goodwill and is classified in our consolidated balances sheets with identified intangibles and goodwill, net.

The purchase price allocation for each acquisition is preliminary and subject to revision, and any change to the fair value of net assets acquired will lead to a corresponding change to the purchase price allocable to goodwill. The results of operations of the acquired businesses have been included in our consolidated results of operations from each acquisition-date forward. The effect of these acquisitions on consolidated revenues and the results of operations for the quarter ended March 29, 2008 were not significant.

(Amounts in thousands, except share data)

D. Accounts Receivable, Net

Our accounts receivable, net, consisted of the following:

	March 29, 2008	December 31, 2007
Accounts receivable	$ 67,193	$ 69,326
Receivables under contractual arrangements	8,354	5,426
	75,547	74,752
Less allowances for doubtful accounts	2,261	2,741
	$ 73,286	$ 72,011

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

E. Supplemental Balance Sheet Information

The following items comprise the amounts included in the balance sheets:

		March 29, 2008		December 31, 2007	
Identified Intangible Assets and Goodwill, Net		**Carrying Amount**	**Accumulated Amortization**	**Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets		$ 15,137	$ 9,877	$ 12,771	$ 9,610
Less accumulated amortization		9,877		9,610	
Identified intangibles, net		5,260		3,161	
Unamortized intangible assets:					
Goodwill and Other	Not amortized	11,986		8,569	
		$ 17,246		$ 11,730	

Accrued expenses	**March 29, 2008**	**December 31, 2007**
Employee compensation	$ 5,012	$ 11,554
Accrued compensated absences	5,744	4,904
Self-insured medical claims	2,461	2,698
Customer advances, deposits	-	2,711
Taxes, other than income	1,697	1,043
Other	4,037	3,401
Total	$ 18,951	$ 26,311

(Amounts in thousands, except share data)

F. Long-Term Debt

Our long-term debt consisted of the following:

	March 29, 2008	December 31, 2007
Revolving credit facility		
Prime rate borrowings	$ 11,000	$ 7,800
LIBOR borrowings	44,000	17,000
Term loan	6,750	7,000
	61,750	31,800
Term loans	8,183	4,142
	69,933	35,942
Less current portion	4,086	3,843
	$ 65,847	$ 32,099

***Revolving Credit Facility*--**We have a $147,000 revolving credit facility with a group of banks, which will expire in December 2011 and permits borrowings, as defined, up to $147,000 with a letter of credit sublimit of $100,000. 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. Included in the credit facility is a $7,000 seven-year term loan entered into in November 2007 that requires quarterly principal installments of $250, plus interest.

As of March 29, 2008, we had unused commitments under the facility approximating $30,605, with $116,395 committed, consisting of borrowings of $61,750 (including the $6,750 term loan) and issued letters of credit of $54,645. Borrowings outstanding bear interest, at Davey Tree's option, at the agent bank's prime rate or LIBOR plus a margin adjustment ranging from .65% to 1.45%, based on a ratio of funded debt to EBITDA. A commitment fee ranging from .11% to .19% is also required based on the average daily unborrowed commitment.

G. Fair Value Measurements

On January 1, 2008, we adopted Financial Accounting Standards Board ("FASB") Statement No. 157, "Fair Value Measurements" ("FAS 157") for our financial assets and financial liabilities, which had no effect on our financial position, results of operations or cash flows. FAS 157 establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands presentations about such fair value measurements. FAS 157 indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. FAS 157 defines fair value based upon an exit price model.

(Amounts in thousands, except share data)

G. Fair Value Measurements (continued)

In accordance with FASB Staff Position No. FAS 157-2, “Effective Date of FASB Statement No. 157 (“FSP FAS 157-2”),” we elected to defer until January 1, 2009 the adoption of FAS 157 for all nonfinancial assets and nonfinancial liabilities that are not recognized or presented at fair value in the financial statements on a recurring basis. The adoption of FAS 157 for those assets and liabilities within the scope of FSP FAS 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows. We did not have any nonfinancial assets or nonfinancial liabilities that would be recognized or presented on a recurring basis as of March 29, 2008.

Valuation Hierarchy--FAS 157 establishes a valuation hierarchy for presentation of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As of March 29, 2008, we held interest rate contracts—cash-flow hedges—to effectively convert a portion of our variable-rate revolving credit borrowings to a fixed rate, thus reducing the impact of interest-rate changes on future interest expense. The cash-flow hedges are classified as assets or liabilities in the consolidated balance sheets, with changes in their fair value included in other comprehensive income.

Our assets and liabilities measured at fair value on a recurring basis subject to the presentation requirements of FAS 157 at March 29, 2008, were as follows:

		Fair Value Measurements at March 29, 2008 Using:		
Description	**Total Carrying Value at March 29, 2008**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:	$ -	$ -	$ -	$ -
Liabilities:				
Interest rate contracts, classified as accrued expenses	$ 1,020	$ -	$ 1,020	$ -

(Amounts in thousands, except share data)

H. Stock-Based Compensation

The Davey Tree Expert Company 2004 Omnibus Stock Plan (the "Stock Plan") was approved by our shareholders at our annual shareholders' meeting in May 2004. The Stock Plan is administered by the Compensation 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 the Stock Plan being 5,000,000. In addition to the maintenance of the Employee Stock Purchase Plan, the Stock 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 Compensation Committee.

Stock-based compensation expense under all share-based payment plans -- our Employee Stock Purchase Plan, stock option plans, and performance-based restricted stock units -- included in the results of operations follows:

	Three Months Ended	
	March 29, 2008	March 31, 2007
Compensation expense, all share-based payment plans	$ 376	$ 332

Stock-based compensation consisted of the following:

Employee Stock Purchase Plan--Under the Employee Stock Purchase Plan, all full-time employees with one year of service are eligible to purchase, through payroll deduction, common shares. Employee purchases under the Employee Stock Purchase Plan are at 85% of the fair market value of the common shares--a 15% discount. We recognize compensation costs as payroll deductions are made. The 15% discount of total shares purchased under the plan resulted in compensation cost of $77 being recognized for the three months ended March 29, 2008 and $64 for the three months ended March 31, 2007.

Stock Option Plans--Since adopting FASB Statement No. 123 (revised), "Share-Based Payment" ("FAS 123R") on January 1, 2006 and through the end of the first quarter, March 29, 2008, we have granted 246,000 stock option awards. The stock option awards were granted at an exercise price equal to the fair market value of our common shares at the dates of grant. The stock options were awarded under a graded vesting schedule and the stock options have a term of ten years. Compensation costs for stock options are recognized over the requisite service period on the straight-line recognition method. Compensation expense for stock options was $72 for the three months ended March 29, 2008 and $72 for the three months ended March 31, 2007.

(Amounts in thousands, except share data)

H. Stock-Based Compensation (continued)

Performance-Based Restricted Stock Units--During February 2008, the Compensation Committee of the Board of Directors awarded 15,535 Performance-Based Restricted Stock Units to certain management employees. The Compensation Committee made similar awards in prior periods. The awards vest over specified periods. The following table summarizes Performance-Based Restricted Stock Units as of March 29, 2008.

Unvested Performance-Based Restricted Stock Units	Number of Stock Units	Weighted-Average Grant Date Value	Weighted-Average Remaining Contractual Life	Unrecognized Compensation Cost	Aggregate Intrinsic Value
Unvested, January 1, 2008	142,841				
Granted	15,535				
Forfeited	-				
Vested	(22,609)				
Unvested, March 29, 2008	135,767	$ 20.96	1.9 years	$ 1,116	$ 4,290

The fair value of the restricted stock units for awards made prior to January 1, 2006 is based on the market price of our common shares on the date of award and is recognized as compensation cost on the straight-line recognition method over the vesting period. Under the provisions of FAS 123R, compensation cost for awards made after December 31, 2005 is determined using a fair-value method and amortized over the requisite service period. Compensation expense on restricted stock awards totaled $227 for the three months ended March 29, 2008 and $196 for the three months ended March 31, 2007.

For stock-based awards issued on or after January 1, 2006, we estimated the fair value of each award on the date of grant using a binomial option-pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on historical volatility of our stock prices and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock-based awards is derived from the output of the binomial model and represents the period of time that awards granted are expected to be outstanding.

(Amounts in thousands, except share data)

H. Stock-Based Compensation (continued)

General Stock Option Information--The following table summarizes activity under the stock option plans for the three months ended March 29, 2008.

	Number of Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Unrecognized Compensation Cost	Aggregate Instrinic Value
Outstanding, January 1, 2008	710,958	$ 16.69			
Granted	-	-			
Exercised	(9,033)	13.90			
Forfeited	-	-			
Outstanding, March 29, 2008	701,925	16.73	6.4 years	$ 11,740	$ 10,438
Exercisable, March 29, 2008	415,425	14.97	5.7 years		$ 6,909

"Intrinsic value" is defined as the amount by which the market price of a common share exceeds the exercise price of an option. Information regarding the stock options outstanding at March 29, 2008 is summarized below:

Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
Employee options:					
$13.50	439,425	5.7 years	$13.50	336,925	$13.50
22.50	226,900	8.2 years	22.50	42,900	22.50
	666,325	6.5 years	16.56	379,825	14.52
Director options:					
$12.00 to $25.90	35,600	3.2 years	19.78	35,600	19.78
	701,925	6.4 years	16.73	415,425	14.97

Common shares are issued from treasury upon the exercise of stock options, restricted stock units or purchases under the Employee Stock Purchase Plan.

The Davey Tree Expert Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 29, 2008
(Amounts in thousands, except share data)

I. Net Periodic Benefit Cost--Defined Benefit Pension Plans

Substantially all of our domestic employees are covered by noncontributory defined benefit pension plans. The results of operations included the following net periodic benefit cost recognized related to our defined-benefit pension plans.

	Three Months Ended	
	March 29, 2008	March 31, 2007
Components of pension cost		
Service costs--increase in benefit obligation earned	$ 451	$ 395
Interest cost on projected benefit obligation	415	397
Expected return on plan assets	(561)	(536)
Amortization of net actuarial loss	10	64
Amortization of prior service cost	8	8
Amortization of transition asset	(17)	(18)
Net pension cost of defined-benefit pension plans	$ 306	$ 310

Employer Contributions--Contributions of $31 were made to our defined-benefit pension plans during the three months ended March 29, 2008. We expect, as of March 29, 2008, to make additional defined-benefit plan contributions totaling $244 before December 31, 2008.

J. Income Taxes

Our income tax provisions for interim periods are determined using an estimate of our annual effective tax rate. The 2008 annual effective tax rate is estimated to be 39.2%. We estimated 38.5% as the annual effective tax rate in reporting the results of operations for the first quarter 2007.

We adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” an interpretation of FASB Statement No. 109, “Accounting for Income Taxes” (“FIN 48”) effective January 1, 2007. At December 31, 2007, we had $2,547 of unrecognized tax benefits, of which $918 would affect our effective tax rate if recognized, and accrued interest expense related to the unrecognized tax benefits of $202. At March 29, 2008, there were no significant changes in the unrecognized tax benefits, including the amount that would affect our effective tax rate if recognized, or the accrued interest expense related to the unrecognized tax benefits.

We do not anticipate that total unrecognized tax benefits will change significantly in the next 12 months, based on tax years open to examination.

(Amounts in thousands, except share data)

K. Comprehensive Income (Loss)

Comprehensive income (or loss) is comprised of net income (or net loss) and other components, including currency translation adjustments, changes in the fair value of interest rate contracts qualifying as cash flow hedges, and adjustments to defined-benefit pension plans. The components of comprehensive income (loss) follow:

	Three Months Ended	
	March 29, 2008	**March 31, 2007**
Comprehensive Loss		
Net loss	$ (1,334)	$ (1,481)
Other comprehensive income (loss)		
Currency translation adjustments	(634)	47
Interest rate contracts, change in fair value	(469)	(146)
Other comprehensive income (loss), before income taxes	(1,103)	(99)
Income tax benefit (expense), related to items of other comprehensive income	178	55
Other comprehensive income (loss)	(925)	(44)
Comprehensive loss	$ (2,259)	$ (1,525)

L. Per Share Amounts and Common Shares Outstanding

We calculate our basic earnings per share by dividing net income or net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated in a similar manner, but include the effect of dilutive securities. To the extent these securities are antidilutive, they are excluded from the calculation of earnings per share. The per share amounts were computed as follows:

	Three Months Ended	
	March 29, 2008	**March 31, 2007**
Loss available to common shareholders:		
Net loss	$ (1,334)	$ (1,481)
Weighted-average shares:		
Basic:		
Outstanding	7,280,223	7,511,258
Partially-paid share subscriptions	153,129	165,487
Basic weighted-average shares	7,433,352	7,676,745
Diluted:		
Basic from above	7,433,352	7,676,745
Incremental shares from assumed:		
Exercise of stock subscription purchase rights	149,253	130,169
Exercise of stock options	316,061	263,797
Diluted weighted-average shares	7,898,666	8,070,711
Net loss per share -- basic and diluted	$ (.18)	$ (.19)

(Amounts in thousands, except share data)

L. Per Share Amounts and Common Shares Outstanding (continued)

Common Shares Outstanding**--**A summary of the activity of the common shares outstanding for the three months ended March 29, 2008 follows:

Shares outstanding at December 31, 2007	7,265,890
Shares purchased	(38,908)
Shares sold	61,504
Stock subscription offering -- cash purchases	16,750
Options exercised	9,033
	48,379
Shares outstanding at March 29, 2008	7,314,269

On March 29, 2008, we had 7,314,269 common shares outstanding, options exercisable to purchase 415,425 common shares, partially-paid subscriptions for 614,197 common shares and purchase rights outstanding for 247,932 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% per year. 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 to nonofficer employees to purchase one additional common share at the price of $12.00 per share for every two common shares purchased in connection with the stock subscription offering completed in August 2002. 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 Davey Tree.

M. Operations by Business Segment

Our operating results are reported in two segments: Residential and Commercial Services, and Utility Services.

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 investor-owned and municipal utilities, including the clearing of tree growth from power lines, clearance of rights-of-way and chemical brush control. 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, is a nonreportable segment and, along with other operating activities, are included in “All Other.”

M. Segment Information (continued)

Measurement of Segment Profit and Loss and Segment Assets--We evaluate performance and allocate resources based primarily on operating income and also actively manage business unit operating assets. Segment information, including reconciling adjustments, is presented consistently with the basis described in the 2007Annual Report.

Segment information reconciled to consolidated external reporting information follows:

	Utility Services	Residential Commercial Services	All Other	Reconciling Adjustments	Consolidated
Three Months Ended March 29, 2008					
Revenues	$ 66,997	$ 40,324	$ 8,278	$ -	$ 115,599
Income (loss) from operations	4,971	(4,329)	(1,179)	(403)	(940)
Interest expense				(695)	(695)
Interest income				80	80
Other income (expense), net				(638)	(638)
Loss before income taxes					$ (2,193)
Three Months Ended March 31, 2007					
Revenues	$ 56,418	$ 40,416	$ 7,007	$ -	$ 103,841
Income (loss) from operations	2,344	(1,968)	(866)	(695)	(1,185)
Interest expense				(863)	(863)
Interest income				115	115
Other income (expense), net				(474)	(474)
Loss before income taxes					$ (2,407)

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

(Amounts in thousands, except share data)

Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) is provided as a supplement to the accompanying condensed consolidated financial statements and notes to help provide an understanding of our financial condition, cash flows and results of operations.

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 and Canada. 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 investor-owned and municipal utilities, including the clearing of tree growth from power lines, clearance of rights-of-way and chemical brush control.

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, is a nonreportable segment and, along with other operating activities, are included in "All Other."

RESULTS OF OPERATIONS

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

	Three Months Ended		
	March 29, 2008	**March 31, 2007**	**Percentage Change**
Revenues	100.0%	100.0%	11.3%
Costs and expenses:			
Operating	68.6	69.1	10.4
Selling	16.7	16.5	12.3
General and administrative	9.3	9.0	15.0
Depreciation and amortization	6.4	6.5	11.2
Gain on sale of assets, net	(.2)	-	nm
Loss from operations	(.8)	(1.1)	(20.7)
Other income (expense):			
Interest expense	(.6)	(.8)	(19.5)
Interest income	-	.1	(30.4)
Other, net	(.6)	(.5)	34.6
Loss before income taxes	(1.9)	(2.3)	(8.9)
Income taxes	(.7)	(.9)	(7.2)
Net loss	(1.2%)	(1.4%)	(9.9%)

nm--not meaningful

Revenues of $115,599 for the first three months of 2008 were 11.3% higher than the $103,841 experienced in the first three months of 2007. Utility Services revenues increased 18.8%, Residential and Commercial Services revenue was stable as compared to the first three months of 2007 and All Other increased 18.1%.

Overall, loss from operations of $940 decreased 20.7% from the loss of $1,185 experienced in the first three months of 2007. Utility Services experienced income from operations of $4,971 (a 112.1% increase over 2007) while Residential and Commercial Services experienced a loss of $4,329 compared with a loss of $1,968 for 2007.

Net loss of $1,334 was $147, or 9.9%, better than the $1,481 loss incurred in 2007. The decrease in net loss was due to higher revenues in 2007 and lower interest expense.

Cash used in operating activities for the first three months of 2008 was $2,729 or $2,900 more than the $171 provided in the first three months of 2007. The increase was primarily attributable to $3,832 more cash used from changes in operating assets and liabilities offset by a $750 increase in depreciation and amortization.

Cash used in investing activities for the first three months of 2008 was $26,087 or $4,339 more than the $21,748 used during the first three months of 2007. The use of cash for the 2008 period includes purchases of businesses totaling $14,172, offset by a $8,125 decrease in capital expenditures for equipment and land and building as compared with the first quarter 2007.

Financing activities provided $28,799 in cash during the first three months of 2007, an increase of $8,848 when compared with $19,951 provided in the first three months of 2007. Net borrowings outstanding from the revolving credit facility provided $29,950. Purchases of common shares for treasury of $1,230 were offset by cash received from the sale of common shares of $2,005. Dividends for the first three months of 2008 totaled $670.

Results of Operations--First Quarter--Three Months Ended March 29, 2008 Compared to Three Months Ended March 31, 2007

	Three Months Ended			
	March 29, 2008	March 31, 2007	Change	% Change
Revenues	$ 115,599	$ 103,841	$ 11,758	11.3%
Costs and expenses:				
Operating	79,321	71,840	7,481	10.4
Selling	19,262	17,156	2,106	12.3
General and administrative	10,701	9,308	1,393	15.0
Depreciation and amortization	7,476	6,726	750	11.2
Gain on sale of assets, net	(221)	(4)	(217)	nm
	116,539	105,026	11,513	11.0
Income (loss) from operations	(940)	(1,185)	245	(20.7)
Other income (expense):				
Interest expense	(695)	(863)	168	(19.5)
Interest income	80	115	(35)	(30.4)
Other, net	(638)	(474)	(164)	34.6
Loss before income taxes	(2,193)	(2,407)	214	(8.9)
Income tax benefits	(859)	(926)	67	(7.2)
Net loss	$ (1,334)	$ (1,481)	$ 147	(9.9%)

nm--not meaningful

Revenues--Consolidated revenues of $115,599 increased $11,758 compared with $103,841 in the first quarter of 2007. Revenues for Utility Services increased $10,579 or 18.8% compared with the first quarter of 2007. New contracts and increases in existing contracts within all utility operations, coupled with bonus incentives earned on a contract within our western operations, account for the increase. Revenues for Residential and Commercial Services decreased $92 from the first quarter of 2007. Unfavorable weather conditions and the absence of any significant storm-related revenues account for the decrease. The first quarter 2007 contained storm-related revenues in both the northeastern and northwestern parts of the United States. The remaining change between consolidated revenues and segment revenues, an increase of $1,271, occurred in all other.

Operating Expenses--Consolidated operating expenses of $79,321 increased $7,481 compared with the first quarter of 2007 but, as a percentage of revenues, decreased .5% to 68.6%, primarily due to better margins. Utility Services increased $6,016 or 14.0% compared with the first quarter of 2007. Increases in labor, equipment, crew travel and subcontractor expense associated with the increase in revenue in all utility operations account for the increase. Residential and Commercial Services increased $587 or 2.4% compared with the first quarter 2007. Increases in labor, equipment and subcontractor expense account for the increase. The remaining change between consolidated operating expenses and segment operating expenses was an increase of $878. All segments have been negatively impacted by the continued rise in fuel costs.

Selling Expenses--Consolidated selling expenses of $19,262 increased $2,106 over the first quarter of 2007 and as a percentage of revenues increased .2% to 16.7%. Utility Services experienced an increase of $823 or 15.5% over the first quarter of 2007, primarily for field management wages, auto and travel expense. Residential and Commercial Services experienced an increase of $1,002 or 8.7% over the first quarter 2007. Increases in field management wages and incentives expense, travel and office rent and utility expense account for the increase. The remaining change between consolidated selling expenses and segment selling expenses was an increase of $281.

General and Administrative Expenses--General and administrative expenses of $10,701 increased $1,393 from $9,308 in the first quarter of 2007 and as a percentage of revenues, increased .3% to 9.3%. The increase is attributable to an increase in salary and incentive expense, travel expense and computer hardware and software expense.

Depreciation and Amortization Expense--Depreciation and amortization expense of $7,476 increased $750 from $6,726 in the first quarter of 2007, but as a percentage of revenues decreased .1% to 6.4%. The increase is attributable to additional capital expenditures for buildings, purchases of businesses and equipment necessary to support the increase in business levels.

Gain on the Sale of Assets, Net--Gain on the sale of assets of $221 increased $217 from the $4 experienced in the first quarter of 2007. The increase is the result of additional units disposed of in the first three months of 2008 as compared to the first three months of 2007.

Interest Expense--Interest expense of $695 decreased $168 from the $863 incurred in the first quarter of 2007. The decrease is the result of lower interest rates on our bank borrowings as compared to the first three months of 2007.

Income Taxes--Income tax benefits for the first quarter was $859, as compared to $926 for the first quarter of 2007. Our income tax provisions for interim periods are determined using an estimate of our annual effective tax rate. We estimated that our effective tax rate was 39.2% for the first three months of 2008, as compared to 38.5% for first three months of 2007.

Net Loss--Net loss for the first quarter of $1,334 was $147 less than the $1,481 experienced in the first quarter of 2007.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Condensed Consolidated Statements of Cash Flows for the three months ended March 29, 2008 and March 31, 2007, are summarized as follows:

	2008	2007
Cash provided by (used in):		
Operating activities	$ (2,729)	$ 171
Investing activities	(26,087)	(21,748)
Financing activites	28,799	19,951
Decrease in cash	$ 17	$ 1,626

Cash Used In Operating Activities--Cash used in operating activities for the first three months of 2008 was $2,900 more than the $171 provided in the first three months of 2007. The increase was primarily attributable to $3,832 more cash used from changes in operating assets and liabilities offset by a $750 increase in depreciation and amortization.

Overall, accounts receivable dollars decreased $1,768 during the first three months of 2008 as compared to the $487 increase experienced in the first three months of 2007. With respect to the change in accounts receivable arising from business levels, the "days-sales-outstanding" in accounts receivable ("DSO") at the end of the first quarter 2008 decreased 5 days to 56 days, as compared to the first quarter 2007. The DSO at March 31, 2007 was 61 days.

Accounts payable and accrued expenses decreased $8,921 during the first three months of 2008 as compared with a decrease of $8,063 for the first three months of 2007. Decreases in employee compensation, self-insured medical claims and customer deposits were partially offset by increases in trade payables, tax liabilities and vacation accruals. Self-insurance accruals increased $2,100 in the first three months of 2008, which was $2,400 less than the increase of $4,500 experienced in the first three months of 2007. The increase occurred in all classifications -- workers' compensation, general liability and vehicle liability--and resulted primarily from an overall increase in deductible amounts under commercial insurance or the self-insured risk retention.

Operating assets, net increased $3,772 in the first three months of 2008, $1,855 more than the $1,917 increase for the first three months of 2007. The increase is attributable to increases in operating supplies, prepaid expenses related to insurance coverage and tax deposits.

Cash Used In Investing Activities--Cash used in investing activities for the first three months of 2008 was $26,087 or $4,339 more than the $21,748 used during the first three months of 2007. The use of cash for the 2008 period includes purchases of businesses totaling $14,172, offset by a $8,125 decrease in capital expenditures for equipment and land and building as compared with the first quarter 2007. Capital expenditures for the 2008 period were $12,193.

Cash Provided by Financing Activities--Cash provided by financing activities increased by $8,848 during the first three months of 2008 as compared with the first three months of 2007. Our revolving credit facility provided $6,350 more in the first three months of 2008 compared with the first three months of 2007. We use the credit facility primarily for capital expenditures and payments of notes payable, primarily related to acquisitions completed in prior periods. Included in the first quarter 2008 revolving credit facility borrowings were $14,172 related to our investment in five businesses. Treasury share transactions (purchases and sales) provided $19 more than the $756 provided in the first three months of 2007. Dividends paid increased to $670 as compared with $657 paid in the first three months of 2007.

Debt Issued in Connection with Our Investments in Businesses-- Debt issued in connection with our investments in five businesses during first quarter 2008 totaled $5,639. During first quarter 2007, we issued $1,074 of debt in connection with our investments in businesses.

Revolving Credit Facility--We have a $147,000 revolving credit facility with a group of banks, which will expire in December 2011 and permits borrowings, as defined, up to $147,000 with a letter of credit sublimit of $100,000. 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 March 29, 2008, our unused commitments under the facility approximated $30,605, with $116,395 committed, consisting of borrowings of $61,750 and issued letters of credit of $54,645. Borrowings outstanding bear interest, at our option, at the agent bank's prime rate or LIBOR plus a margin adjustment ranging from .65% to 1.45%, based on a ratio of funded debt to EBITDA. A commitment fee ranging from .11% to .19% 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 summarizes our long-term contractual obligations, as at March 29, 2008, to make future payments for the periods indicated.

Description	Total	Nine Months Ending December 31, 2008	Year Ending December 31, 2009	2010	2011	2012	Thereafter
Revolving credit facility	$ 61,750	$ 750	$ 1,000	$ 1,000	$ 56,000	$ 1,000	$ 2,000
Term loans	8,183	1,248	2,631	2,318	1,986	-	-
Capital lease obligations	812	368	444	-	-	-	-
Operating lease obligations	7,760	2,332	2,179	1,525	949	279	496
Self-insurance accruals	56,225	13,981	13,015	7,945	3,769	1,637	15,878
Purchase obligations	4,063	4,063	-	-	-	-	-
Other liabilities	4,309	2,236	697	348	239	198	591
	$ 143,102	$ 24,978	$ 19,966	$ 13,136	$ 62,943	$ 3,114	$ 18,965

The self-insurance accruals in the summary above reflect the total of the undiscounted amount accrued, for which amounts estimated to be due each year may differ from actual payments required to fund claims. Purchase obligations in the summary above represent open purchase-order amounts we anticipate will become payable within the next nine months for goods and services it has negotiated for delivery as of March 29, 2008. Other liabilities include estimates of future expected funding requirements related to retirement plans and other sundry items. Because their future cash outflows are uncertain, accrued income tax liabilities for uncertain tax positions, as of March 29, 2008, have not been included in the summary above. Noncurrent deferred taxes and payments related to defined benefit pension plans are also not included in the summary.

As of March 29, 2008, we were contingently liable for letters of credit in the amount of $55,745, of which $54,645 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 2008 through 2010. We intend to renew the surety bonds where appropriate and as necessary.

Capital Resources

Cash, generated from operations, and our revolving credit facility are our primary sources 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 two other short-term lines of credit. We are continually reviewing our existing sources of financing and evaluating alternatives. At March 29, 2008, we had working capital of $32,176, short-term lines of credit approximating $7,786 and $30,605 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.

New Accounting Pronouncements

New Accounting Pronouncements Requiring Adoption--In September 2006, the FASB issued FAS No. 157, which establishes a framework for measuring fair value and requires expanded presentations regarding fair value measurements (“FAS 157”). In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP FAS 157-2”), “Effective Date of FASB Statement No. 157,” which allows for the deferral of the adoption date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or presented at fair value in the financial statements on a recurring basis. We have elected to defer the adoption of FAS 157 for the assets and liabilities within the scope of FSP FAS 157-2. The effective provisions of FAS 157 are included in Note G, “Fair Value Measurements,” to the condensed consolidated financial statements included in this Form 10-Q. The adoption of FAS 157 for those assets and liabilities within the scope of FSP FAS 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows.

In March 2008, the FASB issued FAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133” (“FAS 161”). FAS 161, requires entities to provide enhanced disclosures relating to: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under FAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“FAS 133”), and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. FAS 161 must be applied prospectively to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under FAS 133 for all financial statements issued for fiscal years and interim periods beginning after November 15, 2008, which for us begins with our 2009 calendar year, with early application encouraged. The adoption of FAS 161 will not have a material effect on our financial position, results of operation or cash flows.

In December 2007, the FASB issued Statement No. 141 (revised 2007), “Business Combinations” (“FAS 141R”), which replaces FAS No. 141, “Business Combinations.” FAS 141R retains the underlying concepts of FAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but FAS 141R changed the method of applying the acquisition method in a number of significant aspects. Early adoption is not permitted. We are required to adopt FAS 141R prospectively for any acquisitions on or after January 1, 2009.

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.

As discussed in our annual report on Form 10-K for the year ended December 31, 2007, we believe that our policies related to revenue recognition, the allowance for doubtful accounts and self-insurance accruals are our "critical accounting policies and estimates"—those most important to the financial presentations and those that require the most difficult, subjective or complex judgments.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to accounts receivable, specifically those receivables under contractual arrangements primarily arising from Utility Services customers; allowance 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.

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. These 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:

- Our business, other than tree services to utility customers, is highly seasonal and weather-dependent.
- Significant customers, particularly utilities, may experience financial difficulties, resulting in payment delays or delinquencies.
- The seasonal nature of our business and changes in general and local economic conditions, among other factors, may cause our quarterly results to fluctuate, and our prior performance is not necessarily indicative of future results.
- Significant increases in fuel prices for extended periods of time will increase our operating expenses.
- We have significant contracts with our utility, commercial and government customers that include liability risk exposure as part of those contracts. Consequently, we have substantial insurance, and increases in the cost of obtaining adequate insurance, or the inadequacy of our self-insurance accruals or insurance coverages, could negatively impact our liquidity.
- Because no public market exists for our common shares, the ability of shareholders to sell their common shares is limited.
- We are subject to intense competition.
- Our failure to comply with environmental laws could result in significant liabilities, fines and/or penalties.

- We may encounter difficulties obtaining surety bonds or letters of credit necessary to support our operations.
- We are dependent, in part, on our reputation of quality, integrity and performance. If our reputation is damaged, we may be adversely affected.
- We may be unable to attract and retain a sufficient number of qualified employees for our field operations, and we may be unable to attract and retain qualified management personnel.
- Our facilities could be damaged or our operations could be disrupted, or our customers or vendors may be adversely affected, by events such as natural disasters, pandemics, terrorist attacks or other external events.
- We may become subject to claims and litigation that may have an adverse effect on us.
- We may misjudge a competitive bid and be contractually bound to an unprofitable contract.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual future results.

The factors described above, as well as other factors that may adversely impact our actual results, are discussed in our annual report on Form 10-K for the year ended December 31, 2007 in "Item 1A. Risk Factors."

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

During the three months ended March 29, 2008, there have been no material changes in the reported market risks presented in our annual report on Form 10-K for the year ended December 31, 2007.

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 Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 29, 2008.

During the quarter ended March 29, 2008, 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.

Part II. Other Information

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

Item 1A. ***Risk Factors.***

Information regarding risk factors appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Note Regarding Forward-Looking Statements," in Part I – Item 2 of this Form 10-Q and in Part I – Item 1A of our annual report on From 10-K for the year ended December 31, 2007. There have been no material changes from the risk factors described previously in our annual report on Form 10-K.

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

The following table provides information on purchases made by us of its common shares outstanding during the first three months of 2008.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs**
Fiscal 2008				
January 1 to January 26	-	-	n/a	n/a
January 27 to February 23	-	-	n/a	n/a
February 24 to March 29	38,908	$ 31.60	n/a	n/a
Total First Quarter	38,908	31.60		
Total Year to Date	38,908	31.60		

n/a--Not applicable. There are no publicly announced plans or programs of the Company to purchase our 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, Comfort Systems USA, Inc., Dycom Industries, Inc., FirstService Corporation, Quanta Services, Inc., Rollins, Inc., and Scotts Miracle-Gro 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 our employee benefit or stock purchase plans. Since 1979, we have provided a ready market for all shareholders through our direct purchase of their common shares, although we are under no obligation to do so. The purchases listed above were added to the treasury stock of the Company.

Item 6. ***Exhibits.***

See Exhibit Index page, below.

Signatures

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

THE DAVEY TREE EXPERT COMPANY

Date: May 6, 2008	By:	/s/ David E. Adante David E. Adante Executive Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)
Date: May 6, 2008	By:	/s/ Nicholas R. Sucic Nicholas R. Sucic Vice President and Controller (Principal Accounting Officer)

Exhibit Index

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

Exhibit 31.1

Certification

Certification of Chief Executive Officer

I, Karl J. Warnke, 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: May 6, 2008

/s/ Karl J. Warnke
Karl J. Warnke
President and Chief Executive Officer

Exhibit 31.2

Certification

Certification of Chief Financial Officer

I, David E. Adante, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2008

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

Exhibit 32.1

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

Certification of Chief Executive Officer

I, Karl J. Warnke, President 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 March 29, 2008 (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: May 6, 2008

/s/ Karl J. Warnke
Karl J. Warnke
President and Chief Executive Officer

Exhibit 32.2

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

Certification of Chief Financial Officer

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

(1.) The Quarterly Report on Form 10-Q of the Company for the period ended March 29, 2008 (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: May 6, 2008

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