UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 1993

Commission file number: 0-11917

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

Ohio	34-0176110
(State of Incorporation)	(IRS Employer Identification No.)

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

Registrant's telephone number, including area code: (216) 673-9511

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, $1 par value

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, and (2) has been subject to such filing requirement for the past 90 days.
Yes X No ___

The disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. (X)

The aggregate "market value" (See Item 5 hereof) of voting stock held by non-affiliates of the Registrant at March 15, 1994 (excluding the total number of Common Shares reported in Item 12 hereof), was $74,455,183.

Common Shares outstanding at March 15, 1994: 2,512,831

Documents incorporated by reference: Portions of the Registrant's definitive Proxy Statement for its 1994 Annual Meeting of Shareholders (Part III).

Index to Exhibits is located on sequential page 16.

PART I

Item 1. Business

General. The Davey Tree Expert Company, which was incorporated in 1909, and its subsidiaries (the "Registrant") are in the business of providing horticultural services to a variety of residential, corporate, institutional and governmental customers. Horticultural services include the treatment, preservation, maintenance, cultivation, planting and removal of trees, shrubs and other plant life and also include the practices of landscaping, tree surgery, tree feeding, tree spraying, interior plant installation and maintenance, line clearing for public utilities, and related consultation services. Horticultural services also involve the application of scientifically formulated fertilizers, herbicides and insecticides with hydraulic spray equipment on residential and commercial lawns.

Competition and Customers. The Registrant is one of the largest national organizations in the private horticultural services industry. The Registrant competes with other national and local firms with respect to its services, although the Registrant believes that no other firm, whether national or local, offers the range of services that it offers.

Competition in private horticultural services is generally localized but very active and widespread. The principal methods of competition are advertising, customer service, image, performance and reputation. The Registrant's program to meet its competition stresses the necessity for its employees to have and project to the customers a thorough knowledge of horticulture and utilization of modern, well-maintained equipment. Pricing is not always a critical factor in a customer's decision. Pricing is, however, the principal method of competition in providing horticultural services to utility customers, although in most instances consideration is given to reputation and past production performance.

The Registrant provides a wide range of horticultural services to private companies, public utilities, local, state and Federal agencies, and a variety of industrial, commercial and residential customers. During 1993, the Registrant had sales of approximately $36,000,000 (16% of total sales) to Pacific Gas & Electric Company.

<u>Regulation and Environment.</u> The Registrant's facilities and operations, in common with those of the industry generally, are subject to governmental regulations designed to protect the environment. This is particularly important with respect to the Registrant's services regarding insect and disease control, because these services involve to a considerable degree the blending and application of spray materials, which require formal licensing in most areas. The constant changes in environmental conditions, environmental awareness, technology and social attitudes make it necessary for the Registrant to maintain a high degree of awareness of the impact such changes have on the market for its services. The Registrant believes that it is in compliance with existing Federal, state and local laws regulating the use of materials in its spraying operations as well as the other aspects of its business that are subject to any such regulation.

<u>Marketing.</u> The Registrant solicits business from residential and commercial customers principally through direct mail programs and to a lesser extent through the placement of advertisements in national magazines and trade journals and in local newspapers and "yellow pages" telephone directories. Business from utility customers is obtained principally through negotiated contracts and competitive bidding. All sales and services are carried out through personnel who are direct employees. The Registrant does not use agents and does not franchise its name or business.

<u>Seasonality.</u> The Registrant's business is highly seasonal, primarily due to extreme fluctuations in horticultural services provided to residential and commercial customers. Because of this seasonality, the Registrant has historically incurred losses in the first quarter, while sales and earnings are generally highest in the second and third quarters of the calendar year. Consequently, this has created heavy demands of between $8,000,000 and $12,000,000 in additional working capital at various times throughout the year. The Registrant borrows primarily against bank commitments in the form of lines of credit and a revolving credit agreement, as well as several term notes, to provide the necessary funds.

<u>Other Factors.</u> Rapid changes in equipment technology require a constant updating of equipment and processes to ensure competitive services to the Registrant's clients. Also, the Registrant must continue to assure its compliance with the Occupational Safety and Health Act. In keeping with these requirements, and to equip the Registrant for its revenue growth, capital expenditures in 1993 and 1992 were approximately $15,887,000 and $26,434,000, respectively.

The Registrant owns several trademarks including "Davey", "Davey and design", "Arbor Green", "Davey Tree and design", "Davey Expert Co. and design" and "Davey and design (Canada)". Through substantial advertising and use, the Registrant is of the opinion that these trademarks have become of value in the identification and acceptance of its products and services.

<u>Employees.</u> The Registrant employs between 5,000 and 5,800 persons, depending upon the season, and considers its employee relations to be good.

<u>Foreign and Domestic Operations</u>. The Registrant and its Canadian subsidiaries sell the Registrant's service to customers in the United States and Canada.

The Registrant does not consider its foreign operations to be material and considers the risks attendant to its business with foreign customers, other than currency exchange risks, to be not materially different from those attendant to business with its domestic customers.

Item 2. Properties

The following table lists certain information with respect to major properties owned by the Registrant and used in connection with its operations.

Location	Acreage	Building Sq. Ft.
Cincinnati, Ohio	2.5	7,200
Livermore, California	12.0	29,737
Winter Park, Florida	1.0	5,850
Chamblee, Georgia	1.9	6,200
East Dundee, Illinois	4.0	7,500
Indianapolis, Indiana	1.5	5,000
Troy, Michigan	2.0	7,200
Cheektowaga, New York	6.9	2,800
Bayport, New York	2.0	7,000
Charlotte, North Carolina	3.1	4,900
Canal Winchester, Ohio	2.8	25,933
Kent, Ohio (multiple parcels)	124.6	111,608
Toledo, Ohio	.5	4,300
Wooster, Ohio	322.8	13,194
Columbus, Ohio	8.0	12,685
Dayton, Ohio	.3	3,584
West Babylon, New York	.9	14,100
Houston, Texas	1.6	8,200
Chantilly, Virginia	2.0	5,700
Downsview, Ontario, Canada	.5	3,675
Baltimore, Maryland	3.4	22,500
Lancaster, New York	3.0	6,624
Bettendorf, Iowa	.5	478
Richmond, Virginia	.7	2,586
Mecklenburg County, North Carolina	15.6	-0-
Soco Gap, North Carolina	17.0	-0-
Stow, Ohio	7.4	14,100
West Carlton Twp., Ontario, Canada	3.1	4,000
Nanaimo, British Columbia, Canada	1.0	4,742
Edmonton, Alberta, Canada	.7	2,900
Houston, Texas	1.5	7,800
Plymouth, Minnesota	2.7	11,750
Gaithersburg, Maryland	2.1	7,200
Lachine, Quebec, Canada	.5	2,300
Gibsonia, Pennsylvania	5.9	7,100
Lawrence, Pennsylvania	3.5	7,200
Jacksonville, Florida	279.0	5,300

The Registrant also rents approximately 40 other premises for office, warehouse and storage use. The Registrant believes that all of these properties have been adequately maintained and are suitable and adequate for its business as presently conducted.

Item 3. Legal Proceedings.

There are no legal proceedings, other than ordinary routine litigation incidental to the business, to which the Registrant or any of its subsidiaries is a party or of which any of their property is the subject. This routine litigation is not material to the Registrant.

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

No matter was submitted during the fourth quarter of 1993 to a vote of security holders, through the solicitation of proxies or otherwise.

Executive Officers of the Registrant (included pursuant to Instruction 3 to paragraph (b) of Item 401 of Regulation S-K). The executive officers of the Registrant and their present positions and ages are as follows:

Name	Position	Age
R. Douglas Cowan	President and Chief Executive Officer	53
David E. Adante	Executive Vice President, Chief Financial Officer and Secretary-Treasurer	42
Karl J. Warnke	Executive Vice President and General Manager, Utility Services	42
Howard D. Bowles	Vice President and General Manager, Davey Tree Surgery Company	50
C. Kenneth Celmer	Vice President-Eastern Operations, Residential & Commercial Services	46
Bradley L. Comport, CPA	Corporate Controller	42
Dr. Roger C. Funk	Vice President - Human and Technical Resources	49
Rosemary T. Nicholas	Assistant Secretary	50
Gordon L. Ober	Vice President - New Ventures	44
Richard A. Ramsey	Vice President-Western Operations, Residential & Commercial Services	44
Donald J. Shope	Vice President and General Manager, Residential and Commercial Services	60

Mr. Cowan was elected President and Chief Executive Officer in May 1988 and prior to that time served as President and Chief Operating Officer.

Mr. Adante was elected Executive Vice President, Chief Financial Officer and Secretary-Treasurer in May 1993. He served as Vice President, Chief Financial Officer and Secretary-Treasurer from July 1992 to June 1993. Prior to that time, he served as Vice President, Chief Financial Officer and Secretary since before 1989.

Mr. Warnke was elected Executive Vice President and General Manager-Utility Services in May 1993. He served as Vice President and General Manager-Utility Services from September 1988 to June 1993. Prior to that time, he served as Vice President and Assistant to the President.

Mr. Bowles was elected Vice President and General Manager of Davey Tree Surgery Company in January 1992. He served as Vice President and Co-General Manager from July 1989 to January 1992. Prior to that time, he served as Vice President-Utility Operations of Davey Tree Surgery Company since before 1989.

Mr. Celmer was elected Vice President-Eastern Operations, Residential and Commercial Services in January 1992. He served as Vice President-Operations, Residential and Commercial Services from May 1989 to January 1992. Prior to that time, he served as Operations Vice President-Residential and Commercial Services since before 1989.

Mr. Comport was elected Corporate Controller in May 1990. Prior to that time and since before 1989, he served as Vice President-Finance and Administration for G & R Felpauch Company, a comparable-size retail supermarket chain.

Dr. Funk was elected Vice President-Human Technical Resources in January 1984.

Ms. Nicholas was elected Assistant Secretary in May 1982.

Mr. Ober was elected Vice President-New Ventures in March 1986.

Mr. Ramsey was elected Vice President-Western Operations, Residential and Commercial Services in January 1992. He served as Vice President and Co-General Manager of Davey Tree Surgery Company from July 1989 to January 1992. Prior to that time, he served as Vice President, Residential and Commercial Services of Davey Tree Surgery since before 1989.

Mr. Shope was elected Vice President and General Manager-Residential and Commercial Services in January 1984.

Officers of the Registrant serve for a term of office from the date of their election to the next organizational meeting of the Board of Directors and until their respective successors are elected.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Pursuant to resolution adopted by the Board of Directors on March 10, 1989, the Registrant made a Stock Subscription offering to employees and directors in May 1989. Under the program, employees could subscribe to purchase the Registrant's Common Shares by making 10% down payments and financing the balance by 7-year promissory notes to the Registrant payable in monthly or annual principal installments with interest at 8% per annum on outstanding principal balances. A total of 141 employees and directors subscribed for 228,876 Common Shares during the subscription period, which ended August 15, 1989.

At December 31, 1993, 1992, and 1991 the number of Common Shares issued were 4,364,220 for each date. At those respective dates, the number of shares in the treasury were 1,852,050, 1,816,307 and 1,696,955.

The Registrant's Common Shares are not listed or traded on an established public trading market and market prices are, therefore, not available. Semi-annually, for purposes of the Registrant's Employee Stock Ownership Trust ("ESOT"), the fair market value of the Registrant's Common Shares, based upon the Registrant's performance and financial condition, is determined by an independent financial consulting firm.

As of March 15, 1994, there were 1,610 record holders of the Registrant's Common Shares. During the years ended December 31, 1993, December 31, 1992 and December 31, 1991, the Registrant paid dividends of $.12, $.11, and $.10, respectively, per share in each of the four quarters. The Registrant's agreements with its lenders provide that the payment of cash dividends during any year may not exceed the lesser of (a) 30% of the average of annual net earnings (as defined) for the prior three years or (b) 10% of consolidated net worth (as defined) as at the first day of that year. (See Note 4 to the Financial Statements on page F-13 of this Annual Report on Form 10-K.)

Item 6. Selected Financial Data.

	Years Ended December 31				
	1993	1992	1991	1990	1989
	(Dollars in Thousands, except per share data)				
Operating Results:					
Revenues	$ 221,618	$ 208,936	$ 187,424	$ 184,042	$ 166,845
Net Earnings	$ 6,056	$ 5,044	$ 5,867	$ 5,242	$ 5,016
Net Earnings Per Common Share	$ 2.33	$ 1.89	$ 2.13	$ 1.84	$ 1.82
At Year End:					
Total Assets	$ 100,554	$ 92,722	$ 73,236	$ 72,544	$ 67,693
Total Long-Term Debt	$ 26,778	$ 27,113	$ 13,355	$ 13,402	$ 12,956
Cash Dividends Per Common Share	$ .48	$ .44	$ .40	$ .36	$ .32

Net earnings and net earnings per common share presented for 1991 include both the cumulative effect on prior years of changing to the new standard of accounting for income taxes (See the Consolidated Statement of Net Earnings on page F-5 of this Annual Report on Form 10-K) and the change to the 150% declining balance method of depreciation. The cumulative effect increased net earnings by $606,000 and net earnings per common share by $.22. The change in depreciation method increased net earnings by $253,000 and net earnings per share by $.09.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 1993, operating activities generated $18,102,000 in cash, an increase of $2,639,000 over 1992. The increase was primarily attributable to higher net earnings and depreciation, as well as increased self-insurance liabilities, other liabilities, and a lower increase in accounts receivable, partially offset by a reduction in accounts payable and accrued liabilities.

The increase in self insurance liabilities was a result of the Registrant's becoming primarily self-insured for workers' compensation in 1993. This change also was the chief factor contributing to the reduction in accounts payable and accrued liabilities. (See Notes 1 and 3 to the Financial Statements on page F-10 and F-12 respectively, of the Annual Report on Form 10-K.)

Other liabilities increased largely due to higher income taxes payable, a result of improved earnings in 1993; this was in contrast with a significant reduction in the same item last year due to 1992's lower earnings.

In 1992 accounts receivable increased $4,172,000, primarily the result of several new utility contracts that had been gained and amounts attributable to storm damage work acquired as a result of Hurricane Andrew. Although the increase in 1993 of $3,203,000 is $969,000 less than that experienced in 1992, it represents a 12.8% increase over last year, more than double the 6.1% increase in revenues. As a result, the Registrant's days outstanding have increased to 52.2 days from 46.4 days in 1992. Substantially all of this increase has been due to delays in payment caused by organizational and administrative changes made by several of the Registrant's utility customers. The Registrant views the increases in days outstanding as unacceptable. The Registrant is working diligently to reduce days outstanding, and as of February 28, 1994 has realized a net improvement of more than three days since December 31, 1993. The Registrant views the increase as temporary because of its heightened collection efforts and expects days outstanding to continue to improve.

During 1993, the Registrant's investing activities used $15,596,000 in cash compared to $26,025,000 and $13,571,000 in 1992 and 1991, respectively. The $10,429,000 decrease from 1992 was mainly the result of equipment expenditures returning to normal levels this year, in contrast with increased expenditures associated with the new utility contracts gained in 1992. The Registrant expects its 1994 capital expenditures will approximate $14,000,000 and that it will be consistent with its plans to expand services, maintain equipment on its existing operations, and provide for the ongoing purchase of land and branch office facilities.

Financing activities used $2,171,000 in cash during 1993, compared to providing $10,069,000 in 1992 and a use of $3,702,000 in 1991. The $12,240,000 decrease from the prior year was primarily attributable to a $13,173,000 decrease in proceeds from the issuance of long-term debt. In 1992, the unusually high level of borrowings was necessitated by capital expenditures associated with the new utility contracts. To a lesser extent the decrease in cash provided by financing activities was also attributable to a net increase in payments on long-term debt and notes payable of $655,000, due to payments associated with obligations assumed through the Registrant's acquisition of the Big Tree Company, Inc., a Nursery in Jacksonville, Florida, as well as a decrease in notes payable to banks in the current year. These decreases were additionally affected by a net reduction of $1,512,000 from the prior year in the amount needed to consummate transactions in the Registrant's own common stock.

At December 31, 1993, the Registrants' principal source of liquidity consisted of $1,022,000 in cash and cash equivalents; short term lines of credit and amounts available to be borrowed from banks via notes payable totaling $12,315,000, of which $9,029,000 had been drawn at December 31, 1993; and a revolving credit agreement with a bank in the amount of $15,000,000, of which $5,500,000 had been drawn at December 31, 1993. As of March 15, 1994, $18,800,000 had been drawn from these agreements. Including the term note agreement of $12,000,000, the Registrant's credit facilities now total $39,315,000.

The Registrant believes that the liquidity provided by existing cash balances and credit facilities will be sufficient to meet the Registrant's 1994 capital requirements.

The Registrant also uses a number of other measurements and ratios to gauge its financial condition and monitor trends in key performance areas of operations.

Liquidity Measurements

Management uses these measurements to gauge the Registrant's ability to meet current working capital requirements and the extent by which capital expenditures are funded by internally generated "cash flow".

	1993	1992	1991
Working Capital	$ 14,808	$ 9,947	$ 9,259
Current Ratio	1.7:1	1.5:1	1.5:1
Cash Flow from Earnings before Cumulative Effect and Depreciation and Amortization ("Cash Flow")	$ 19,808	$ 17,220	$ 16,692
Capital Expenditures	$ 15,887	$ 26,434	$ 13,841
Cash Flow to Capital Expenditures Ratio	1.2:1	.7:1	1.2:1
Cash Flow as % of Revenues	8.9%	8.2%	8.9%

Leverage Measurements

These ratios measure the extent to which the Registrant has been financed by debt, or, put another way, the proportion of the total assets employed in the business that have been provided by creditors as compared to shareholders. Debt is defined as total liabilities.

	1993	1992	1991
Equity to Debt Ratio	.78:1	.77:1	1.16:1
Debt as % of Assets	56.2%	56.5%	46.4%
Equity as % of Assets	43.8%	43.5%	53.6%

At the end of 1993 these measurements improved slightly when compared with 1992, but remain below 1991 levels due to the additional borrowings incurred in 1992 to fund the capital expenditures required by the new utility contracts.

Common Share Measurements

These measurements assist shareholders in assessing the Registrant's earnings performance, dividend payout and equity position as related to their shareholdings.

	1993	1992	1991
Earnings per share (before cumulative effect)	$ 2.33	$ 1.89	$ 1.91
Net earnings per share (after cumulative effect)	$ 2.33	$ 1.89	$ 2.13
Dividends per Share	$ .48	$ .44	$ .40
Book Value per Share	$ 17.54	$ 15.82	$ 14.72
ESOT Market Valuation per Share	$ 29.63	$ 25.75	$ 24.87

Earnings per share measurements are shown as if all outstanding stock options had been exercised at December 31 of the years presented. Dividends were again increased in 1993. In 1993, they were increased $.04 per share or 9% over 1992, compared to an increase in 1992 of $.04 per share and 10% over 1991. It is the Registrant's objective to provide a fair return on investment to its shareholders through improved dividends as long as the Registrant can financially justify this policy. The fact that dividends have increased each year since 1979 reflects that objective.

Asset Utilization Measurements

Management uses these measurements to evaluate its efficiency in employing assets to generate revenues and returns.

	1993	1992	1991
Average Assets Employed (in 000's)	$ 96,638	$ 82,979	$ 72,890
Asset Turnover (Revenues to Average Assets)	2.3	2.5	2.6
Return on Average Assets (calculated on earnings before cumulative effect)	6.3%	6.1%	7.2%

Asset turnover decreased slightly to 2.3 from 2.5 in 1992 and 2.6 in 1991. Although Management anticipated that the return on average assets would remain lower than desired in the intermediate term because of a continuing commitment to acquire facilities for its Residental/Commercial operations, and particularly due to the investment required in 1992 for the new utility contracts, the Registrant's long term goal remains that of achieving an asset turnover rate of at least 3.0 and improving the net earnings percentage to provide a return on assets of between 12% and 15%.

RESULTS OF OPERATIONS

Revenues of $221,618,000 for 1993 set a new record and increased $12,682,000 or 6.1% over 1992, compared to an 11.5% increase in revenues in 1992 and 1.8% in 1991. Revenues increased in most of the Registrant's major service lines and operating units. The higher rate of increase in 1992 was mainly due to new utility contracts secured during the first quarter of that year. The Registrant anticipates that 1994 revenues will remain at or be slightly higher than 1993 levels.

Operating costs in 1993 increased by $6,499,000 or 4.5% over the prior year, a lower rate than the increase in revenues. As a percentage of revenues, these costs decreased to 68.5% compared to 69.5% in 1992. The decrease in the current year is attributable to non-recurring start up costs associated with the new utility contracts in 1992 and lower equipment and labor costs in the current year. Also, as the economy improved in 1993 the Registrant shifted its focus to higher-priced, higher-margin services from lower priced services with inherently lower gross margins and attendant higher operating costs. Although the Registrant is involved in an ongoing program to continually improve the relationship of operating costs as a percentage of revenues, it is anticipated that 1994 operating costs will approximate the 1993 levels.

Selling, General and Administrative costs increased 5.5% in 1993, slightly less than the increase in revenues. As a percentage of revenues, the costs declined to 19.6% in 1993 compared to 19.8% in 1992 and 21.5% in 1991. The decrease in the current year is primarily attributable to lower administrative salaries and payroll taxes and benefits, which were partially offset by higher field management expenses.

Depreciation expense in 1993 was $1,576,000 or 12.9% higher than 1992. As a percentage of revenues, depreciation expense was 6.2% in 1993, compared to 5.8% in 1992 and 6.1% in 1991. The current year increase was due to the substantial increase in 1992 capital expenditures. The Registrant expects that depreciation expense will approximate $14,000,000 in 1994.

Interest expense of $2,547,000 was $491,000 higher than 1992, and as a percentage of revenues it increased to 1.2% from 1.0%. This increase is attributable to two factors. First, the Registrant's borrowings levels remained higher than had been anticipated during 1993 as a direct result of the increase in working capital, mainly accounts receivable. Second, in late 1992 and early 1993 the Registrant executed interest rate swaps on its $12,000,000 term note agreement, which had the effect of requiring a higher fixed rate in contrast with lower variable rates paid in 1992. In December 1993, the Registrant executed a reverse swap agreement to partially offset these higher costs. (See Note 4 to the Financial Statements on page F-14 of the Annual Report on Form 10-K.)

As a result of the above factors, earnings before income taxes and cumulative effect were $10,031,000 or 4.5% of revenues, compared to $8,302,000 or 4.0% and $8,666,000 or 4.6% in 1992 and 1991, respectively.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". The Registrant elected to adopt it for the year ended December 31, 1991. Accordingly, the cumulative effect on prior years (to December 31, 1990) of changing to the new standard in the amount of $606,000 was included in income for 1991. The income tax expense for 1993, 1992, and 1991 reflects the income tax currently payable and the change in the deferred tax assets and liabilities. It is Management's opinion that no valuation allowance was necessary in the measurement of deferred tax assets. (See Note 7 to the Financial Statements of page F-17 of the Annual Report on Form 10-K.)

The effective income tax rate in 1993 was 39.6% compared to 39.2% and 39.3% in 1992 and 1991, respectively.

Net earnings for 1993 increased to $6,056,000 compared to $5,044,000 and $5,867,000 in 1992 and 1991 respectively, and as a percentage of revenues were 2.7% compared to 2.4% in 1992 and 3.1% in 1991.

Item 8. Consolidated Financial Statements and Supplementary Data.

The independent auditors' report, the audited consolidated financial statements and the notes to the audited consolidated financial statements required by this Item 8 appear on pages F-1 through F-19 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable

PART III

Item 10. Directors and Executive Officers of the Registrant.

Reference is made to Part I of this Report for information as to executive officers of the Registrant.

The information regarding directors of the Registrant appearing under the heading "Election of Directors" in the Registrant's definitive Proxy Statement for its 1994 Annual Meeting of Shareholders is hereby incorporated by reference.

Item 11. Executive Compensation.

The information regarding compensation of the Registrant's executive officers appearing under the heading "Remuneration of Executive Officers" in the Registrant's definitive Proxy Statement for its 1994 Annual Meeting of Shareholders is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information regarding the security ownership of certain beneficial owners and management appearing under the heading "Ownership of Common Shares" in the Registrant's definitive Proxy Statement for its 1994 Annual Meeting of Shareholders is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

The information regarding certain relationships and related transactions appearing under the headings "Election of Directors" and "Indebtedness of Management" in the Registrant's definitive Proxy Statement for its 1994 Annual Meeting of Shareholders is hereby incorporated by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) and (a) (2) Financial Statements and Schedules. See the Index to Financial Statements and Financial Statement Schedules on page F-1 of this Annual Report on Form 10-K.

(a) (3) Exhibits. See the Index to Exhibits on sequentially numbered page 16 of this Annual Report on Form 10-K.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the last quarter of the period covered by this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned thereunto duly authorized.

THE DAVEY TREE EXPERT COMPANY

By: R. Douglas Cowan
R. D. Cowan, President and Chief Executive Officer

March 15, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 15, 1994.

J. W. Joy
J. W. JOY, Director and Chairman of the Board

R. Douglas Cowan
R. DOUGLAS COWAN, Director; President and Chief Executive Officer (Principal Executive and Operating Officer)

R. Cary Blair
R. CARY BLAIR, Director

Thomas W. Blazey
THOMAS W. BLAZEY, Director

Richard E. Dunn
RICHARD E. DUNN, Director

William D. Ginn
WILLIAM D. GINN, Director

R S Gray
RICHARD S. GRAY, Director

Eugene W. Haupt
EUGENE W. HAUPT, Director

James H. Miller
JAMES H. MILLER, Director

James H. Pohl
JAMES H. POHL, Director

J Maurice Struchen
J MAURICE STRUCHEN, Director

David E. Adante
DAVID E. ADANTE, Executive Vice President, Chief Financial Officer and Secretary-Treasurer (Principal Financial Officer)

Bradley L. Comport
BRADLEY L COMPORT, Corporate Controller (Principal Accounting Officer)

INDEX OF EXHIBITS
[Item 14(a) (3)]

Exhibit No.	Description	Location Sequential Page
(3)(a)	1991 Amended Articles of Incorporation	Incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
(3)(b)	1991 Amended Regulations of The Davey Tree Expert Company	Incorporated by reference to page 14 to the Registrant's definitive Proxy Statement for its 1991 Annual Meeting of Shareholders and sequential page 11 to the Registrant's Form 10-Q for the quarter ended June 29, 1991.
(4)	Instruments defining the rights of security holders, including indentures	The Company is a party to certain instruments, copies of which will be furnished to the Securities and Exchange Commission upon request, defining the rights of holders of long-term debt identified in Note 4 of Notes to Consolidated Financial Statements on page F-12 of this Annual Report on Form 10-K.
(9)	Voting Trust Agreement	Not Applicable.
(10)(a)	1985 Incentive Stock Option Plan	Incorporated by reference to Exhibit 10 (a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
(10)(b)	1987 Incentive Stock Option Plan	Incorporated by reference to Exhibit 10 (b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
(11)	Statement re computation of per share earnings.	Not Applicable.
(12)	Statement re computation of ratios	Not Applicable.
(13)	Annual Report to security holders Form 10-Q or quarterly report to security holders	Not Applicable.

Exhibit No.	Description	Location Sequential Page
(16)	Letter re change in certifying accountant.	Not Applicable.
(18)	Letter re change in accounting principles.	Incorporated by reference to Exhibit 18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
(19)	Previously unfiled documents	Not Applicable.
(21)	Subsidiaries of the Registrant	18
(22)	Published report regarding matters submitted to vote of security holders	Incorporated by reference to Part II, Item 4 to the Registrant's Form 10-Q for the quarter ended June 29, 1991
(23)	Consent of independent auditors to incorporation of their report in Registrant's Statements on Form S-8 (File Nos. 2-73052, 2-77353, 33-5755 and 33-21072) and Form S-2 (File No. 33-30970)	19
(24)	Power of Attorney	Not Applicable.
(28)	Information from reports furnished to state insurance regulatory authorities.	Not Applicable.

The documents listed as Exhibits 10(a) and 10(b) constitute management contracts or compensatory plans or arrangements.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

The Registrant has three wholly-owned subsidiaries, Davey Tree Surgery Company (incorporated in California), Plantasia, Inc., (incorporated in Ohio), and Davey Tree Expert Co. of Canada, Limited (incorporated in Canada), each of which does business under its corporate name.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 2-73052, as amended, 2-77353, 33-5755 and 33-21072) relating to The Davey Tree Expert Company 1980 Employees Stock Option Plan, The Davey Tree Expert Company 1982 Employee Stock Purchase Plan, The Davey Tree Expert Company 1985 Incentive Stock Option Plan, and The Davey Tree Expert Company 1987 Incentive Stock Option Plan and on Form S-2 (No. 33-30970) relating to The Davey Tree Expert Company 1989 Stock Subscription Plan and in the related Prospectuses, of our report dated February 18, 1994 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the change in the method of accounting for income taxes in 1991), appearing in this Annual Report on Form 10-K of The Davey Tree Expert Company for the year ended December 31, 1993.

Deloitte & Touche

DELOITTE & TOUCHE
Akron, Ohio
March 21, 1994

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES
[Items 14(a)(1) and (2)]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Davey Tree Expert Company
Kent, Ohio

We have audited the accompanying consolidated balance sheets of The Davey Tree Expert Company and subsidiary companies as of December 31, 1993, 1992 and 1991, and the related consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedules listed in the index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Davey Tree Expert Company and subsidiary companies as of December 31, 1993, 1992 and 1991 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1991.

Deloitte & Touche

Akron, Ohio
February 18, 1994

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

	1993	December 31 1992 (Dollars in Thousands)	1991
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,022	$ 687	$ 1,180
Accounts receivable	28,288	25,085	20,913
Operating supplies	2,645	2,176	1,722
Prepaid expenses	2,053	1,960	2,014
Deferred income taxes	2,086	1,264	774
Total current assets	36,094	31,172	26,603
INTANGIBLES AND OTHER ASSETS	4,996	4,113	3,101
PROPERTY AND EQUIPMENT:			
Land and land improvements	6,106	4,958	3,937
Building and leasehold improvements	15,856	15,386	13,847
Equipment	131,205	123,716	105,818
	153,167	144,060	123,602
Less accumulated depreciation	93,703	86,623	80,070
Net property and equipment	59,464	57,437	43,532
TOTAL	$ 100,554	$ 92,722	$ 73,236

See notes to consolidated financial statements.

	December 31		
	1993	1992	1991
	(Dollars in Thousands)		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 11,028	$ 10,557	$ 7,869
Accrued liabilities	8,062	9,155	7,314
Income taxes payable	466	158	916
Notes payable, bank	80	225	80
Current maturities of long-term debt	1,650	1,130	1,165
Total current liabilities	21,286	21,225	17,344
LONG-TERM DEBT	26,778	27,113	13,355
DEFERRED INCOME TAXES	4,582	3,475	2,710
SELF-INSURANCE LIABILITIES	3,211		
OTHER LIABILITIES	639	590	567
Total liabilities	56,496	52,403	33,976
SHAREHOLDERS' EQUITY:			
Preferred shares			
Common shares	4,364	4,364	4,364
Additional paid-in capital	7,186	6,647	6,241
Retained earnings	60,263	55,520	51,803
	71,813	66,531	62,408
Less:			
Treasury shares, at cost	26,491	24,257	20,607
Subscriptions receivable from employees	975	1,569	2,059
Future contributions to ESOT	289	386	482
Total shareholders' equity	44,058	40,319	39,260
TOTAL	$ 100,554	$ 92,722	$ 73,236

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF NET EARNINGS

	Years Ended December 31					
	1993		1992		1991	
	(Dollars in Thousands, Except Per Share Amounts)					
REVENUES	$ 221,618	100.0%	$ 208,936	100.0%	$ 187,424	100.0%
COSTS AND EXPENSES:						
Operating costs	151,722	68.5	145,223	69.5	125,447	66.9
Selling, general and administrative	43,529	19.6	41,247	19.8	40,265	21.5
Depreciation and amortization	13,752	6.2	12,176	5.8	11,431	6.1
	209,003	94.3	198,646	95.1	177,143	94.5
EARNINGS FROM OPERATIONS	12,615	5.7	10,290	4.9	10,281	5.5
INTEREST EXPENSE	2,547	1.2	2,056	1.0	2,019	1.1
OTHER (INCOME) EXPENSE - NET	37		(68)	(.1)	(404)	(.2)
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT	10,031	4.5	8,302	4.0	8,666	4.6
INCOME TAXES	3,975	1.8	3,258	1.6	3,405	1.8
EARNINGS BEFORE CUMULATIVE EFFECT	6,056	2.7	5,044	2.4	5,261	2.8
CUMULATIVE EFFECT OF CHANGING TO THE NEW STANDARD OF ACCOUNTING FOR INCOME TAXES					606	.3
NET EARNINGS	$ 6,056	2.7%	$ 5,044	2.4%	$ 5,867	3.1%

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF NET EARNINGS - CONTINUED

	Years Ended December 31		
	1993	1992	1991
	(Dollars in Thousands, Except Per Share Amounts)		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING INCLUDING COMMON STOCK EQUIVALENTS	2,602,708	2,666,110	2,751,769
NET EARNINGS PER COMMON SHARE BEFORE CUMULATIVE EFFECT	$ 2.33	$ 1.89	$ 1.91
NET EARNINGS PER COMMON SHARE FROM CUMULATIVE EFFECT OF CHANGING TO THE NEW STANDARD OF ACCOUNTING FOR INCOME TAXES			.22
NET EARNINGS PER COMMON SHARE	$ 2.33	$ 1.89	$ 2.13

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Dollars in Thousands, Except Per Share Amounts)

	Common Shares ($1.00 Par Value)	Additional Paid-In Capital
BALANCE, JANUARY 1, 1991	$ 4,364	$ 6,010
Receipts from subscriptions receivable		(8)
Shares purchased		
Shares sold to employees		321
Options exercised		(82)
Contributions to ESOT		
Net earnings		
Dividends, $.40 per share		
Net adjustment for foreign currency translation		
Cumulative effect of changing to the new standard of accounting for income taxes		
BALANCE, DECEMBER 31, 1991	4,364	6,241
Receipts from subscriptions receivable		(8)
Shares purchased		16
Shares sold to employees		324
Options exercised		74
Contributions to ESOT		
Net earnings		
Dividends, $.44 per share		
Net adjustment for foreign currency translation		
BALANCE, DECEMBER 31, 1992	4,364	6,647
Receipts from subscriptions receivable		
Shares purchased		
Shares sold to employees		339
Options exercised		200
Contributions to ESOT		
Net earnings		
Dividends, $.48 per share		
Net adjustment for foreign currency translation		
BALANCE, DECEMBER 31, 1993	$ 4,364	$ 7,186

See notes to consolidated financial statements.

Retained Earnings	Treasury Shares	Subscriptions Receivable From Employees	Future Contributions To ESOT	Total
$ 46,923	$ (18,491)	$ (2,529)	$ (542)	$ 35,735
	(23)	470		439
	(3,212)			(3,212)
	556			877
	563			481
			60	60
5,867				5,867
(1,071)				(1,071)
(28)				(28)
112				112
51,803	(20,607)	(2,059)	(482)	39,260
	(29)	490		453
	(4,460)			(4,444)
	541			865
	298			372
			96	96
5,044				5,044
(1,141)				(1,141)
(186)				(186)
55,520	(24,257)	(1,569)	(386)	40,319
		594		594
	(3,508)			(3,508)
	459			798
	815			1,015
			97	97
6,056				6,056
(1,207)				(1,207)
(106)				(106)
$ 60,263	$ (26,491)	$ (975)	$ (289)	$ 44,058

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31 1993	1992	1991
	(Dollars in Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 6,056	$ 5,044	$ 5,867
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	13,752	12,176	11,431
Deferred income taxes	285	275	(798)
	20,093	17,495	16,500
Change in operating assets and liabilities:			
Accounts receivable	(3,203)	(4,172)	1,519
Other assets	(1,734)	(1,654)	205
Accounts payable and accrued liabilities	(622)	4,529	(411)
Self-Insurance liabilities	3,211		
Other liabilities	357	(735)	95
Net cash provided by operating activities	18,102	15,463	17,908
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of property and equipment	291	409	270
Capital expenditures			
Land and buildings	(1,058)	(2,656)	(2,030)
Equipment	(14,829)	(23,778)	(11,811)
Net cash used in investing activities	(15,596)	(26,025)	(13,571)
CASH FLOWS FROM FINANCING ACTIVITIES:			
ESOT payment of debt guaranteed by Company	97	96	60
Net borrowings (payments) under notes payable, bank	(145)	145	(1,091)
Principal payments of long term debt	(1,713)	(1,348)	(1,285)
Proceeds from issuance of long-term debt	1,898	15,071	1,100
Sales of treasury shares	1,813	1,253	1,358
Receipts from stock subscriptions	594	453	439
Dividends paid	(1,207)	(1,141)	(1,071)
Repurchase of common stock	(3,508)	(4,460)	(3,212)
Net cash provided by (used in) financing activities	(2,171)	10,069	(3,702)
NET CHANGE IN CASH AND CASH EQUIVALENTS	335	(493)	635
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	687	1,180	545
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,022	$ 687	$ 1,180

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE YEARS ENDED DECEMBER 31, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of The Davey Tree Expert Company and its wholly owned subsidiary companies.

Fiscal Year - The Company's fiscal year ends on the Saturday closest to December 31; 1993 and 1991 were fiscal years comprised of 52 weeks ended January 1, 1994 and December 28, 1991, respectively, while 1992 was a 53 week year ended January 2, 1993. For presentation purposes, all years were presumed to have ended on December 31 of each year.

Cash equivalents are highly liquid investments with maturities of three months or less when purchased. Due to the short maturities, the carrying amount of the investments approximates fair value.

Accounts Receivable - No allowance was considered necessary for any of the years presented.

Intangible assets represent employment contracts, client lists and similar assets resulting from business acquisitions and are being amortized on a straight-line basis over their estimated useful lives.

Property and Equipment - The Company records property and equipment at cost. Generally, land improvements, leasehold improvements and buildings are depreciated by the straight-line method while the declining balance method is used for equipment. The estimated useful lives used in computing depreciation are: land improvements, 5-20 years; buildings and leasehold improvements, 5-40 years; equipment, 3-10 years.

Insurance - In 1993 the Company was primarily self-insured for workers' compensation, the liability for which is actuarially determined based on ultimate costs. Changes in estimates of claim costs resulting from new information received will be recognized in income in the period in which the estimates are changed. The gross liability at December 31, 1993 was approximately $5,300,000; the present value of the liability, which is accrued at a 4% discount rate, was approximately $4,700,000. The Company self-insures the first $350,000 loss per occurrence and carries excess insurance above that amount. The Company's risk of exposure to loss per occurrence may be less depending on the nature of the claim and the statutes in effect by state. Expenses that are unallocable to specific claims are recognized as period costs.

The Company continues to be insured beyond various self-insured retention levels under its auto, general liability, and some workers' compensation policies. These policies, as well as most workers' compensation policies for years prior to 1993, require premiums which are subject to retrospective adjustments by the insurance company. These premiums are affected by several factors, including the safety record and experience of both the Company and industry, and economic conditions. The Company accrues the estimated amount of the retrospective adjustments and changes in the estimates are recognized in income in the period they occur. The Company reported income, net of income taxes, from such adjustments of $1,367,000 in 1993, $637,000 in 1992 and $1,587,000 in 1991.

Reclassifications have been made to the prior-year financial statements to conform to the current year presentation.

2. COMMON AND PREFERRED SHARES

The Company has authorized a class of 4,000,000 preferred shares, no par value, of which none were issued.

The number of common shares issued was 4,364,220 at December 31, 1993, 1992 and 1991. At those respective dates, the number of shares in the treasury were 1,852,050, 1,816,307 and 1,696,955.

The Company's stock is not listed or traded on an active stock market and market prices are, therefore, not available. Semiannually, an independent financial consulting firm determines the fair market value based upon the Company's performance and financial condition.

Since 1979, the Company has provided an "internal market" for all shareholders through its' purchase of their common shares. In 1991, shareholders approved uniform restrictions on the transfer of the Company's common shares. These restrictions generally give the Company or the trust for the Company's Employee Stock Ownership Plan the right to purchase the common shares whenever a shareholder proposes to transfer the shares to anyone, other than transfers to a current employee of the Company or transfers by a current or former employee to members of their immediate family.

Stock Option Plans - The Company has two qualified stock option plans available for officers and management employees. The status of the qualified stock option plans are as follows at December 31, 1993:

	Option Plan						
	1985			1987			
Grant Date	May 22, 1985	September 10, 1986	May 20, 1987	December 31, 1989	March 31, 1992	December 4, 1992	December 10, 1993
Options granted	62,800	75,000	109,600	137,900	128,900	17,800	116,000
Exercised through 1991	(62,800)	(75,000)	(22,000)	(200)			
Exercised in 1992			(12,800)	(11,000)			
Exercised in 1993			(33,000)	(4,465)	(700)		
Options outstanding, December 31, 1993	-0-	-0-	41,800	122,235	128,200	17,800	116,000
Option purchase price based on fair value at grant date	$ 8.05	$ 9.15	$ 12.92	$ 18.79	$ 24.87	$ 23.78	$ 27.65
Year of expiration	1990	1991	1994	1999	2002	2002	2003

2. COMMON AND PREFERRED SHARES (Continued)

Stock Purchase Plan - The Company has an employee stock purchase plan for which 760,000 shares have been reserved. The Plan provides the opportunity for all full-time employees with one year of service to purchase shares through payroll deductions. The purchase price for the shares offered under the Plan is 85% of the fair value of the shares. The Plan will terminate when no more shares are available to be offered or December 31, 2001, whichever occurs first.

Purchases under the plan have been as follows:

	1993	1992	1991
Number of employees participating	908	760	693
Annual shares purchased	46,556	41,366	43,653
Average price paid	$22.73	$20.63	$18.33
Cumulative shares purchased	577,476	530,920	489,554
Shares available for future purchase	182,524	229,080	270,446

Stock Subscription Offering - In 1989 the Company made a stock subscription offering to employees and directors whereby they could subscribe to purchase stock for $15.86 per share. Employees could purchase the Company's common shares by making a 10% cash down payment and financing the remainder of the balance with seven-year promissory notes payable to the Company through monthly payroll deductions or annual installments commencing in September 1989. The notes bear interest at a rate of 8% per annum and are reflected as subscriptions receivable in shareholders' equity. A total of 141 participants subscribed for 228,876 common shares of the Company.

3. ACCRUED LIABILITIES

Accrued liabilities consisted of:

	December 31		
	1993	1992	1991
	(Dollars in Thousands)		
Compensation	$ 2,903	$ 2,994	$ 2,877
Accrued vacation	1,564	1,552	1,359
Workers' compensation	2,355	3,173	1,744
Taxes, other than taxes on income	808	968	944
Other	432	468	390
	$ 8,062	$ 9,155	$ 7,314

4. NOTES PAYABLE, BANK AND LONG-TERM DEBT

Notes Payable, Bank

The Company has a bank operating loan which is repayable on demand and charges interest at the bank's prime rate. Additionally, the Company has unused short-term lines of credit with four banks totalling $3,286,000, generally at the banks' prime rate, which was 6.0% at December 31, 1993.

4. NOTES PAYABLE, BANK AND LONG-TERM DEBT (Continued)

Long-Term Debt

	December 31		
	1993	1992	1991
		(Dollars in Thousands)	
Revolving credit agreement	$ 5,500	$ 5,300	$ 2,500
Term note agreement	12,000	12,000	
Notes payable	8,000	8,000	8,000
Corporate center financing	375	875	1,375
Long-term debt of ESOT	290	386	482
Subordinated notes - stock redemption	346	550	521
Term loans and other	1,917	1,132	1,642
	28,428	28,243	14,520
Less current maturities	1,650	1,130	1,165
	$ 26,778	$ 27,113	$ 13,355

The total annual installments required to be paid on long-term debt in the years 1994 to 1998 are as follows: 1994, $1,650,000; 1995, $2,705,000; 1996, $2,600,000; 1997, $2,492,000; 1998, $2,443,000. Excluded from these installments are the revolving credit agreement and notes payable which are classified as long-term debt since it is expected that these amounts will be outstanding throughout the ensuing year.

Revolving Credit Agreement

The Revolving Credit Agreement ("Revolver") permits the Company to borrow up to $15,000,000. The Revolver provides for interest on any borrowings at prime, plus a commitment fee of 3/16 of 1% on the unborrowed commitment. Borrowings under the Revolver may be converted, at the Company's option, to five-year term loans.

Under the most restrictive covenants of the Revolver and the Term Note Agreement ("Term Note") below, dividend payments could not exceed $1,615,000 in 1993, and the Company is obligated to maintain a minimum shareholders' equity, as defined, of $28,000,000 plus 25% of annual consolidated earnings from December 31, 1992; a minimum ratio of shareholders' equity to total liabilities, as defined, of .70 to 1 at December 31, 1993 and .75 to 1 at December 31 of each year thereafter; a minimum current ratio of 1 to 1; and a fixed charge coverage ratio of not less than 2.25 to 1.0.

Term Note Agreement

In 1992 the Company borrowed $12,000,000 under the Term Note which provides for twenty consecutive quarterly principal installments of $600,000 commencing January 1, 1995 plus interest at either the London Interbank Offered Rate (LIBOR) plus 1 5/16% or prime plus 1/4%. The average adjusted LIBOR rate during 1993 was 4.54%.

4. NOTES PAYABLE, BANK AND LONG-TERM DEBT (Continued)

The Company has entered into several interest rate swap agreements ("swaps") with its principal bank to reduce the impact of changes in interest rates on its borrowings under the Term Note. At December 31, 1993, two of the outstanding swaps had a total notional amount of $12,000,000 which effectively changes the interest rate exposure on the Term Note to a fixed 7.22% over the same maturity period. On December 16, 1993, a "reverse" swap was entered into on a notional amount of $6,000,000 which effectively changes this fixed interest rate on one-half of the term note to a variable rate for two years. Interest differentials to be paid or received are accrued over the related periods of the swaps. The Financial Accounting Standards Board issued SFAS No. 107 "Disclosures about the Fair Market Value of Financial Instruments" in December 1991. It requires disclosure, by 1995, of the fair market value of financial instruments for which it is practicable to estimate that value. It allows the use of quoted market prices or management's best estimate of fair value based on an appropriate valuation technique. Management believes that, excluding these swaps, the fair value of the Company's financial instruments generally approximates carrying value, and that with respect to the swaps the impact of the standard on the Company's financial statement disclosures is not reasonably estimable upon adoption.

Notes Payable

Notes payable totaling $8,000,000 consist of borrowings from banks for periods of up to six months at rates based either on the London Interbank Offered Rate (LIBOR), or at a money market option rate, which are generally less than the U.S. prime rate. The Company intends to refinance these obligations either through continued uninterrupted renewal of the notes or borrowing under the Revolver.

Corporate Center Financing

Corporate Center financing consists of industrial development bonds which were repaid on February 1, 1994, and a $250,000 Community Development Block Grant, at 3% interest, to be repaid by a principal payment of $250,000 on August 1, 1994. The financing is collateralized by the net book value of the Corporate Center which was $4,261,000 at December 31, 1993.

Long-Term Debt of ESOT

Commencing March 31, 1992, the agreement provided for twenty equal quarterly installments of $24,098 plus interest of 8.4% with the final installment due December 31, 1996. Prior to a refinancing on March 20, 1992, the quarterly installments were $15,061 plus interest of 8.4%.

Subordinated Notes

In 1992, 1990 and 1988 the Company redeemed shares of its common stock from shareholders for cash and five-year subordinated promissory notes bearing interest at a rate equal to the average of the prime rate and the prevailing local bank basic savings rate. There were 16,800 shares redeemed in 1992 for cash of $223,830 and notes of $193,986. In 1990, 32,937 shares were redeemed for cash of $179,730 and notes of $478,022. In 1988, 40,744 shares were redeemed for cash of $274,320 and notes of $346,619.

Term Loans and Other

The weighted average interest on the term loans approximates 7.25% and the amounts outstanding are being repaid primarily in equal monthly installments through 1999.

Interest on Debt

The Company made cash payments for interest on all debt of $2,579,000, $2,056,000, and $2,066,000 in 1993, 1992, and 1991, respectively.

5. EMPLOYEE STOCK OWNERSHIP PLAN

On March 15, 1979, the Company consummated a plan which transferred control of the Company to its employees. As a part of this plan, the Company sold 1,440,000 Common Shares to the Company's new Employee Stock Ownership Trust (ESOT) for $2,700,000.

The Employee Stock Ownership Plan, in conjunction with the related trust (ESOT), provides for the grant to certain employees of certain ownership rights in, but not possession of, the Common Shares held by the trustee of the Trust. Annual allocations of shares are made to individual accounts established for the benefit of the participants.

The Employee Stock Ownership Plan includes as participants, all nonbargaining employees of the parent company and its domestic subsidiaries who have attained age 21 and completed one year of service.

The number of shares released from collateral and available for allocation to ESOP participants is determined by dividing the sum of the current year loan principal and interest payments by the sum of the current and future years' loan principal and interest payments. The Company makes annual cash contributions to the ESOP, net of dividends paid on the shares held as collateral, sufficient to pay the principal and interest on the ESOT debt; such contributions are reflected as an expense of the Company.

The contributions to the ESOT were:

	1993	1992	1991
	(Dollars in Thousands)		
Principal repayment	$ 97	$ 96	$ 60
Interest	30	29	44
Total cash contributions required	127	125	104
Less dividends paid on collateral shares	42	50	55
ESOT expense	$ 85	$ 75	$ 49
Annual release of shares from collateral	24,290	25,922	24,177
Cumulative release of shares from collateral	1,376,691	1,352,401	1,326,479
Number of shares remaining in collateral	63,309	87,599	113,521

6. PENSION PLANS

Description of Plans

Substantially all of the Company's employees are covered by two defined benefit pension plans. One of these plans is for non-bargaining unit employees and is non-contributory with respect to annual compensation up to a defined level with voluntary contributions beyond the specified compensation levels in graduated increments and provides benefits under a formula based on length of service, compensation levels, and employee contributions. The other plan is for bargaining unit employees not covered by union pension plans, is non-contributory, and provides benefits at a fixed monthly amount based upon length of service.

6. PENSION PLANS (Continued)

Funding Policy

The Company's funding policy is to make the annual contributions necessary to fund the plans within the range permitted by applicable regulations. The plans' assets are invested by outside asset managers in marketable debt and equity securities.

Expense Recognition

Pension expense (income) was calculated as follows:

	1993	1992	1991
		(Dollars in Thousands)	
Service cost - increase in benefit obligations earned	$ 423	$ 480	$ 572
Interest cost on projected benefit obligation	751	754	730
Return on plan assets (earnings)	(1,238)	(1,312)	(3,679)
Deferral (amortization) of unrecognized net assets	(188)	(230)	2,402
Net pension expense (income)	$ (252)	$ (308)	$ 25

The funded status of pension plans at December 31 were as follows:

	1993	1992	1991
		(Dollars in Thousands)	
Plan assets at fair market value	$ 17,285	$ 17,194	$ 16,910
Projected benefit obligation	(10,360)	(9,769)	(9,449)
Excess of assets over projected benefit obligation	6,925	7,425	7,461
Unrecognized initial asset	(1,299)	(1,371)	(1,443)
Unrecognized gain	(3,326)	(3,990)	(4,247)
Unrecognized prior service cost	(259)	(274)	(290)
Prepaid pension expense recognized as other assets in balance sheets	$ 2,041	$ 1,790	$ 1,481

The projected benefit obligation was determined using an assumed discount rate of 7.5% in 1993 and 8% in 1992 and 1991. The assumed long-term compensation rate increase was 5.0% in 1993 and 1991, and 5.5% in 1992. The assumed long-term rate of return on plan assets was 7.5%, 8%, and 8.5% in 1993, 1992, and 1991 respectively.

The projected benefit obligation is based on an accumulated benefit obligation of $8,837,000, $8,329,000 and $8,055,000 at December 31, 1993, 1992 and 1991, respectively, which includes vested benefits of $8,666,000, $8,194,000 and $7,881,000, respectively.

Multiemployer Plans

The Company also contributes to several multiemployer plans which provide benefits to unionized workers who do not participate in the Company sponsored bargaining unit plan. Amounts charged to pension cost and contributed to the plans in 1993, 1992 and 1991 totaled $827,000, $664,000, and $587,000, respectively.

7. INCOME TAXES

The Company adopted SFAS No. 109 "Accounting For Income Taxes" for the year ended December 31, 1991. The statement requires that a deferred tax liability be recognized for temporary differences that will result in taxable amounts in future years, and that a deferred tax asset be recognized for temporary differences that will result in deductible amounts in future years and carryforwards.

SFAS No. 109 also required that the effect of its initial application be reported as the effect of a change in accounting principle. Accordingly, the adjustment of $606,000 to retroactively apply the new statement was included in income of 1991 and resulted primarily from applying lower enacted tax rates to taxable and deductible temporary differences existing at the beginning of that year. A significant amount of this adjustment was attributable to a reduction in the deferred tax liability recognized for accelerated depreciation.

The approximate tax effect of each type of temporary difference that gave rise to the Company's deferred tax assets (no valuation allowance was considered necessary) and liabilities at December 31, were as follows:

	Deferred Tax Consequences		
	1993	1992	1991
	(Dollars in Thousands)		
CURRENT			
Assets:			
Non-deductible accruals for:			
Compensated absences	$ 386	$ 352	$ 326
Insurance premiums and self-insurance	1,703	884	425
Other	(3)	28	23
Net current	2,086	1,264	774
NONCURRENT			
Liabilities:			
Accelerated depreciation for tax purposes	(3,751)	(2,792)	(2,391)
Pensions	(746)	(660)	(462)
Other	(85)	(23)	143
Net noncurrent	(4,582)	(3,475)	(2,710)
Net deferred tax liability	$ (2,496)	$ (2,211)	$ (1,936)

7. INCOME TAXES (Continued)

Significant components of income tax expense includes:

	1993	1992	1991
		(Dollars in Thousands)	
Taxes currently payable:			
U.S. Federal	$ 2,682	$ 1,974	$ 2,443
Canadian	379	268	515
State and local	722	734	595
	3,783	2,976	3,553
Deferred tax expense (benefit):			
U.S.	161	271	(152)
Canada	31	11	4
	192	282	(148)
	$ 3,975	$ 3,258	$ 3,405

The differences between the U.S. Federal statutory tax rate and the effective tax rates are as follows:

	1993	1992	1991
U.S. Federal statutory tax rate	34.0%	34.0%	34.0%
State and local income taxes	4.8	5.8	4.6
Canadian income taxes	2.4	1.4	2.0
Miscellaneous	(1.6)	(2.0)	(1.3)
Effective tax rate	39.6%	39.2%	39.3%

Earnings before income taxes and cumulative effect by country are as follows:

	1993	1992	1991
		(Dollars in Thousands)	
U.S.	$ 9,525	$ 7,829	$ 7,651
Canadian	506	473	1,015
	$ 10,031	$ 8,302	$ 8,666

The Company made cash payments for income taxes of $2,635,000, $3,729,000, and $4,073,000 in 1993, 1992 and 1991, respectively.

8. CUSTOMERS

The Company provides a broad line of horticultural services to corporate, institutional and residential customers throughout most of the United States and Canada. The Company's major service line, utility line clearance, represented approximately 65% of the outstanding accounts receivable at December 31, 1993, 1992 and 1991. The Company had revenues from one utility customer under multiple five-year contracts aggregating approximately $36,000,000 in 1993, $33,000,000 in 1992 and $31,000,000 in 1991. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral.

9. OPERATING LEASES

The Company primarily leases facilities which are used for district office and warehouse operations. These leases extend for varying periods of time up to four years and, in some cases, contain renewal options. Total rental expenses under such operating leases amounted to approximately $1,245,000, $1,030,000 and $1,126,000 for 1993, 1992 and 1991, respectively. As of December 31, 1993, future minimum rental payments, including taxes and other operating costs, for all operating leases having noncancelable lease terms in excess of one year, totalled $2,116,000, and are expendable as follows: 1994, $891,000; 1995, $592,000; 1996, $351,000; 1997, $232,000 and 1998, $50,000.

10. COMMITMENTS AND CONTINGENCIES

The Company is party to a number of lawsuits, threatened lawsuits and other claims arising out of the normal course of business. Management is of the opinion that liabilities which may result are adequately covered by insurance, or to the extent not covered by insurance or accrued, would not be material in relation to the financial statements.

At December 31, 1993, the Company was contingently liable to its principal bank in the amount of $7,367,000 for outstanding letters of credit for insurance coverage and guarantees of debt for one of its subsidiaries.

11. POSTEMPLOYMENT BENEFITS

SFAS No. 112 "Employers' Accounting For Postemployment Benefits", requires accrual of postemployment benefits (such as disability related benefits) during the years an employee provides services. The Company believes the impact of this statement will not be significant upon adoption in 1994.

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE V – PROPERTY, PLANT AND EQUIPMENT

(Dollars in Thousands))

Description	Balance at Beginning of Period	Additions At Cost	Retirements	Currency Translation Gain/(Loss)	Balance at End of Period
Year–Ended December 31,1991:					
Land & Land Improvements	$ 3,431	$ 516	$ 9	$ (1)	$ 3,937
Buildings & Leaseholds	12,347	1,688	186	(2)	13,847
Equipment	98,506	11,637	4,320	(5)	105,818
	$ 114,284	$ 13,841	$ 4,515	$ (8)	$ 123,602
Year–Ended December 31,1992:					
Land & Land Improvements	$ 3,937	$ 1,052	$ —	$ (31)	$ 4,958
Buildings & Leaseholds	13,847	1,605	2	(64)	15,386
Equipment	105,818	23,777	5,255	(624)	123,716
	$ 123,602	$ 26,434	$ 5,257	$ (719)	$ 144,060
Year–Ended December 31,1993:					
Land & Land Improvements	$ 4,958	$ 1,678	$ 508	$ (22)	$ 6,106
Buildings & Leaseholds	15,386	627	117	(40)	15,856
Equipment	123,716	13,582	5,692	(401)	131,205
	$ 144,060	$ 15,887	$ 6,317	$ (463)	$ 153,167

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Dollars in Thousands)

Description	Balance at Beginning of Period	Depreciation Expense	Retirements	Currency Translation (Gain)/Loss	Balance at End of Period
Year-Ended December 31,1991:					
Land & Land Improvements	$ 222	$ 77	$ –	$ –	$ 299
Buildings & Leaseholds	3,367	552	50	–	3,869
Equipment	68,746	10,672	3,535	19	75,902
	$ 72,335	$ 11,301	$ 3,585	$ 19	$ 80,070
Year-Ended December 31,1992:					
Land & Land Improvements	$ 299	$ 102	$ –	$ –	$ 401
Buildings & Leaseholds	3,869	641	2	(16)	4,492
Equipment	75,902	11,151	4,892	(431)	81,730
	$ 80,070	$ 11,894	$ 4,894	$ (447)	$ 86,623
Year-Ended December 31,1993:					
Land & Land Improvements	$ 401	$ 114	$ –	$ –	$ 515
Buildings & Leaseholds	4,492	677	123	9	5,055
Equipment	81,730	12,765	5,966	(396)	88,133
	$ 86,623	$ 13,556	$ 6,089	$ (387)	$ 93,703

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE IX – SHORT–TERM BORROWINGS

(Dollars in Thousands)

Notes Payable, Bank	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (1)	Weighted Average Interest Rate During the Period (2)
December 31, 1991	$ 80	6.53%	$ 1,892	$ 1,017	8.76%
December 31, 1992	$ 225	6.07%	$ 2,137	$ 813	6.27%
December 31, 1993	$ 80	6.00%	$ 2,113	$ 862	6.01%

(1) Average amount oustanding during the period is computed by dividing the total of daily outstanding principal balances by 360.

(2) Weighted Average interest rate during the period is computed by multiplying the actual outstanding principal balances by the applicable interest rates and by the actual days outstanding and averaging the resultant totals.

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARIY COMPANIES

SCHEDULE X – SUPPLEMENTARY INCOME STATEMENT DATA

(Dollars in Thousands)

	Charged to Costs & Expenses		
	Year–Ended December 31		
	1993	1992	1991
Maintenance and Repairs	$ 12,598	$ 9,163	$ 10,842
Amortization of Intangible Assets	(A)	(A)	(A)
Pre–Operating Costs and Similar Deferrals	(A)	(A)	(A)
Taxes, Other Than Payroll and Income Taxes	(A)	(A)	(A)
Royalties	(A)	(A)	(A)
Advertising Costs	(A)	(A)	(A)

(A) Amounts are not presented as such amounts are less than 1% of revenues.