

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.
20549

FILE COPY

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, 1980

Commission file number: 1933 Act
Registration Nos. 2-63058 and 2-63059

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

Ohio
(State of Incorporation)

34-0176110
(IRS Employer Identification No.)

117 South Water Street
Kent, Ohio
(Address of principal executive offices)

44240
(Zip Code)

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

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

(Title of class)

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

(Title of class)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes XX . No _____.

Market value of voting stock: Not applicable; see Item 5.

Common Shares outstanding at March 15, 1981: 264,104

Index to Exhibits is located on page 23.

FORM 10-K

THE DAVEY TREE EXPERT COMPANY

Year Ended December 31, 1980

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 and line clearing for public utilities. 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 to project to customers a thorough knowledge of horticulture, and utilization of modern, well maintained equipment and also stresses the Registrant's ability to render technical and diagnostic support for its private horticultural services. 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 the fiscal year ended December 31, 1980, the Registrant had sales of approximately \$10,519,000 (16% of total sales) to Pacific Gas & Electric Company.

Regulation and Environment. 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 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.

Marketing. 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.

Seasonality. The Registrant's business is highly seasonal. Sales and earnings are generally highest in the second and third quarters of the calendar year, and historically the Registrant has incurred losses in the first quarter. This seasonality has historically created heavy demands for additional working capital in the first four to six calendar months ranging from \$2,000,000 to \$4,000,000, and the Registrant borrows against bank commitments for short-term loans in the form of lines

of credit and a revolving credit agreement to provide the necessary funds. Generally, these loans are repaid by the end of the calendar year. Services to utility customers show only small fluctuations in volume throughout the year. Extreme fluctuations do exist, however, in horticultural services to private customers.

Other Factors. 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. Environmental controls inhibit the economic disposal of debris, which directly affects the Registrant's profitability. The Registrant believes, however, that the opportunities resulting from the environmental consciousness of the general public more than offset most of the environmental controls by which it is affected.

The rapid change in equipment technology requires a constant updating of equipment and processes to insure competitive services. Capital expenditures for 1979 and 1980 were approximately \$4,300,000 and 5,586,000, respectively. In addition, the Registrant must continually assure its compliance with the Occupational Safety and Health Act.

Employees. The Registrant employs between 2,500 and 3,000 persons, depending upon the season, and considers its employee relations to be satisfactory.

Foreign and Domestic Operations. The Registrant and its Canadian subsidiary sell the Registrant's services to customers in the United States and Canada, respectively.

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 translation 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.

<u>Location</u>	<u>Acreage</u>	<u>Building Sq. Ft.</u>
Livermore, California	10.0	10,700
Winter Park, Florida	1.0	5,500
Chamblee, Georgia	1.0	5,000
Dundee, Illinois	4.0	7,500
Indianapolis, Indiana	1.4	5,000
Grand Rapids, Michigan	4.0	2,300
Troy, Michigan	2.0	7,200
Cheektowaga, New York	6.9	3,600
Town of Islip, New York	2.0	7,000
Charlotte, North Carolina	3.1	8,100
Kent, Ohio (multiple)	14.9	57,100
Toledo, Ohio	1.0	9,800
Wooster, Ohio	228.0	7,200
Pittsburgh, Pennsylvania	2.5	2,000
Ninety-Six, South Carolina	6.2	6,150
Houston, Texas	1.6	8,200
Chantilly, Virginia	2.0	7,200
Downsview, Ontario	.5	2,800

The Registrant leases its corporate offices in Kent, Ohio, pursuant to a lease expiring in 1984 at an annual rental of approximately \$55,500. The Registrant also rents some 58 other premises ranging from desk space with parking to dumping and storage use. The Registrant believes that all of the aforementioned properties have been adequately maintained and are suitable and adequate for its business as presently conducted.

Item 3. Legal Proceedings.

There are no material legal proceedings to which the Registrant or any of its subsidiaries is a party or of which any of their property is the subject.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth, as of March 15, 1981 the amount and the nature of the beneficial ownership of, and the percentage ownership of, the Registrant's Common Shares, \$1 par value, held by its individual Directors and by all of its Directors and officers as a group:

<u>Name of Director or No. of Persons in Group</u>	<u>No. of Shares Beneficially Owned (1)</u>	<u>Percent of Class</u>
Martin L. Davey, Jr.	1,000(2)	.38%
John W. Joy	8,010	3.01%
James H. Pohl	6,500	2.44%
E. W. Haupt	7,712	2.89%
Howard L. Eckel, Jr.	3,400	1.28%
Bert D. Stamp	5,300	1.99%
Thomas W. Blazey	300	.11%
Richard E. Dunn	50	.02%
William D. Ginn	500(3)	.19%
Alexander M. Smith	500(4)	.19%
Edward P. Taylor	500	.19%
18 Directors and officers as a group, including those listed above	39,862	14.96%

The Registrant knows of no person who is the beneficial owner of more than 5% of its outstanding Common Shares, other than the nominee of the trustee of the Registrant's Employees Stock Ownership Trust, Parsons & Co. Central National Bank Building, Cleveland, Ohio 44114, which holds of record 120,000 Common Shares in a fiduciary capacity, of which 91,312 Common Shares are non-voting.

- (1) Includes for Messrs. Joy, Haupt, Eckel and Stamp, 300, 400, 400, and 100 Common Shares that they have the right to purchase and 2,000 of such shares for all Directors and officers as a group.
- (2) Does not include 4,087 shares held by various trusts of which Messrs. Ginn and Smith and one other individual are trustees. Mr. Davey has the power to direct the voting with respect to 2,640 of such shares.
- (3) Does not include 4,087 shares held in various trusts for the benefit of Mr. Davey and referred to in footnote (2) above.
- (4) Does not include 4,087 shares referred to in footnote (2) above.

PART II

Item 5. Market for Registrant's Common Shares and Related Security Holder Matters.

There is no principal market in which the Registrant's Common Shares are traded. As of March 15, 1981 there were 274 record holders of the Registrant's Common Shares. For the year ended December 31, 1979, the Registrant paid a single dividend of \$.50 per share; during the year ended December 31, 1980, the Registrant paid a dividend of \$.15 per share in each of the first three quarters and paid a dividend of \$.20 per share in the fourth quarter. The Registrant's agreements with its lenders provide cash dividends may not exceed the lesser of (a) 30% of net earnings or (b) net earnings less debt service, in each case as defined, with all such amounts being cumulative from January 1, 1981.

Item 6. Selected Financial Data.

	<u>Years ended December 31,</u>				
	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
	(000's omitted, except per share data)				
Operating results:					
Revenues	\$67,211	\$60,243	\$52,085	\$42,875	\$38,465
Net earnings	\$ 2,500	\$ 1,866	\$ 945	\$ 851	\$ 719
Net earnings per common share	\$ 7.82	\$ 5.73	\$ 2.71	\$ 2.50	\$ 2.12
At year-end:					
Total assets	<u>\$22,584</u>	<u>\$21,606</u>	<u>\$19,196</u>	<u>\$17,957</u>	<u>\$15,542</u>
Total long-term debt	<u>\$ 3,416</u>	<u>\$ 5,868</u>	<u>\$ 2,500</u>	<u>\$ 3,500</u>	<u>\$ 2,000</u>
Cash dividends per common share	\$.65	\$.50	\$.48	\$.45	\$.42

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

Management uses a number of measurements and ratios to gauge the Registrant's financial condition and to monitor trends in key performance areas in operations.

FINANCIAL CONDITION

Liquidity Measurements. Management believes that these measurements are useful in evaluating the Registrant's ability to meet short-term obligations, in evaluating liquidity and in evaluating the extent to which capital expenditures can be financed from internal cash flow.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Working Capital (in 000's)	\$2,803	\$2,698	\$2,483
Current Ratio	1.4:1	1.4:1	1.5:1
Cash Flow From Operations (in 000's)	\$6,465	\$5,480	\$4,296
Capital Expenditures (in 000's)	\$5,586	\$4,299	\$3,640
Cash Flow to Capital Expenditures Ratio	1.2:1	1.3:1	1.2:1
Cash Flow as % of Revenues	9.6%	9.1%	8.2%

Management's continued emphasis on control of inventories and accounts receivable has resulted in a more efficient use of working capital in relation to revenues generated. The working capital amounts in 1980 and 1979, although higher than 1978, reflect lower ratios by comparison as the result of including, in current liabilities, \$798,000 for current maturities on the long-term debt incurred during the March 15, 1979 employee acquisition.

Cash flow from operations has improved over the last three years in relation to revenues as evidenced by the cash flow to revenue percentages above. This has enabled the Registrant to correspondingly increase its capital expenditures and still maintain a healthy cash flow to capital expenditures relationship. It continues to be management's objective to finance capital expenditures from internally generated funds, as much as is possible, so long as that posture does not prevent the Registrant from maximizing growth opportunities.

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.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Equity to Debt Ratio	1.1:1	.7:1	1.6:1
Debt as % of Assets	47.3%	57.6%	38.6%
Equity as % of Assets	52.7%	42.4%	61.4%

The employee acquisition in 1979 resulted in a major restructuring of the debt and equity sections of the Balance Sheet, as can be seen by comparing the above ratios in 1979 and 1978. The equity to debt relationship was completely inverted, and the ratio fell below 1:1 for the first time in years. In 1980, as a result of the sale of the Pine Knoll property and corresponding reduction of long-term debt with the proceeds, and the record earnings achieved in both 1979 and 1980, the equity to debt ratio was restored to 1:1. Management doesn't believe that a ratio of less than 1:1 is necessarily unhealthy and continually evaluates opportunities which could require additional debt financing, but unless the additional debt can be prudently justified, management's intent is to maintain a ratio in excess of 1:1. The purchase of the shares of the family of M. L. Davey, Jr. to be consummated in 1981, as described in Footnote L to the financial statements, is the concluding transaction to the employee acquisition, and will for a period affect the debt/equity relationship, although not to the degree that the original transaction did.

The Registrant will continue to finance seasonal business needs with short-term borrowings under its present Revolving Credit Agreement and lines of credit. At December 31, 1980, the Registrant had available for use \$6,000,000 in credit commitments under these arrangements.

Common Stock Measurements. With these measurements, shareholders can assess the Registrant's earnings performance, dividend payout and equity position as related to their shareholdings.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Earnings per share	\$ 7.82	\$ 5.73	\$ 2.71
Dividends per share	\$.65	\$.50	\$.48
Book value per share	\$37.19	\$28.77	\$33.42
ESOT market valuation per share	\$29.90	\$24.78	N/A

The employees' purchase of the Registrant in 1979 resulted in a decrease in common shares outstanding of approximately 34,500 common shares which has had a positive effect on the measurements presented above. Conversely, the effect of the employees' purchase on shareholders' equity in 1979 is evident in the Book Value computation in 1979 as compared to 1978.

The Registrant's stock is not listed or traded on an active stock market and market prices are therefore not available. Each year, an independent consultant is retained by the Registrant's Employee Stock Ownership Trust (ESOT) to evaluate the Registrant's performance and financial condition and determine a fair market value, as of the end of the year, for the shares owned by the ESOT. The valuations are presented due to the absence of other market data.

RESULTS OF OPERATIONS

Profitability Measurements. Management uses these measurements to evaluate its overall effectiveness in increasing revenues and generating returns on revenues.

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Increase in Revenues	11.6%	15.7%	21.5%
Operating Earnings as % of Revenues	5.9%	5.2%	2.9%
Pre-Tax Earnings as % of Revenues	6.0%	4.8%	2.4%
Net Earnings as % of Revenues	3.8%	3.1%	1.8%

Revenues for 1980 of \$67,211,000 set a new record and increased \$6,968,000 over 1979, despite the fact that services to a large utility customer were discontinued at the beginning of the year due to unacceptable profit margins. Demand for services in the utility marketplace softened somewhat in 1980 compared to 1979 and 1978 except for the Registrant's California subsidiary, which experienced another record year. Demand for services in the residential sector remained strong throughout the year.

Operating costs have declined, as a percentage of revenues, in each of the last three years, due principally to a higher mix of revenues from residential customers which have a lower relative operating cost percentage.

Selling, General and Administrative costs have increased generally at the same rate as revenues during each of the past three years and as a percentage of revenues have remained fairly constant at 20%.

Depreciation expense in 1980 increased at the same rate as revenues, 12% compared with a 4% increase in 1979 and a 30% increase in 1978. The Registrant records its depreciation expense on a double-declining balance method, which provides a higher depreciation expense in the early years of asset life; each year's expense, therefore, is significantly affected by the level of capital expenditures in the current and preceding years.

Interest expense remained constant at \$1,028,000 in 1980 compared to \$1,027,000 in 1979, despite the fact that in mid-year, \$1,658,000 of the proceeds from the sale of the Pine Knoll property was used to pay down the Registrant's long-term loan. Adversely affecting interest expense in 1980 were sharply higher prime interest rates (15.2% average rate in 1980 compared to 12.7% average rate in 1979) and the fact that the higher levels of long-term debt associated with the March 15, 1979 employee acquisition were outstanding throughout the year in 1980, whereas in 1979, they were outstanding for only nine and one-half months. Interest expense in both 1980 and 1979 was more than double the expense of \$468,000 in 1978 due to higher levels of long-term debt and higher prime rates.

Gains on sales of real estate totaled \$686,000 in 1980 compared with \$573,000 in 1979 and \$56,000 in 1978. The 1980 gain represents the sale of the Pine Knoll property in Suffern, New York, as explained in Footnote B to the financial statements.

As a result of the above factors, earnings before income taxes and net earnings have improved dramatically over the past three years, both in amount and as a percentage of revenues.

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

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Average Assets Employed (in 000's)	\$22,095	\$20,401	\$18,577
Asset Turnover (Revenues to Average Assets)	3.0	2.9	2.8
Return on Average Assets	11.3%	9.1%	5.1%

Included in the average assets employed is \$601,000 in 1980 and \$1,201,000 in 1979 and 1978 for the Pine Knoll property held for sale. Inasmuch as this asset was non-revenue producing, it's inclusion in the average assets amounts reduced the turnover ratios and the return on assets percentages.

The return on assets employed has improved significantly during the three-year period presented above, principally due to the improvement in net earnings. Management's goals are to maintain an asset turnover rate in excess of 3.0 and to gradually improve the net earnings to revenue percentage to provide a return on assets of 15%.

Item 8. Consolidated Financial Statements and Supplementary Data.

The following is an index of the consolidated financial statements and the auditor's report thereon, all of which are included in Part IV of the Form 10-K Annual Report.

(Index)

	<u>Page</u>
Opinion of Independent Certified Public Accountants	F-1
Consolidated Balance Sheets - December 31, 1980 and 1979	F-2
Consolidated Statements of Earnings for the three years ended December 31, 1980	F-3
Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1980	F-4
Consolidated Statements of Changes in Financial Position for the three years ended December 31, 1980	F-5
Notes to Consolidated Financial Statements for the three years ended December 31, 1980	F-6 to F-13

PART III

Item 9. Directors and Executive Officers of the Registrant.

(a) Directors.

The Directors of the Registrant, their present principal occupations, their ages, and their terms as Directors of the Registrant are as follows:

<u>Name</u>	<u>Principal Occupation</u>	<u>Age</u>	<u>Director Since</u>
Martin L. Davey, Jr.	Chairman of the Board of the Registrant(1)	63	1946
John W. Joy	President and Chief Executive Officer of the Registrant	58	1964
James H. Pohl	Executive Vice President and Treasurer of the Registrant	57	1952
Howard L. Eckel, Jr.	Sr. Vice President - Operations of the Registrant	50	1977
Bert D. Stamp	Sr. Vice President - Field Services of the Registrant	62	1966
Eugene W. Haupt	Vice President and General Manager of Davey Tree Surgery Company	58	1979
Thomas W. Blazey	Retired; formerly Vice President - Administration, B.F. Goodrich Company	61	1980
Richard E. Dunn	Vice President for Business Affairs and Treasurer of Kent State University	53	1980

<u>Name</u>	<u>Principal Occupation</u>	<u>Age</u>	<u>Director Since</u>
William D. Ginn	Attorney, Thompson, Hine and Flory(2)	57	1973
Alexander M. Smith	Retired; formerly Chairman of the Board of the Registrant(1)	70	1945
Edward P. Taylor	Retired; Agriculturist	71	1973

(1) Mr. Smith is the brother-in-law of Mr. Davey.
(2) Thompson, Hine and Flory is General Counsel for the Registrant and has performed services for the Registrant during the last two fiscal years. The firm's statements for services rendered in fiscal 1980 aggregated approximately \$69,700.

Directors of the Registrant serve for a term of one year from the date of their election until the next annual meeting of shareholders and until their respective successors are elected.

(b) Executive Officers.

The executive officers of the Registrant and their positions and ages are as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Martin L. Davey, Jr.	Chairman of the Board	63
John W. Joy	President and Chief Executive Officer	58
James H. Pohl	Executive Vice President and Treasurer	57
Howard L. Eckel, Jr.	Sr. Vice President - Operations	50
Bert D. Stamp	Sr. Vice President - Field Services	62

<u>Name</u>	<u>Position</u>	<u>Age</u>
Eugene W. Haupt	Vice President and General Manager Davey Tree Surgery Company	58
R. Douglas Cowan	Vice President - Finance	40
Dr. Roger C. Funk	Vice President - Research and Development	36
William F. Heim	Vice President and General Manager Utility Services	53
Gordon L. Ober	Vice President and General Manager Lawnscape Services	31
Donald J. Shope	Vice President and General Manager Tree Care Services	47
C. Robert Klein	Secretary	59
Colette Connors	Assistant Secretary	64

Mr. Davey was elected Chairman of the Board in January, 1979. From November, 1977 to January, 1979, he served as Vice Chairman of the Board. From April, 1976, to November, 1977, he served as Vice President, Operations Coordinator.

Mr. Joy was elected President and Chief Executive Officer in January, 1979. From November, 1977 to January, 1979, he served as President and Chief Operating Officer. From March, 1974 to November, 1977, he served as Senior Vice President, Operations of the Registrant in addition to being a regional Vice President.

Mr. Pohl has served as Executive Vice President and Treasurer since January, 1979, and had served as Senior Vice President, Finance and Administration since April, 1975.

Mr. Eckel was elected Senior Vice President, Operations, January 1979. He had served as Vice President of Utility Services since March, 1977. From March, 1974 to March, 1977, he was a regional Vice President.

Mr. Stamp was elected Senior Vice President in January, 1979. He had served as Vice President of Field Services since March, 1977. From March, 1974 to March, 1977, he was a regional Vice President.

Mr. Haupt has been a Vice President of the Registrant and General Manager of Davey Tree Surgery Company for more than five years.

Mr. Cowan was elected Vice President, Finance in January 1979. He had served as Controller of the Company since April, 1975.

Dr. Funk was elected Vice President, Research and Development in January, 1979. He has been Director of Research and Development since August, 1978. Prior to August, 1978, Dr. Funk was technical advisor-horticulture for the Registrant.

Mr. Heim was elected Vice President and General Manager, Utility Services in January, 1979, after having served as Central and Midwest Regional Utility Manager from January, 1975.

Mr. Ober was elected Vice President and General Manager of Lawnscape Services in May, 1980, after having served as General Manager of Lawnscape Services since October, 1978. Prior to October, 1978, he served as a District Manager.

Mr. Shope was elected Vice President and General Manager-Tree Care Services in January, 1979, after having served as Sales Manager - Tree Care Services from August, 1977. He served as Division Manager for the Mid-Atlantic Division from August, 1976 to August, 1977. Prior to 1976, he served as a Sales Representative.

Mr. Klein has been Secretary of the Registrant for more than five years.

Miss Connors has been Assistant Secretary of the Registrant for more than five years.

Prior to his retirement in 1981, Mr. Blazey had been Vice President -Administration of B.F. Goodrich Company for more than five years.

Mr. Dunn has been Vice President for Business Affairs and Treasurer of Kent State University for more than five years.

Mr. Ginn has been a partner in the law firm of Thompson, Hine and Flory for more than five years. He is also a Director of Nordson Corporation, a manufacturer of industrial equipment.

Mr. Smith resigned as Chairman of the Board and Chief Executive Officer of the Registrant in January, 1979, after having served as Chairman of the Board for more than five years. From May, 1976 to November, 1977, he also served as President of the Registrant. Mr. Smith is also a Director of the Lamson & Sessions Co., a diversified manufacturer.

Mr. Taylor has been retired, except for his agricultural pursuits, since July, 1976. From August, 1973 to July, 1976, he was Chairman of the Executive Committee of Union Commerce Corporation, a bank holding company.

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

Item 10. Management Remuneration and Transactions.

The following table sets forth the salaries and bonuses paid and accrued by the Registrant for the year ended December 31, 1980, to and for each Director, and to and for each of the five highest paid officers, whose aggregate remuneration exceeded \$50,000, and to and for all Directors and officers as a group:

Cash and Cash Equivalent
Forms of Remuneration

<u>Name of Individual or No. of Persons in Group</u>	<u>Capacity in Which Served</u>	<u>Salaries, Fees, Directors' Fees, Commissions, Bonuses</u>	<u>Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(1)</u>
John W. Joy	President and Chief Executive Officer	\$115,586	\$ 3,126
James H. Pohl	Executive Vice President and Treasurer	\$ 96,787	\$ 3,126
Howard L. Eckel, Jr.	Senior Vice President - Operations	\$ 83,560	\$ 3,126
Eugene W. Haupt	Vice President and General Manager Davey Tree Surgery Company	\$ 73,669	\$ 3,126
R. Douglas Cowan	Vice President - Finance	\$ 69,493	\$ 3,008
18 Directors and officers as a group, including those listed above:		\$895,655	\$30,749

(1) This column includes the value of the Registrant's Common Shares allocated under the Registrant's Employee Stock Ownership Plan. All other forms for remuneration, including use of company cars, officers medical reimbursement plans and memberships, aggregate less than \$50,000 for all Directors and officers as a group and therefore are not included in this column.

Members of the Board of Directors who are not also officers of the Registrant are compensated at the rate of \$3,000 per year plus \$300 per board meeting and \$150 per committee meeting attended.

Stock Options and Stock Appreciation Rights

The following table shows as to the persons named in the remuneration table above and as to all

Directors and officers as a group (1) the options to purchase Common Shares granted with and without tandem stock appreciation rights during the period from January 1, 1980 to December 31, 1980; (2) the average per share option exercise price thereof; (3) the net value realized by exercise of options or surrender upon exercise of stock appreciation rights during that period; and (4) the number and potential unrealized value of shares with and without tandem stock appreciation rights subject to unexercised options held as of December 31, 1980:

<u>Number of Common Shares</u>	<u>John W. Joy</u>	<u>James H. Pohl</u>	<u>Howard L. Eckel, Jr.</u>	<u>Eugene W. Haupt</u>	<u>R. Douglas Cowan</u>	<u>All Directors and Officers as a Group</u>
Granted January 1, 1980 to December 31, 1980:						
Number of options without tandem rights.....	745	800	800	700	800	6,045
Number of options with tandem rights.....	750	750	700	700	700	6,450
Average per share exercise price.....	\$23.32	\$24.19	\$24.17	\$24.29	\$24.17	\$24.12
Exercised January 1, 1980 to December 31, 1980:						
Number of options without tandem rights.....	350	400	-0-	300	-0-	1,050
Net value realized in shares (market value less any exercise price) or cash.....	\$798	\$912	\$-0-	\$684	\$-0-	\$2,394
Outstanding at December 31, 1980:						
Number of options without tandem rights.....	300	400	400	400	400	2,400
Number of options with tandem rights.....	750	750	700	700	700	6,450
Potential (unrealized) value--(market value less exercise or base price).....	\$5,376	\$5,888	\$5,632	\$5,632	\$5,632	\$45,312

Pension Plan

All of the officers of the Registrant are covered by a retirement plan, including Directors who have served as employees.

The table below shows estimated annual benefits payable (assuming payments made on the straight-line annuity basis, and not under any of the various survivor options) under the retirement plan to an employee, including any employee who is a director or an officer, upon retirement on December 31, 1980, at age 65 with indicated average final annual compensation and periods of service.

<u>Average Final Annual Compensation</u>	<u>10 Years</u>	<u>Years of Credited Service</u>			<u>40 Years</u>
		<u>20 Years</u>	<u>30 Years</u>		
\$ 50,000	\$ 1,348	\$ 6,618	\$11,888	\$17,158	
75,000	3,848	11,618	19,388	27,158	
100,000	6,348	16,618	26,888	37,158	

The information contained in the above table is based on the assumption that the retirement plans will be continued in their present form.

The Registrant's basic pension plan was established for all employees who choose to participate in the plan. The plan is contributory by participating employees, and normal retirement benefits are computed at \$4.50 per month per year of service.

The Registrant's supplemental pension plan was established for salaried and sales employees who choose to participate in the plan. The purpose of the plan is to provide the Registrant with an additional employee benefit to enable it to attract and retain qualified managerial, sales and professional personnel. The plan is partially contributory by participating employees, and contributions, as well as benefits, are based on an employee's salary. Normal retirement benefits are computed generally at the rate of 1% per year of credited service, multiplied by the average final annual compensation. An employee's average final annual compensation includes only salaries and is calculated using the five consecutive years within the last ten years of his employment for which his

total compensation was greatest. As of December 31, 1980, the number of years of credited service for each of the individuals named in the remuneration table was as follows: John W. Joy - 34.1; James H. Pohl - 32.9; Howard L. Eckel, Jr. - 17.6; Eugene W. Haupt - 41.5; and R. Douglas Cowan - 6.3.

Employee Stock Ownership Plan

The Employee Stock Ownership Plan (ESOP) in conjunction with the trust created thereunder, was established in accordance with provisions of the Internal Revenue Code as a leveraged ESOP. At the time of the employee's purchase of the Registrant, the trust purchased 120,000 Common Shares and pledged them as collateral for the loan obtained to finance its purchase of the shares. The Registrant has guaranteed the repayment of the loan. The release of shares from collateral is determined by dividing the current year's principal and interest payments by the sum of the current and future years' principal and interest payments and applying that ratio to the shares then held as collateral. The Registrant makes annual cash contributions to the Trust in order to repay the principal and interest on the loan and has the right to deduct as expense from income both the interest and the principal paid on the loan each year.

Stock that is released from collateral at the end of each year is allocated to the ESOP participants in the ratio that each participant's wages bears to the aggregate wages for all participants. Shares held in a participant's account are distributed to him upon retirement. At December 31, 1980, there were 450 employee participants in the plan.

Other Transactions

Messrs. Smith, Joy, Pohl, Davey and Stamp are Directors, officers and shareholders of Davey Investment Company which rents office space to the Registrant under a lease expiring in 1984 and renewable for two five-year terms thereafter. Annual rental payments under that lease are approximately \$55,500. Under that lease, the Registrant leases approximately 21,400 square feet of second and third floor space in five adjoining buildings, which have common inside walls, located at the corner of South Water and East Main Streets in Kent, Ohio.

PART IV

Item 11. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)(1) and (2) Financial Statements, and Financial Statement Schedules.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

(Item 11(a)(1) and (2))

	<u>Page</u>
Opinion of Independent Certified Public Accountants	F-1
Consolidated Balance Sheets - December 31, 1980 and 1979	F-2
Consolidated Statements of Earnings for the three years ended December 31, 1980	F-3
Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1980	F-4
Consolidated Statements of Changes in Financial Position for the three years ended December 31, 1980	F-5
Notes to Consolidated Financial Statements - for the three years ended December 31, 1980	F-6 to F-13
Schedules for the three years ended December 31, 1980:	
V -- Property, Plant and Equipment	S-1
VI -- Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment	S-2
IX -- Short-Term Borrowings	S-3
X -- Supplementary Income Statement Information	S-4

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

Separate financial statements of the Registrant have been omitted since it is primarily an operating company, and no minority interests in subsidiaries are owned by and no long-term debt of subsidiaries is held by persons other than the Registrant.

(a)(3) Exhibits.

INDEX TO EXHIBITS

(Item 11(a)(3))

<u>Exhibit No.</u>	<u>Description</u>	<u>Page</u>
(3)	Articles of Incorporation and Regulations of Registrant incorporated herein by reference to Exhibits 3(a) and 3(b) to Registrant's Registration Statement on Forms S-1 (2-63058) filed on November 16, 1978 and Exhibit 5 to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1979.	N/A
(22)	Listing of subsidiaries of the Registrant	23

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the period covered by this Annual Report on Form 10-K.

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act.

The Registrant will herewith furnish the Commission for its information four copies of the notice, proxy statement and form of proxy sent to the Registrant's security holders in connection with its May 20, 1980 annual meeting of shareholders. No annual report for the Registrant's 1980 fiscal year nor proxy materials for its May, 1981 annual meeting has yet been sent to the Registrant's security holders; however, the Registrant will furnish copies of such material to the Commission when the same is sent to security holders.

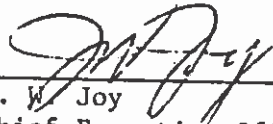
THE DAVEY TREE EXPERT COMPANY

Exhibit No. 22 (to 1980 Form 10-K Annual Report)

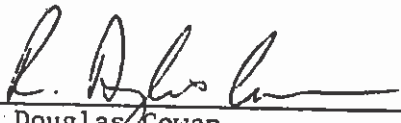
The Registrant has two wholly-owned subsidiaries, namely, Davey Tree Surgery Company (incorporated in California) and Davey Tree Expert Co. of Canada, Limited (incorporated in Canada), each of which does business under its corporate name.

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, The Davey Tree Expert Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE DAVEY TREE EXPERT COMPANY



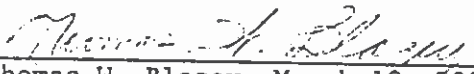
J. W. Joy
Chief Executive Officer




R. Douglas Cowan
Vice President, Finance

March 10, 1981


Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:



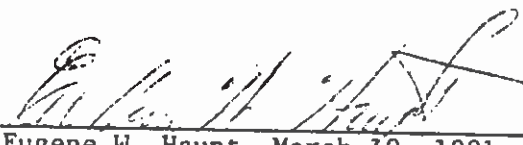
Thomas W. Blazey, March 10, 1981
Director




W. D. Ginn, March 10, 1981
Director



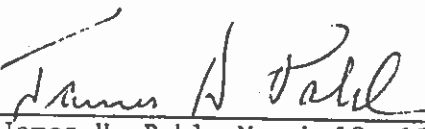
M. L. Davey, Jr., March 10, 1981
Director



Eugene W. Haupt, March 10, 1981
Director



Richard E. Duda, March 10, 1981
Director



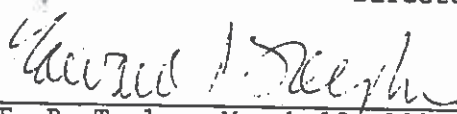
James H. Pohl, March 10, 1981
Director



Howard L. Eckel, Jr., March 10, 1981
Director



B. D. Stamp, March 10, 1981
Director



E. P. Taylor, March 10, 1981
Director