UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from ______________ to ______________

Commission file number 000-11917

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

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
Common Shares, $1.00 par value

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if 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 amendment to this Form 10-K. ☐

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

(Check one):	☐ Large Accelerated Filer	☒ Accelerated Filer	☐ Emerging Growth Company
	☐ Non-Accelerated Filer (Do not check if a smaller reporting company)	☐ Smaller Reporting Company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

There were 24,930,758 Common Shares outstanding as of March 10, 2017. The aggregate market value of the Common Shares held by nonaffiliates of the registrant as of July 2, 2016 was $358,707,925. For purposes of this calculation, it is assumed that the registrant's affiliates include the registrant's Board of Directors and its executive officers.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated by reference into Part III (filed within 120 calendar days of the registrant's fiscal year end).

EXPLANATORY NOTE

Amendment No. 1 on Form 10-K/A (this “Amendment No. 1”) amends and restates certain items noted below in the Annual Report on Form 10- K of The Davey Tree Expert Company (the “Company”) for the fiscal year ended December 31, 2016, as originally filed with the Securities and Exchange Commission on March 14, 2017 (the “Original Filing”).

Amendment No. 1 amends the Original Filing to reflect the correction of an error in the previously reported 2014 through 2016 financial statements related to the Company’s reclassification of shares of the Company’s common stock held by the Davey 401KSOP and ESOP Plan as well as common stock distributed from the Davey 401KSOP and ESOP plan, which remains subject to redemption from permanent equity to temporary equity in the mezzanine section of the Company’s consolidated balance sheet. The amendment also gives retroactive effect of the two-for-one stock split effective June 1, 2017.

For ease of reference, revisions to the Original Filing have been made to the following sections:

- Note Regarding Forward-Looking Statements
- Part I, Item 1A - Risk Factors
- Executive Officers of the Company
- Part II, Item 5 - Market for Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
- Part II, Item 6 - Selected Financial Data
- Part II, Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations
- Part II, Item 8 - Financial Statements and Supplementary Data
- Part II, Item 9A - Controls and Procedures
- Part IV, Item 15 - Exhibits and Financial Statement Schedules
- Signatures

In addition, the Company’s Chief Executive Officer and Chief Financial Officer have provided new certifications dated as of the date of this filing in connection with this Amendment No. 1 (Exhibits 31.1, 31.2, 32.1 and 32.2), and the Company has provided its revised audited consolidated financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibit 101.

Except as described above, no other changes have been made to the Original Filing. This Amendment No. 1 speaks as of the date of the Original Filing and does not reflect events that may have occurred after the date of the Original Filing, or modify or update any disclosures that may have been affected by subsequent events.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K/A contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations," "Item 7A - Quantitative and Qualitative Disclosures About Market Risk," and elsewhere. These statements relate to future events or our future financial performance. In some cases, forward-looking statements may be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to differ materially from what is expressed or implied in these forward-looking statements. Some important factors that could cause actual results to differ materially from those in the forward-looking statements include:

- Our business, other than tree services to utility customers, is highly seasonal and weather dependent.
- Various economic factors may adversely impact our customers' spending and pricing for our services, and impede our collection of accounts receivable.
- Significant customers, particularly utilities, may experience financial difficulties, resulting in payment delays or delinquencies.
- The seasonal nature of our business and changes in general and local economic conditions, among other factors, may cause our quarterly results to fluctuate, and our prior performance is not necessarily indicative of future results.
- The uncertainties in the credit and financial markets may limit our access to capital.
- Significant increases in fuel prices for extended periods of time will increase our operating expenses.
- Fluctuations in foreign currency exchange rates may have a material adverse impact on our operating results.
- We have significant contracts with our utility, commercial and government customers that include liability risk exposure as part of those contracts. Consequently, we have substantial excess-umbrella liability insurance, and increases in the cost of obtaining adequate insurance, or the inadequacy of our self-insurance accruals or insurance coverages, could negatively impact our liquidity and financial condition.
- Because no public market exists for our common shares, the ability of shareholders to sell their common shares is limited.
- Significant increases in health care costs could negatively impact our results of operations or financial position.
- We are subject to intense competition.
- Our failure to comply with environmental laws could result in significant liabilities, fines and/or penalties.
- The impact of regulations initiated as a response to possible changing climate conditions could have a negative effect on our results of operations or our financial condition.
- We may encounter difficulties obtaining surety bonds or letters of credit necessary to support our operations.
- We are dependent, in part, on our reputation of quality, integrity and performance. If our reputation is damaged, we may be adversely affected.
- We may be unable to attract and retain a sufficient number of qualified employees for our field operations, and we may be unable to attract and retain qualified management personnel.
- Our facilities could be damaged or our operations could be disrupted, or our customers or vendors may be adversely affected, by events such as natural disasters, pandemics, terrorist attacks or other external events.
- A disruption in our information technology systems, including a disruption related to cybersecurity, could adversely affect our financial performance.
- We may be subject to third-party and governmental regulatory claims and litigation that may have an adverse effect on us.
- We may misjudge a competitive bid and be contractually bound to an unprofitable contract.
- We may encounter difficulties maintaining effective disclosure controls and procedures.

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

THE DAVEY TREE EXPERT COMPANY
FORM 10-K/A
For the Year Ended December 31, 2016

TABLE OF CONTENTS

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

PART I

Item 1. *Business.*

General

The Davey Tree Expert Company, which was founded in 1880 and incorporated in Ohio in 1909, and its subsidiaries ("we" or "us") provides a wide range of arboricultural, horticultural, environmental and consulting services to our customers throughout the United States and Canada. We have two reportable operating segments organized by type or class of customer: Residential and Commercial, and Utility.

Our Residential and Commercial segment provides services to our residential and commercial customers including: the treatment, preservation, maintenance, removal and planting of trees, shrubs and other plant life; the practice of landscaping, grounds maintenance, tree surgery, tree feeding and tree spraying; the application of fertilizer, herbicides and insecticides; and, natural resource management and consulting, forestry research and development, and environmental planning.

Our Utility segment is principally engaged in providing services to our utility customers--investor-owned, municipal utilities, and rural electric cooperatives--including: the practice of line-clearing and vegetation management around power lines, rights-of-way and chemical brush control; and, natural resource management and consulting, forestry research and development and environmental planning.

We also maintain research, technical support and laboratory diagnostic facilities.

Competition and Customers

Our Residential and Commercial segment is one of the largest national tree care organizations in the United States, and competes with other national and local firms with respect to its services. On a national level, our competition is primarily landscape construction and maintenance companies as well as residential and commercial lawn care companies. At a local and regional level, our competition comes mainly from small, local companies which are engaged primarily in tree care and lawn services. Our Utility segment is the second largest organization in the industry in the United States, and competes principally with one major national competitor, The Asplundh Tree Expert Co., as well as several smaller regional firms.

Principal methods of competition in both operating segments are customer service, marketing, image, performance and reputation. Our program to meet our competition stresses the necessity for our employees to have and project to customers a thorough knowledge of all horticultural services provided, and utilization of modern, well-maintained equipment. Pricing is not always a critical factor in a customer's decision with respect to our Residential and Commercial segment; however, pricing is generally the principal method of competition for our Utility segment, although in most instances consideration is given to reputation and past production performance.

We provide 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 2016, we had revenues of approximately $100 million, or approximately 12% of total revenues, from Pacific Gas & Electric Company ("PG&E"), one of our largest customers.

Regulation and Environment

Our 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 our 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. Constant changes in environmental conditions, environmental awareness, technology and social attitudes make it necessary for us to maintain a high degree of awareness of the impact such changes have on the market for our services. We believe that we comply in all material respects with existing federal, state and local laws regulating the use of materials in our spraying operations as well as the other aspects of our business that are subject to any such regulation.

Marketing

We solicit business from residential customers principally through referrals, direct mail programs and to a lesser extent through the placement of advertisements in national magazines and trade journals, local newspapers and "yellow pages" telephone directories. We also employ online marketing and lead generation strategies, including email marketing campaigns, search engine optimization, search engine marketing, and social media communication. Business from utility and commercial customers is obtained principally through negotiated contracts and competitive bidding. We carry out all of our sales and services through our employees. We generally do not use agents, and do not franchise our name or business.

Seasonality

Our business is seasonal, primarily due to fluctuations in horticultural services provided to Residential and Commercial customers and to a lesser extent by budget constraints imposed on our Utility customers. Because of this seasonality, we have 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 for additional working capital at various times throughout the year. We borrow primarily against bank commitments in the form of a revolving credit facility to provide the necessary funds for our operations. You can find more information about our bank commitments in “Liquidity and Capital Resources” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 24-27 of this report.

Other Factors

Due to rapid changes in equipment technology and intensity of use, we must constantly update our equipment and processes to ensure that we provide competitive services to our customers and continue our compliance with the Occupational Safety and Health Act.

We own several trademarks including "Davey," "Davey and Design," "Arbor Green Pro," "Arbor Green," and "Davey Resource Group." Through substantial advertising and use, we believe that these trademarks have become of value in the identification and acceptance of our products and services.

Employees

We employed approximately 8,000 employees at December 31, 2016. However, employment levels fluctuate due to seasonal factors affecting our business. We consider our employee relations to be good.

Domestic and Foreign Operations

We sell our services to customers in the United States and Canada.

We do not consider the risks attendant to our business with foreign customers, other than currency exchange risks, to be materially different from those attendant to our business with domestic customers.

Financial Information About Segments and Geographic Areas

Certain financial information regarding our operations by segment and geographic area is contained in Note S to our consolidated financial statements, which are included in Part II, Item 8 of this report.

Access to Company Information

Davey Tree’s internet address is http://www.davey.com. Through our internet website, by hyperlink to the Securities and Exchange Commission (“SEC”) website (http://www.sec.gov), we make available, free of charge, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports. Availability of the reports occurs contemporaneously with the electronic posting to the SEC’s website as the reports are electronically filed with or furnished to the SEC. The information on our website is not a part of this Annual Report on Form 10-K.

The following documents are also made available on our website and a copy will be mailed, without charge, upon request to our Corporate Secretary:

- Code of Ethics
- Code of Ethics for Financial Matters

Item 1A. *Risk Factors.*

The factors described below represent the principal risks we face. Except as otherwise indicated, these factors may or may not occur and we are not in a position to express a view on the likelihood of any such factor occurring. Other factors may exist that we do not consider to be significant based on information that is currently available or that we are not currently able to anticipate.

Our business is highly seasonal and weather dependent.

Our business, other than tree services to utility customers, is highly seasonal and weather dependent, primarily due to fluctuations in horticultural services provided to Residential and Commercial customers. We have historically incurred losses in the first quarter, while revenue and operating income are generally highest in the second and third quarters of the calendar year. Inclement weather, such as uncharacteristically low or high (drought) temperatures, in the second and third quarters could dampen the demand for our horticultural services, resulting in reduced revenues that would have an adverse effect on our results of operations.

Economic conditions may adversely impact our customers' future spending as well as pricing and payment for our services, thus negatively impacting our operations and growth.

Economic conditions may adversely impact the demand for our services and potentially result in depressed prices for our services and the delay or cancellation of projects. That may make it difficult to estimate our customers' requirements for our services and, therefore, add uncertainty to customer demand. Various economic factors and customers' confidence in future economic conditions may cause a reduction in our customers' spending for our services and may also impact the ability of our customers to pay amounts owed, which could reduce our cash flow and adversely impact our debt or equity financing. These events could have a material adverse effect on our operations and our ability to grow at historical levels.

Financial difficulties or the bankruptcy of one or more of our major customers could adversely affect our results.

Our ability to collect our accounts receivable and future sales depends, in part, on the financial strength of our customers. We grant credit, generally without collateral, to our customers. Consequently, we are subject to credit risk related to changes in business and economic factors throughout the United States and Canada. In the event customers experience financial difficulty, and particularly if bankruptcy results, our profitability may be adversely impacted by our failure to collect our accounts receivable in excess of our estimated allowance for uncollectible accounts. Additionally, our future revenues could be reduced by the loss of a customer due to bankruptcy. Our failure to collect accounts receivable and/or the loss of one or more major customers could have an adverse effect on our net income and financial condition.

Our business is dependent upon service to our utility customers and we may be affected by developments in the utility industry.

We derive approximately 51% of our total revenues from our Utility segment. Significant adverse developments in the utility industry generally, or specifically for our major utility customers, could result in pressure to reduce costs by utility industry service providers (such as us), delays in payments of our accounts receivable, or increases in uncollectible accounts receivable, among other things. As a result, such developments could have an adverse effect on our results of operations.

Our quarterly results may fluctuate.

We have experienced and expect to continue to experience quarterly variations in revenues and operating income as a result of many factors, including:

- the seasonality of our business;
- the timing and volume of customers' projects;
- budgetary spending patterns of customers;
- the commencement or termination of service agreements;
- costs incurred to support growth internally or through acquisitions;
- changes in our mix of customers, contracts and business activities;
- fluctuations in insurance expense due to changes in claims experience and actuarial assumptions; and
- general and local economic conditions.

Accordingly, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for the entire year.

We may not have access to capital in the future due to uncertainties in the financial and credit markets.

We may need new or additional financing in the future to conduct our operations, expand our business or refinance existing indebtedness. Future changes in the general economic conditions and/or financial markets in the United States or globally could affect adversely our ability to raise capital on favorable terms or at all. From time-to-time we have relied, and may also rely in the future, on access to financial markets as a source of liquidity for working capital requirements, acquisitions and general corporate purposes. Our access to funds under our revolving credit facility is dependent on the ability of the financial institutions that are parties to the facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Economic disruptions and any resulting limitations on future funding, including any restrictions on access to funds under our revolving credit facility, could have a material adverse effect on us.

We are subject to the risk of changes in fuel costs.

The cost of fuel is a major operating expense of our business. Significant increases in fuel prices for extended periods of time will cause our operating expenses to fluctuate. An increase in cost with partial or no corresponding compensation from customers would lead to lower margins that would have an adverse effect on our results of operations.

We are subject to the effect of foreign currency exchange rate fluctuations, which may have a material adverse impact on us.

We are exposed to foreign currency exchange rate risk resulting from our operations in Canada, where we provide a comprehensive range of horticultural services. Fluctuations in foreign currency exchange rates may make our services more expensive for others to purchase or increase our operating costs, affecting our competitiveness and our profitability. Our financial results could be affected by factors such as changes in the foreign currency exchange rate or differing economic conditions in the Canadian markets as compared with the markets for our services in the United States. Our earnings are affected by translation exposures from currency fluctuations in the value of the U.S. dollar as compared to the Canadian dollar.

Revenues from customers in Canada are subject to foreign currency exchange. Thus, certain revenues and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have a material adverse impact on our operating results, asset values and could reduce shareholders' equity. In addition, if we expand our Canadian operations, exposures to gains and losses on foreign currency transactions may increase.

We could be negatively impacted if our self-insurance accruals or our insurance coverages prove to be inadequate.

We are generally self-insured for losses and liabilities related to workers' compensation, vehicle liability and general liability claims (including any wildfire-related claims, up to certain retained coverage limits). A liability for unpaid claims and associated expenses, including incurred but not reported losses, is actuarially determined and reflected in our consolidated balance sheet as an accrued liability. The determination of such claims and expenses, and the extent of the need for accrued liabilities, are continually reviewed and updated. If we were to experience insurance claims or costs above our estimates and were unable to offset such increases with earnings, our business could be adversely affected. Also, where we self-insure, a deterioration in claims management, whether by our management or by a third-party claims administrator, could lead to delays in settling claims, thereby increasing claim costs, particularly as it relates to workers' compensation. In addition, catastrophic uninsured claims filed against us or the inability of our insurance carriers to pay otherwise-insured claims would have an adverse effect on our financial condition.

Furthermore, many customers, particularly utilities, prefer to do business with contractors with significant financial resources, who can provide substantial insurance coverage. Should we be unable to renew our excess liability insurance and other commercial insurance policies at competitive rates, this loss would have an adverse effect on our financial condition and results of operations.

Increases in our health insurance costs and uncertainty about federal health care policies could adversely affect our results of operations and cash flows.

The costs of employee health care insurance have been increasing in recent years due to rising health care costs, legislative changes, and general economic conditions. We cannot predict what other health care programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulations on our business, results of operations and cash flows. In addition, we cannot predict when and if Congress will repeal and/or replace certain health care programs and regulations at the federal level and the impact that such changes would have on our business. A continued increase in health care costs or additional costs incurred as a result of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 or other future health care reform laws imposed by Congress or state legislatures could have a negative impact on our financial position, results of operations and cash flows.

The unavailability or cancellation of third-party insurance coverage may have a material adverse effect on our financial condition and results of operations as well as disrupt our operations.

Any of our existing excess insurance coverage may not be renewed upon the expiration of the coverage period or future coverage may not be available at competitive rates for the required limits. In addition, our third-party insurers could fail, suddenly cancel our coverage or otherwise be unable to provide us with adequate insurance coverage. If any of these events occur, they may have a material adverse effect on our financial condition and results of operations as well as disrupt our operations. For example, we have operations in California, which has an environment prone to wildfires. Should our third-party insurers determine to exclude coverage for wildfires in the future, we could be exposed to significant liabilities, having a material adverse effect on our financial condition and results of operations and potentially disrupting our California operations.

Because no public market exists for our common shares, your ability to sell your common shares may be limited.

Our common shares are not traded on any national exchange, market system or over-the-counter bulletin board. Because no public market exists for our common shares, your ability to sell these shares is limited.

We are subject to intense competition.

We believe that each aspect of our business is highly competitive. Principal methods of competition in our operating segments are customer service, marketing, image, performance and reputation. Pricing is not always a critical factor in a customer’s decision with respect to our Residential and Commercial segment; however, pricing is generally the principal method of competition for our Utility segment, although in most instances consideration is given to reputation and past production performance. On a national level, our competition is primarily landscape construction and maintenance companies as well as residential and commercial lawn care companies. At a local and regional level, our competition comes mainly from small, local companies which are engaged primarily in tree care and lawn services. Our Utility segment competes principally with one major national competitor, as well as several smaller regional firms. Furthermore, competitors may have lower costs because privately-owned companies operating in a limited geographic area may have significantly lower labor and overhead costs. Our competitors may develop the expertise, experience and resources to provide services that are superior in both price and quality to our services. These strong competitive pressures could inhibit our success in bidding for profitable business and may have a material adverse effect on our business, financial condition and results of operations.

Our failure to comply with environmental laws could result in significant liabilities.

Our facilities and operations are subject to governmental regulations designed to protect the environment, particularly with respect to our services regarding insect and tree, shrub and lawn disease management, because these services involve to a considerable degree the blending and application of spray materials, which require formal licensing in most areas. Continual changes in environmental laws, regulations and licensing requirements, environmental conditions, environmental awareness, technology and social attitudes make it necessary for us to maintain a high degree of awareness of the impact such changes have on our compliance programs and the market for our services. We are subject to existing federal, state and local laws, regulations and licensing requirements regulating the use of materials in our spraying operations as well as certain other aspects of our business. If we fail to comply with such laws, regulations or licensing requirements, we may become subject to significant liabilities, fines and/or penalties, which could adversely affect our financial condition and results of operations.

We cannot predict the impact that policies regarding changing climate conditions, including legal, regulatory and social responses thereto, may have on our business.

Many scientists, environmentalists, international organizations, political activists, regulators and other commentators believe that global climate change has added, and will continue to add, to the unpredictability, frequency and severity of natural disasters in certain parts of the world. In response, a number of legal and regulatory measures and social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions that these parties believe may be contributors to global climate change. These proposals, if enacted, could result in a variety of regulatory programs, including potential new regulations, additional charges and taxes to fund energy efficiency activities, or other regulatory actions. Any of these actions could result in increased costs associated with our operations and impact the prices we charge our customers.

We cannot predict the impact, if any, that changing climate conditions will have on us or our customers. However, it is possible that the legal, regulatory and social responses to real or imagined climate change could have a negative effect on our results of operations or our financial condition.

We may be adversely affected if we are unable to obtain necessary surety bonds or letters of credit.

Surety market conditions are currently difficult as a result of significant losses incurred by many sureties in recent years, both in the construction industry as well as in certain larger corporate bankruptcies. As a result, less bonding capacity is available in the market and terms have become more expensive and restrictive. Further, under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of collateral as a condition to issuing or renewing any bonds. If surety providers were to limit or eliminate our access to bonding, we would need to post other forms of collateral for project performance, such as letters of credit or cash. We may be unable to secure sufficient letters of credit on acceptable terms, or at all. Accordingly, if we were to experience an interruption or reduction in the availability of bonding capacity, our liquidity may be adversely affected.

We may be adversely affected if our reputation is damaged.

We are dependent, in part, upon our reputation of quality, integrity and performance. If our reputation were damaged in some way, it may impact our ability to grow or maintain our business.

We may be unable to employ a sufficient workforce for our field operations.

Our industry operates in an environment that requires heavy manual labor. We may experience slower growth in the labor force for this type of work than in the past. As a result, we may experience labor shortages or the need to pay more to attract and retain qualified employees.

We may be unable to attract and retain skilled management.

Our success depends, in part, on our ability to attract and retain key managers. Competition for the best people can be intense and we may not be able to promote, hire or retain skilled managers. The loss of services of one or more of our key managers could have a material adverse impact on our business because of the loss of the manager's skills, knowledge of our industry and years of industry experience, and the difficulty of promptly finding qualified replacement personnel.

Natural disasters, pandemics, terrorist attacks and other external events could adversely affect our business.

Natural disasters, pandemics, terrorist attacks and other adverse external events could materially damage our facilities or disrupt our operations, or damage the facilities or disrupt the operations of our customers or vendors. The occurrence of any such event could adversely affect our business, financial condition and results of operations.

A disruption in our information technology systems, including a disruption related to cybersecurity, could adversely affect our financial performance.

We rely on the accuracy, capacity and security of our information technology systems. Despite the security measures that we have implemented, including those measures related to cybersecurity, our systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. A breach could result in business disruption, theft of our intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could adversely affect our competitive position, reputation, relationships with our customers, financial condition, operating results and cash flows. In addition, we may be required to incur significant costs to protect against the damage caused by these disruptions or security breaches in the future.

We may be subject to third-party and governmental regulatory claims and litigation.

From time-to-time, customers, vendors, employees, governmental regulatory authorities and others may make claims and take legal action against us. Whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in our favor, they may result in significant financial liability. Any such financial liability could have a material adverse effect on our financial condition and results of operations. Any such claims and legal actions may also require significant management attention and may detract from management's focus on our operations.

We may be adversely affected if we enter into a major unprofitable contract.

Our Residential and Commercial segment and our Utility segment frequently operate in a competitive bid contract environment. As a result, we may misjudge a bid and be contractually bound to an unprofitable contract, which could adversely affect our results of operations.

We have identified a material weakness in our internal control over financial reporting that resulted in the restatement of certain of our financial statements.

We are restating our consolidated financial statements for the fiscal year ended December 31, 2016 and for the first and second quarterly periods of 2017 to correct an accounting error in the method historically used by the Company to classify shares of the Company’s common stock held by The Davey 401KSOP and ESOP Plan on the Company’s consolidated balance sheet. For a discussion of this error and the related adjustment, see Note C to the Consolidated Financial Statements of the Company included in this report. In connection with this restatement, we have identified a material weakness in our internal controls over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, management has concluded that we did not maintain effective internal control over financial reporting or effective disclosure controls and procedures as of December 31, 2016.

As further described in Part II, Item 9A “Controls and Procedures,” we have undertaken steps to remediate our internal control over financial reporting. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected, our liquidity, access to capital and perceptions of our creditworthiness may be adversely affected, we may be unable to maintain compliance with securities law and debt instruments regarding the timely filing of periodic reports, we may be subject to regulatory investigations and penalties, we may suffer defaults under our debt instruments, and the valuation of our shares may be impacted.

As a result of the restatement and the remediation of our ineffective disclosure controls and procedures and material weakness in our internal control over financial reporting, we have become subject to additional costs and risks, including costs for accounting and legal fees. In addition, the attention of our management team has been diverted by these efforts. We could also be subject to regulatory, shareholder or other actions in connection with the restatement, which would, regardless of the outcome, consume management’s time and attention and may result in additional legal, accounting and other costs. In addition, the restatement and related matters could impair our reputation and could cause our customers, lenders, employees, shareholders, insurers, vendors, and other counterparties to lose confidence in us. Each of these occurrences could have an adverse effect on our business, results of operations, and financial condition.

Item 1B. *Unresolved SEC Staff Comments.*

There are no unresolved comments from the Staff of the Securities and Exchange Commission.

Item 2. *Properties.*

Our corporate headquarters campus is located in Kent, Ohio which, along with several other properties in the surrounding area, includes The Davey Institute's research, technical support and laboratory diagnostic facilities.

We conduct administrative functions through our headquarters and our offices in Livermore, California (Utility Services). Our Canadian operations’ administrative functions are conducted through properties located in the provinces of Ontario and

British Columbia. We believe our properties are well maintained, in good condition and suitable for our present operations. A summary of our properties follows:

Segment	Number of Properties	How Held	Square Footage	Number of States or Provinces
Residential and Commercial	29	Owned	262,931	15
Utility	3	Owned	36,037	3
Residential and Commercial, and Utility	3	Owned	30,080	3

We also rent approximately 146 properties in 31 states and three provinces.

None of our owned or rented properties used by our business segments is individually material to our operations.

Item 3. ***Legal Proceedings.***

Not applicable.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

Executive Officers of the Company.

Our executive officers and their present positions and ages as of November 1, 2017 follow:

Name	Position	Age
Patrick M. Covey	President and Chief Executive Officer	53
Joseph R. Paul, CPA	Executive Vice President, Chief Financial Officer and Secretary	55
Lawrence S. Abernathy	Vice President and General Manager, Davey Tree Surgery Company	67
Christopher J. Bast, CPA, CTP	Vice President and Treasurer	49
Marjorie L. Conner, Esquire	Vice President, Assistant Secretary and Counsel	60
James E. Doyle	Executive Vice President and General Manager, Davey Tree Expert Co. of Canada, Limited	49
Gregory M. Ina	Executive Vice President, The Davey Institute and Employee Development	46
Dan A. Joy	Executive Vice President and General Manager, Commercial Landscape Services and Operations Support Services	60
Brent R. Repenning	Executive Vice President, U.S. Utility and Davey Resource Group	46
Thea R. Sears, CPA	Vice President and Controller	49
James F. Stief	Executive Vice President, U.S. Residential Operations	63
Mark J. Vaughn	Vice President and General Manager, U.S. Northern Utility Operations	63

Mr. Covey was appointed as Chief Executive Officer on March 24, 2017 and has served as President and Chief Operating Officer since March 4, 2016 and as a Director since May 20, 2014. He previously served as President and Chief Operating Officer, U.S. Operations, having been appointed in April 2014, and as Chief Operating Officer, U.S. Operations, having been appointed in February 2012. Prior to that time, Mr. Covey served as Executive Vice President, having been appointed in January 2007, Vice President and General Manager of the Davey Resource Group, having been appointed in March 2005, and Vice President, Southern Operations, Utility Services, having been appointed in January 2003. Previously, having joined Davey Tree in August 1991, Mr. Covey held various managerial positions, including Manager of Systems and Process Management and Administrative Manager, Utility Services.

Mr. Paul was elected Executive Vice President, Chief Financial Officer and Secretary effective March 4, 2016 and served as Chief Financial Officer and Secretary, having been appointed in March 2013. Prior to that time, he served as Vice President and Treasurer, having been appointed in May 2011. Mr. Paul joined Davey Tree as Treasurer in December 2005. He is a certified public accountant. Prior to joining us, Mr. Paul served as corporate controller for AccessPoint Openings, LLC, a holding company of distribution and manufacturing companies in the building products industry, having been associated with that firm since 1998. Mr. Paul served in various capacities, including as director of business expansion and integration, at Applied Industrial Technologies, an industrial distributor, from 1993 to 1998. Prior to joining Applied Industrial Technologies, Mr. Paul was an audit manager with Deloitte LLP, having been associated with that firm since 1986.

Mr. Abernathy was elected Vice President and General Manager, Davey Tree Surgery Company, effective April 2, 2012, and served as Senior Vice President, Davey Tree Surgery Company, having been appointed in July 2010. Prior to that time, he served as Vice President, Utility Operations, having been appointed in April 1995. Previously, having joined Davey Tree in 1969, Mr. Abernathy held various managerial positions, including Operations Manager, Area Manager and Account Manager.

Mr. Bast was elected as Vice President in September 2017 and as Treasurer in April 2013, having joined Davey Tree in March 2013. He is a certified public accountant and a certified treasury professional. Prior to joining us, Mr. Bast served in various management positions from 1994 to 2013 at Diebold, Incorporated, a provider of self-service delivery and security systems, including senior director of North America Finance, a director of investor relations and director of treasury. Prior to joining Diebold, Mr. Bast was an auditor with Deloitte LLP, having been associated with that firm since 1991.

Ms. Conner was elected as Vice President in September 2017 and as Assistant Secretary and Counsel in May 1998. Prior to that time, she served as Manager of Legal and Treasury Services.

Mr. Doyle was elected Executive Vice President and General Manager, Davey Tree Expert Co. of Canada, Limited ("Davey Tree Limited"), effective May 21, 2014 and served as Vice President and General Manager, Davey Tree Limited, having been appointed in February 2012. Prior to that time, he served as Vice President and General Manager, Operations, Davey Tree Limited, having been appointed in May 2011 and Vice President, Operations, Davey Tree Limited, having been appointed in January 2006. Previously, having joined Davey Tree in 1989, Mr. Doyle held various managerial positions, including District Manager and Operations Manager.

Mr. Ina was elected as Executive Vice President, The Davey Institute and Employee Development in July 2017, having previously served as Vice President and General Manager of Research, Recruiting and Human Resource Development since April 4, 2016 and having previously been elected an officer effective March 4, 2016. Prior to this time, he served as Vice President and General Manager of the Davey Institute, having been appointed in May 2009, and General Manager of the Davey Institute, having been appointed in May 2006. Previously, having joined Davey Tree in 1996, Mr. Ina held various managerial and operational positions in the Davey Institute and Davey Resource Group.

Mr. Joy was elected Executive Vice President and General Manager, Commercial Landscape Services and Operations Support Services, effective August 15, 2014 and served as Executive Vice President and General Manager, Commercial Landscape Services, having been appointed May 21, 2014. Prior to that time, he served as Vice President and General Manager, Commercial Landscape Services, having been appointed in May 2013, and Vice President, Commercial Landscape Services, having been appointed in December 2004. Previously, having joined Davey Tree in 1976, Mr. Joy held various managerial positions, including Operations Manager, District Manager and Assistant District Manager.

Mr. Repenning was elected as Executive Vice President of U.S. Utility and Davey Resource Group in July 2017, having previously served as Senior Vice President of Davey Resource Group and Eastern Utility, since October 2016 and as Vice President and General Manager, Davey Resource Group, since June 2010. Prior to that time, he served as Vice President, Davey Resource Group, having been appointed in October 2009. Previously, having joined Davey Tree in 1994, Mr. Repenning held various managerial and operational positions, including Regional Manager, Production Manager and Supervisor.

Ms. Sears was appointed as Vice President in September 2017 and as Controller effective September 16, 2016 and prior to that, served as Assistant Controller, having been appointed in May 2010. Prior to that time, she served as Manager of Financial Accounting, having been appointed in April 1998, and as Supervisor of Financial Accounting, having been appointed in September 1995. During her tenure with Davey Tree, Ms. Sears' responsibilities have included a variety of roles in financial reporting, managerial reporting and operations accounting. She is a certified public accountant.

Mr. Stief was elected Executive Vice President, U.S. Residential Operations, effective February 12, 2012 and previously served as Vice President and General Manager, Residential/Commercial Services, since January 2010. Prior to that time, Mr. Stief served as Vice President and General Manager, South, West and Central Residential/Commercial Operations, having been appointed in January 2007, and Vice President South, West and Central Residential/Commercial Operations, having been appointed in January 1997. Previously, having joined Davey Tree in 1978, Mr. Stief held various managerial positions, including Operations Manager and District Manager.

Mr. Vaughn was elected Vice President and General Manager, Eastern Utility Services, effective June 6, 2010, and served as Vice President, Eastern Utility Services, having been appointed in December 2007. Prior to that time, he served as Vice President, Northern Operating Group, Utility Services, having been appointed in July 2002. Previously, having joined Davey Tree in 1972, Mr. Vaughn held various managerial positions, including Operations Manager and Regional Manager.

Our officers serve 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 Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our common shares are not listed or traded on an established public trading market and market prices are, therefore, not available. Semiannually, for purposes of the Davey 401KSOP and ESOP, the fair market value of our common shares is determined by an independent stock valuation firm, based upon our performance and financial condition, using a peer group of comparable companies selected by that firm. The peer group currently consists of: ABM Industries Incorporated; Comfort Systems USA, Inc.; Dycom Industries, Inc.; MYR Group, Inc.; Quanta Services, Inc.; Rollins, Inc.; and, Scotts Miracle-Gro Company. The semiannual valuations are effective for a period of six months and the per-share price established by those valuations is the price at which our Board of Directors has determined our common shares will be bought and sold during that six-month period in transactions involving Davey Tree or one of its employee benefit or stock purchase plans. Since 1979, we have provided a ready market for all shareholders through our direct purchase of their common shares, although we are under no obligation to do so (other than for repurchases pursuant to the put option under The Davey 401KSOP and ESOP Plan, as described in Note O). These purchases are added to our treasury stock.

Record Holders and Common Shares

On March 10, 2017 we had 3,868 record holders of our common shares.

On March 10, 2017 we had 24,930,758 common shares outstanding and options exercisable to purchase 750,896 common shares, partially-paid subscriptions for 833,440 common shares and purchase rights outstanding for 338,382 common shares.

Dividends

The following table sets forth, for the periods indicated, the dividends declared per common share (in cents):

	Year Ended December 31,	
Quarter	**2016**	**2015**
1	2.50	2.50
2	2.50	2.50
3	2.50	2.50
4	2.50	2.50
Total	10.00	10.00

We presently expect to pay comparable cash dividends in 2017.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

The following table provides information on purchases made by the Company of our common shares during the fiscal year ended December 31, 2016. We have given retroactive consideration to the two-for-one stock split of our common shares effective June 1, 2017.

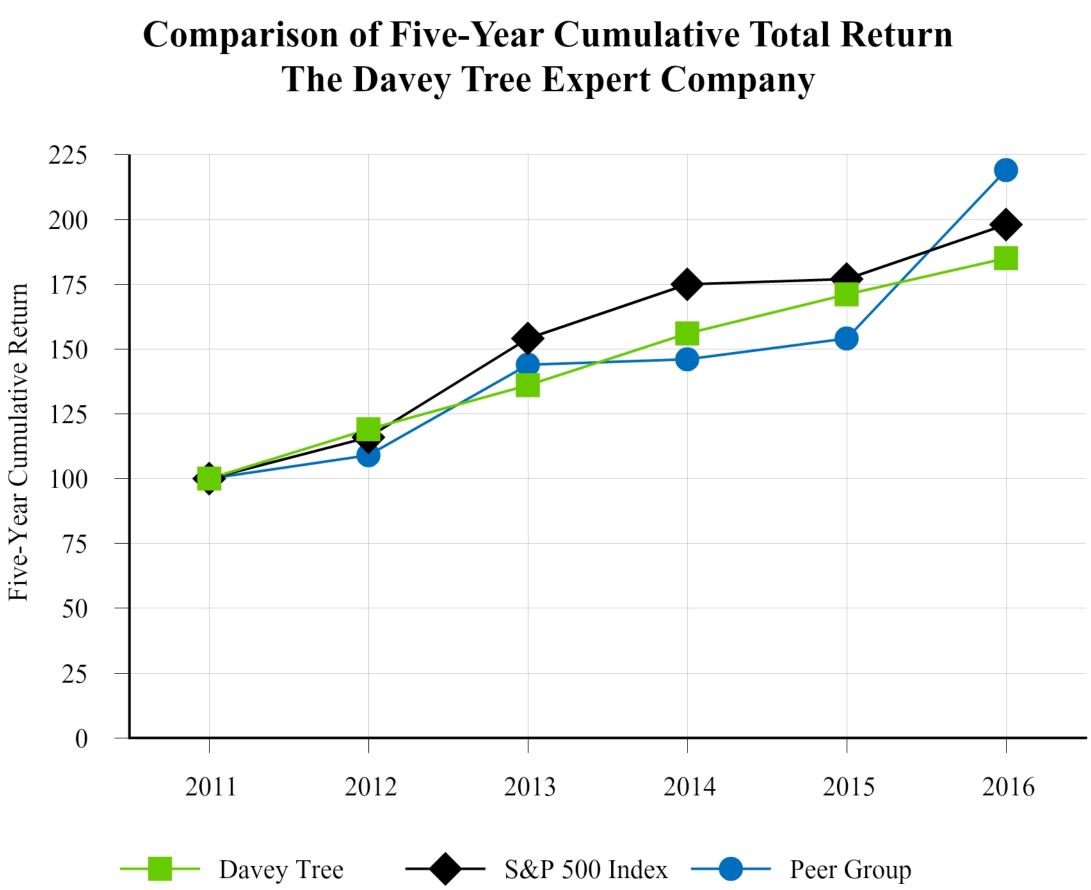
Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
Fiscal 2016					
January 1 to January 30	1,608	$	15.75	n/a	n/a
January 31 to February 27	540		15.75	n/a	n/a
February 28 to April 2	103,498		16.35	n/a	n/a
Total First Quarter	105,646		16.34		
April 3 to April 30	204,266		16.35	n/a	n/a
May 1 to May 28	218,716		16.35	n/a	n/a
May 29 to July 2	158,618		16.35	n/a	n/a
Total Second Quarter	581,600		16.35		
July 3 to July 30	576		16.35	n/a	n/a
July 31 to August 27	63,218		16.95	n/a	n/a
August 28 to October 1	153,226		16.95	n/a	n/a
Total Third Quarter	217,020		16.95		
October 2 to October 29	335,310		16.95	n/a	n/a
October 30 to December 3	168,174		16.95	n/a	n/a
December 4 to December 31	84,332		16.95	n/a	n/a
Total Fourth Quarter	587,816		16.95		
Total Year to Date	1,492,082	$	16.67		

n/a--Not applicable. There are no publicly announced plans or programs to purchase common shares.

Stock Performance Graph

Comparison of five-year cumulative return among The Davey Tree Expert Company, S&P 500 Stock Index and Selected Peer Group Companies Index

The following Performance Graph compares cumulative total shareholder returns for The Davey Tree Expert Company common shares during the last five years to the Standard & Poor's 500 Stock Index and to an index of selected peer group companies. The peer group, which is the same group used by Davey's independent stock valuation firm, consists of: ABM Industries Incorporated; Comfort Systems USA, Inc.; Dycom Industries, Inc.; MYR Group, Inc.; Quanta Services, Inc.; Rollins, Inc.; and Scotts Miracle-Gro Company. Each of the three measures of cumulative total return assumes reinvestment of dividends.



	2011	2012	2013	2014	2015	2016
Davey Tree	100	119	136	156	171	185
S&P 500 Index	100	116	154	175	177	198
Peer Group	100	109	144	146	154	219

The Performance Graph and related information above shall not be deemed "soliciting material" or be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Item 6. *Selected Financial Data.*

	Fiscal Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except ratio and per share data)				
Operating Statement Data:					
Revenues	$ 845,678	$ 821,904	$ 789,911	$ 713,848	$ 680,153
Costs and expenses:					
Operating	541,486	528,899	508,677	462,646	437,332
Selling	152,106	144,234	140,027	120,842	111,578
General and administrative	61,789	59,798	54,970	50,654	48,171
Depreciation	47,284	44,677	40,970	38,231	37,365
Amortization of intangible assets	2,306	2,214	2,070	1,980	1,742
Gain on sale of assets, net	(4,664)	(2,026)	(806)	(1,294)	(1,802)
Income from operations	45,371	44,108	44,003	40,789	45,767
Interest expense	(4,393)	(3,355)	(2,948)	(2,708)	(2,698)
Interest income	255	249	295	311	200
Other expense	(3,989)	(5,744)	(3,050)	(2,827)	(2,611)
Income before income taxes	37,244	35,258	38,300	35,565	40,658
Income taxes	14,960	13,460	15,131	12,712	16,063
Net income	$ 22,284	$ 21,798	$ 23,169	$ 22,853	$ 24,595
Earnings per share--diluted *	$ .82	$ .78	$ .81	$ .79	$ .84
Shares used for computing per share amounts--diluted *	27,247	27,955	28,477	29,205	29,218
Other Financial Data:					
Depreciation and amortization	$ 49,590	$ 46,891	$ 43,040	$ 40,211	$ 39,107
Capital expenditures	56,646	56,047	55,731	45,205	29,734
Cash flow provided by (used in):					
Operating activities	55,370	62,689	49,279	56,310	43,936
Investing activities	(54,808)	(56,046)	(64,060)	(43,205)	(31,179)
Financing activities	(7,721)	(7,140)	17,335	(16,891)	(3,377)
Cash dividends declared per share *	$ .1000	$ .1000	$ .0925	$ .0900	$ .0888

	As of December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except ratio and per share data)				
Balance Sheet Data:					
Working capital	$ 59,868	$ 48,984	$ 49,916	$ 39,030	$ 54,393
Current ratio	1.50	1.44	1.46	1.37	1.55
Property and equipment, net	179,436	166,422	160,883	136,884	125,716
Total assets	423,939	393,586	381,004	330,814	330,932
Long-term debt	92,623	85,104	81,306	50,034	54,787
Other long-term liabilities	60,565	55,464	54,854	44,371	59,498
Redeemable common shares related to 401KSOP and Employee Stock Ownership Plan (ESOP) **	124,201	127,089	123,668	113,694	102,971
Total common shareholders' equity **	27,978	14,450	12,826	19,347	15,135
Redeemable common shares *	7,057	7,773	8,217	8,613	8,877
Common shares: *					
Issued	35,857	35,141	34,697	34,301	34,037
Less: In treasury	17,991	17,427	16,584	16,036	15,462
Net outstanding	24,923	25,487	26,330	26,878	27,452
Stock options: *					
Outstanding	1,599	1,634	1,540	1,324	1,522
Exercisable	751	834	778	684	1,280
ESOT valuation per share *	$ 17.60	$ 16.35	$ 15.05	$ 13.20	$ 11.60

* Adjusted for two-for-one stock split, effective June 1, 2017, as discussed in Note B to the audited financial statements included in item 8.

** Restated, as discussed in Note C to the audited financial statements included in item 8.

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

(Amounts in thousands, except share data)

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

- Overview of 2016 Results;
- Results of Operations, including fiscal 2016 compared to fiscal 2015, fiscal 2015 compared to fiscal 2014, and liabilities for uncertain income tax positions, and other matters;
- Liquidity and Capital Resources, including cash flow summary, off-balance sheet arrangements, and capital resources;
- Recent Accounting Guidance;
- Critical Accounting Policies and Estimates; and
- Market Risk Information, including interest rate risk and foreign currency exchange rate risk.

OVERVIEW OF 2016 RESULTS

General

We provide a wide range of horticultural, arboricultural, environmental and consulting services to residential, commercial, utility and institutional customers throughout the United States and Canada.

Our Business--We have two reportable operating segments organized by type or class of customer: Residential and Commercial, and Utility.

Residential and Commercial--Residential and Commercial provides services to our residential and commercial customers including: the treatment, preservation, maintenance, removal and planting of trees, shrubs and other plant life; the practice of landscaping, grounds maintenance, tree surgery, tree feeding and tree spraying; the application of fertilizer, herbicides and insecticides; and, natural resource management and consulting, forestry research and development, and environmental planning.

Utility--Utility is principally engaged in providing services to our utility customers--investor-owned, municipal utilities, and rural electric cooperatives--including: the practice of line-clearing and vegetation management around power lines, rights-of-way and chemical brush control; and, natural resource management and consulting, forestry research and development and environmental planning.

All other operating activities, including research, technical support and laboratory diagnostic facilities, are included in "All Other."

Results of Operations

The following table sets forth our consolidated results of operations as a percentage of revenues and the percentage change in dollar amounts of the results of operations for the periods presented:

	Year Ended December 31,			Percentage Change	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Revenues	100.0%	100.0%	100.0%	2.9%	4.1 %
Costs and expenses:					
Operating	64.0	64.3	64.3	2.4	4.0
Selling	18.0	17.5	17.7	5.5	3.0
General and administrative	7.3	7.3	7.0	3.3	8.8
Depreciation	5.6	5.4	5.2	5.8	9.0
Amortization of intangible assets	.3	.3	.3	4.2	7.0
Gain on sale of assets, net	(.6)	(.2)	(.1)	130.2	151.4
	94.6	94.6	94.4	2.9	4.3
Income from operations	5.4	5.4	5.6	2.9	.2
Other income (expense):					
Interest expense	(.5)	(.4)	(.4)	30.9	13.8
Interest income	—	—	—	nm	nm
Other	(.5)	(.7)	(.4)	nm	nm
Income before income taxes	4.5	4.3	4.8	5.6	(7.9)
Income taxes	1.8	1.6	1.9	11.1	(11.0)
Net income	2.6%	2.7%	2.9%	2.2%	(5.9)%

nm--not meaningful

Revenues of $845,678 were 2.9% higher than last year's revenues of $821,904. Utility revenues increased .1%, and Residential and Commercial revenues increased 6.4% from the prior year.

Overall, income from operations of $45,371 increased 2.9% from the $44,108 experienced in the prior year. Income from operations was $19,256 in Utility (a 20.7% decrease as compared with 2015) and $36,640 for Residential and Commercial (a 3.9% increase as compared with 2015).

Net income of $22,284 was $486 more than the $21,798 earned in 2015. The decreases in other nonoperating expenses of $1,755, was partially offset by an increase in income taxes of $1,500 and an increase in interest expense of $1,038.

Operating activities in 2016 provided cash of $55,370 as compared to $62,689 provided in 2015. The $7,319 net decrease was primarily attributable to (i) an increase of $17,730 in cash used by accounts receivable attributable to the timing of payments from utility customers, offset by (ii) $7,942 more cash provided from changes in operating assets and liabilities excluding accounts receivable, and (iii) an increase of $2,699 in depreciation and amortization expense.

Investing activities used $54,808 in cash, or $1,238 less than that used in 2015. The decrease was primarily due to fewer expenditures for land and buildings and greater proceeds from sales of property and equipment, including the sale of a building in 2016, which were partially offset by an increase in purchases of businesses and equipment necessary to support the business growth.

Financing activities used $7,721 in cash in 2016, $581 more than the $7,140 of cash used in 2015. Our revolving credit facility provided $12,500 in cash in 2016 as compared with the $10,000 provided during 2015. Purchases of common shares for treasury of $25,290 were partially offset by net cash received of $12,152 from the sale of common shares and cash received on our common share subscriptions. Dividends paid during 2016 totaled $2,597.

Fiscal 2016 Compared to Fiscal 2015

A comparison of our fiscal year 2016 results to 2015 follows:

	Year Ended December 31,			
	2016	**2015**	**Change**	**% Change**
Revenues	$ 845,678	$ 821,904	$ 23,774	2.9%
Costs and expenses:				
Operating	541,486	528,899	12,587	2.4
Selling	152,106	144,234	7,872	5.5
General and administrative	61,789	59,798	1,991	3.3
Depreciation	47,284	44,677	2,607	5.8
Amortization of intangible assets	2,306	2,214	92	4.2
Gain on sale of assets, net	(4,664)	(2,026)	(2,638)	130.2
	800,307	777,796	22,511	2.9
Income from operations	45,371	44,108	1,263	2.9
Other income (expense):				
Interest expense	(4,393)	(3,355)	(1,038)	30.9
Interest income	255	249	6	2.4
Other	(3,989)	(5,744)	1,755	(30.6)
Income before income taxes	37,244	35,258	1,986	5.6
Income taxes	14,960	13,460	1,500	11.1
Net income	$ 22,284	$ 21,798	$ 486	2.2%

nm--not meaningful

Revenues--Revenues of $845,678 increased $23,774 compared with the $821,904 reported in 2015. Utility increased $262, or .1%, from the prior year. New contracts obtained and increases in rates and productivity on contracts within both our U.S. and Canadian operations were partially offset by contracts lost and significant reductions in contract scope with two utility providers within our U.S. Utility operations. Residential and Commercial increased $24,551, or 6.4%, from 2015. Higher contract rates on our tree pruning, tree removal and liquid services, increased storm revenue, increased productivity and additional revenue from the purchase of businesses accounted for the increase. Total consolidated revenue of $845,678 includes production incentive revenue, recognized under the completed-performance method, of $2,827 during 2016 as compared with $4,686 during 2015.

Operating Expenses--Operating expenses of $541,486 increased $12,587 from the prior year, and as a percentage of revenues decreased .3% to 64.0%. Utility experienced an increase of $1,971, or .6%, from 2015, and as a percentage of revenues increased .6% to 74.4%. Increases in employee labor and benefits expense, equipment repair and maintenance expense, disposal expense and subcontractor expense were partially offset by decreases in fuel expense, crew expense and material expense. Residential and Commercial increased $12,767, or 6.3%, compared with 2015 and as a percentage of revenue decreased .1% to 52.6%. Increases in employee labor and benefits expense, subcontractor expense, disposal expense, tool and saw expense and material expense were partially offset by decreases in fuel expense and crew expense.

Fuel costs decreased in 2016 as compared with fuel costs for 2015 and impacted operating expenses within all segments. During 2016, fuel expense of $22,677 decreased $3,204, or 12.4%, from the $25,881 incurred in 2015. Substantially all of the $3,204 decrease relates to a decrease in price of fuel.

Selling Expenses--Selling expenses of $152,106 increased $7,872 from 2015 and as a percentage of revenues increased .5% to 18.0%. Utility increased $1,016, or 2.3%, from 2015. Increases in office support wages, field management travel expense, rent expense and computer expense were partially offset by reductions in field management wages and incentive expense and employee development expense. Residential and Commercial increased $7,191, or 7.0%, from 2015 and as a percentage of revenue increased .2% to 26.8%. Increases in field management wages and incentive expense, rent expense, computer expense, communication expense, professional services expense and sales and marketing expense were partially offset by reductions in field management auto expense.

General and Administrative Expenses--General and administrative expenses increased $1,991 to $61,789, an increase of 3.3% from the $59,798 experienced in 2015 and as a percentage of revenues remained at 7.3%. Increases in salary and incentive expense, office expense, and computer expense were partially offset by a decrease in professional services expense.

Depreciation and Amortization Expense--Depreciation and amortization expense of $49,590 increased $2,699 from the prior year and as a percentage of revenues increased .2% to 5.9%. The increase is attributable to higher capital expenditures for equipment and an increase in amortization expense related to our purchases of businesses.

Gain on Sale of Assets--Gain on the sale of assets of $4,664 increased $2,638 from the $2,026 experienced in 2015. The increase is the result of more units sold at a higher average price in 2016 as compared with 2015 and the sale of a building in 2016.

Interest Expense--Interest expense of $4,393 increased $1,038 from the $3,355 incurred in 2015. The increase is attributable to higher-average debt levels necessary to fund operations and capital expenditures.

Other, Net--Other, net of $3,989 decreased $1,755 from the $5,744 experienced in 2015. Other, net, consisted of nonoperating income and expense, including foreign currency gains on the intercompany account balances of our Canadian operations.

Income Taxes--Income taxes for 2016 were $14,960, an effective tax rate of 40.2%, compared with income taxes for 2015 of $13,460, or an effective tax rate of 38.2%. The increase of 2.0% in the effective tax rate as compared to 2015 relates primarily to changes in foreign tax credits, which had reduced the 2015 rate.

Net Income--Net income of $22,284 was $486 more than the $21,798 earned in 2015. The increase in income from operations of $1,263 and the decrease of other nonoperating expenses of $1,755, offset by the increases in interest expense of $1,038 and income taxes of $1,500, contributed to the increase in net income.

Fiscal 2015 Compared to Fiscal 2014

A comparison of our fiscal year 2015 results to 2014 follows:

	Year Ended December 31,			
	2015	2014	Change	% Change
Revenues	$ 821,904	$ 789,911	$ 31,993	4.1 %
Costs and expenses:				
Operating	528,899	508,677	20,222	4.0
Selling	144,234	140,027	4,207	3.0
General and administrative	59,798	54,970	4,828	8.8
Depreciation	44,677	40,970	3,707	9.0
Amortization of intangible assets	2,214	2,070	144	7.0
Gain on sale of assets, net	(2,026)	(806)	(1,220)	151.4
	777,796	745,908	31,888	4.3
Income from operations	44,108	44,003	105	.2
Other income (expense):				
Interest expense	(3,355)	(2,948)	(407)	13.8
Interest income	249	295	(46)	(15.6)
Other	(5,744)	(3,050)	(2,694)	88.3
Income before income taxes	35,258	38,300	(3,042)	(7.9)
Income taxes	13,460	15,131	(1,671)	(11.0)
Net income	$ 21,798	$ 23,169	$ (1,371)	(5.9)%

nm--not meaningful

Revenues--Revenues of $821,904 increased $31,993 compared with the $789,911 reported in 2014. Utility increased $28,598, or 7.1%, from the prior year. Contract rate increases with one of our largest utility customers, new contracts and increased productivity within our U.S. and Canadian operations account for the increase. Residential and Commercial increased $53 from 2014. Increases in tree pruning and tree removal revenues, landscape revenue and additional revenue from the purchase of businesses were partially offset by a reduction in revenues related to the special contract work with a large customer related to tree damage purportedly caused by one of its products. Total consolidated revenue of $821,904 includes production incentive revenue, recognized under the completed-performance method, of $4,686 during 2015 as compared with $5,142 during 2014.

Operating Expenses--Operating expenses of $528,899 increased $20,222 from the prior year, and as a percentage of revenues remained at 64.3%. Utility experienced an increase of $18,857, or 6.3%, from 2014, and as a percentage of revenues decreased .6% to 73.9%. Increases in employee labor and benefits expense, equipment repair and maintenance expense, crew expense, material expense, subcontractor expense and tool and saw expense were partially offset by decreases in fuel expense and disposal expense. Residential and Commercial decreased $2,026, or 1.0%, compared with 2014 and as a percentage of revenue decreased .5% to 52.7%. Decreases in fuel expense, subcontractor expense, crew expense, disposal expense and tool and saw expense were partially offset by increases in employee labor and benefits expense and material expense.

Fuel costs decreased in 2015 as compared with fuel costs for 2014 and impacted operating expenses within all segments. During 2015, fuel expense of $25,881 decreased $9,248, or 26.3%, from the $35,129 incurred in 2014. Substantially all of the $9,248 decrease relates to a decrease in price of fuel.

Selling Expenses--Selling expenses of $144,234 increased $4,207 from 2014 and as a percentage of revenues decreased .2% to 17.5%. Utility increased $3,360, or 8.2%, from 2014. Increases in field management wages and incentive expense, field management travel expense, rent expense, office expense, and employee development expense were partially offset by reductions in field management auto expense, communication expense, computer expense and professional services expense. Residential and Commercial increased $1,186, or 1.2%, from 2014 and as a percentage of revenue increased .3% to 26.6%. Increases in field management wages and incentive expense, rent expense and sales and marketing expense were partially offset by reductions in field management auto expense, communication expense, computer expense and professional services expense.

General and Administrative Expenses--General and administrative expenses increased $4,828 to $59,798, an increase of 8.8% from the $54,970 experienced in 2014 and as a percentage of revenues increased .3% to 7.3%. Increases in salary and incentive expense, management travel expense, office rent expense, employee development expense, stock compensation expense and pension settlement costs incurred as a result of purchasing annuities related to our defined benefit pension plans were partially offset by decreases in management auto expense, communication expense and computer expense.

Depreciation and Amortization Expense--Depreciation and amortization expense of $46,891 increased $3,851 from the prior year and as a percentage of revenues increased .2% to 5.7%. The increase is attributable to higher capital expenditures for equipment and an increase in amortization expense related to our purchases of businesses.

Gain on Sale of Assets--Gain on the sale of assets of $2,026 increased $1,220 from the $806 experienced in 2014. The increase is the result of the sale of aerial chassis in 2015 as compared with 2014.

Interest Expens**e**--Interest expense of $3,355 increased $407 from the $2,948 incurred in 2014. The increase is attributable to higher-average debt levels necessary to fund operations and capital expenditures.

Other, Net--Other, net of $5,744 increased $2,694 from the $3,050 experienced in 2014. Other, net, consisted of nonoperating income and expense, including foreign currency losses on the intercompany account balances of our Canadian operations.

Income Taxes--Income taxes for 2015 were $13,460, an effective tax rate of 38.2%, compared with income taxes for 2014 of $15,131, or an effective tax rate of 39.5%. The decrease of 1.3% in the effective tax rate of 38.2% for 2015, as compared to 39.5% for 2014, relates primarily to changes in foreign tax credits.

Net Income--Net income of $21,798 was $1,371 lower than the $23,169 earned in 2014. The increases in interest expense of $407 and other nonoperating expenses of $2,694, offset by the decrease in income taxes of $1,671, contributed to the decrease in net income.

Income Tax—Liabilities for Uncertain Tax Positions

The amount of income taxes we pay is subject to audit by U.S. federal, state and Canadian tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. Uncertain tax positions are recognized only if they are more-likely-than-not to be upheld during examination based on their technical merits. The measurement of the uncertain tax position is based on the largest benefit amount that is more-likely-than-not (determined on a cumulative probability basis) to be realized upon settlement of the matter. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate settlement, a further charge to expense may result.

The Company is routinely under audit by U.S. federal, state, local and Canadian authorities in the area of income tax. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. During the fourth quarter 2013, the U.S. Internal Revenue Service completed its audit of the Company's U.S. income tax returns for 2010 and 2011 and, during 2010, Canada Revenue Agency completed its audit of the Company's Canadian operations for 2006, 2007 and 2008. With the exception of U.S. state jurisdictions, the Company is no longer subject to examination by tax authorities for the years through 2012. As of December 31, 2016, we believe it is reasonably possible that the total amount of unrecognized tax benefits will not significantly increase or decrease.

Goodwill—Impairment Tests

Annually, we perform the impairment tests for goodwill during the fourth quarter. Impairment of goodwill is tested at the reporting-unit level, which for us are also our business segments. Impairment of goodwill is tested by comparing the reporting unit’s carrying value, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using discounted projected cash flows. If the carrying value of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any. We conducted our annual impairment tests and determined that no impairment loss was required to be recognized in 2016 or for any prior periods. There were no events or circumstances from the date of our assessment through December 31, 2016 that would impact this conclusion.

The fair values of the reporting units were estimated using discounted projected cash flows for the goodwill impairment tests and analysis that required judgmental assumptions about revenues, operating margins, growth rates, discount rates, and working capital requirements. In determining those judgmental assumptions, we consider data, including--for each reporting unit--its annual budget for the upcoming year, its longer-term performance expectations, anticipated future cash flows and market data. Assumptions were also made for perpetual growth rates for periods beyond the forecast period.

If the fair values of the reporting units were less than the carrying values of the reporting units (including recorded goodwill), determined through the discounted projected cash flow methodology, goodwill impairment may be present. In such an instance, we would measure the goodwill impairment loss, if any, based upon the fair value of the underlying assets and liabilities of the impacted reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of goodwill. An impairment loss would be recognized to the extent that a reporting unit's recorded goodwill exceeded the implied fair value of goodwill.

The carrying value of the recorded goodwill for all reporting units totaled $30,305 at December 31, 2016. Based upon the goodwill impairment analysis conducted in the fourth quarter 2016, a hypothetical reduction in the fair value of the individual reporting units of approximately 44% to 65% would not have resulted in the carrying value of the individual reporting units exceeding the reduced fair value.

LIQUIDITY AND CAPITAL RESOURCES

Our principal financial requirements are for capital spending, working capital and business acquisitions. Cash generated from operations and our revolving credit facility are our primary sources of capital.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flow for the years ended December 31, 2016 and December 31, 2015, are summarized as follows:

	2016	2015
Cash provided by (used in):		
Operating activities	$ 55,370	$ 62,689
Investing activities	(54,808)	(56,046)
Financing activities	(7,721)	(7,140)
Effect of exchange rate changes on cash	135	(1,888)
Decrease in cash	$ (7,024)	$ (2,385)

Net Cash Provided by Operating Activities--Operating activities in 2016 provided cash of $55,370 as compared to $62,689 provided in 2015. The $7,319 net decrease was primarily attributable to (i) $7,942 more cash used from changes in operating assets and liabilities, and (ii) an increase of $2,699 in depreciation and amortization expense.

Overall, accounts receivable dollars increased $26,133 in 2016 as compared to the increase of $8,403 experienced in 2015. The increase in 2016 was attributable to the timing of payments from utility customers. With respect to the change in accounts receivable arising from business levels, the "days-sales-outstanding" in accounts receivable ("DSO") at the end of 2016 increased 7 days to 62 days, as compared to 2015. The DSO at December 31, 2015 was 55 days.

Accounts payable and accrued expenses increased $2,454 in 2016, $732 more than the increase of $1,722 experienced in 2015. Increases in advance payments from customers, 401KSOP liabilities, employee savings withholdings, professional service accruals and compensated absence accruals were partially offset by decreases in employee compensation accruals and health insurance accruals.

Self-insurance accruals increased $2,499 in 2016, a change of $1,053 compared to the increase of $1,446 experienced in 2015. The increase occurred within our workers compensation and general liability classifications and resulted primarily from an overall increase in deductible amounts under commercial insurance or the self-insured risk retention.

Other assets, net, decreased $7,994 in 2016, as compared to the $1,837 decrease in 2015. Decreases in refundable income taxes and an increase in pension liabilities primarily account for the difference.

Net Cash Used in Investing Activities--Investing activities used $54,808 in cash, $1,238 less than the $56,046 used in 2015. The decrease was primarily due to fewer expenditures for land and buildings and greater proceeds from equipment sales and the sale of a building which were partially offset by an increase in purchases of equipment and businesses necessary to support the business growth.

Net Cash Used in Financing Activities--Financing activities used $7,721 in cash in 2016, $581 more than the $7,140 of cash used in 2015. Our revolving credit facility provided $12,500 as compared with the $10,000 provided during 2015. We use the revolving credit facility primarily for capital expenditures and payments of notes payable, primarily related to acquisitions. Borrowings of notes payable totaled $656 and payments of long-term debt and capital leases totaled $5,142. Purchases of common shares for treasury of $25,290 were partially offset by net cash received of $12,152 from the sale of common shares and cash received on our common share subscriptions. Dividends paid during 2016 totaled $2,597.

The Company currently repurchases common shares at the shareholders' request in accordance with the terms of the Davey 401KSOP and ESOP Plan and also repurchases common shares from time to time at the Company's discretion. The amount of common shares offered to the Company for repurchase by the holders of shares distributed from the Davey 401KSOP and ESOP Plan is not within the control of the Company, but is at the discretion of the shareholders. The Company expects to continue to repurchase its common shares, as offered by its shareholders from time to time, at their then current fair value. However, (other than repurchases pursuant to the put option under the Davey 401KSOP and ESOP Plan, as described in Note O) such purchases are not required, and the Company retains the right to discontinue them at any time. Repurchases of redeemable common shares from the Davey 401KSOP and ESOP at the shareholders' request approximated $8,019 and $12,731 in 2016 and 2015, respectively. Purchases of common shares, other than redeemable common shares, approximated $17,271 and $12,664 in 2016 and 2015, respectively.

Revolving Credit Facility and 5.09% Senior Unsecured Notes--In November 2013, the Company amended its revolving credit facility. The Amended and Restated Credit Agreement provides for a revolving credit facility with a group of banks under which up to an aggregate of $175,000 is available, with a letter of credit sublimit of $100,000 and a swing line commitment of $15,000. Under certain circumstances, the amount available under the revolving credit facility may be increased to $210,000.

The Amended and Restated Credit Agreement extended the term of the revolving credit facility to November 7, 2018 from December 19, 2014. The revolving credit facility contains certain affirmative and negative covenants customary for this type of facility and includes financial covenant ratios with respect to a maximum leverage ratio and a maximum balance sheet leverage ratio. As of December 31, 2016, we were in compliance with all financial covenants contained in our revolving credit facility.

As of December 31, 2016, we had unused commitments under the facility approximating $103,929, and $71,071 committed, which consisted of borrowings of $67,000 and issued letters of credit of $4,071. Borrowings outstanding bear interest, at Davey Tree's option, of either (a) the base rate or (b) LIBOR plus a margin adjustment ranging from .75% to 1.50%--with the margin adjustments in both instances based on the Company's leverage ratio at the time of borrowing. The base rate is the greater of (i) the agent bank's prime rate, (ii) LIBOR plus 1.5%, or (iii) the federal funds rate plus .5%. A commitment fee ranging from .10% to .25% is also required based on the average daily unborrowed commitment.

On July 22, 2010, we issued $30,000 of 5.09% Senior Unsecured Notes, Series A, due July 22, 2020 (the "5.09% Senior Notes"). The 5.09% Senior Notes were issued pursuant to a Master Note Purchase Agreement (the "Purchase Agreement"), between Davey Tree and the purchasers of the 5.09% Senior Notes. The net proceeds of the 5.09% Senior Notes were used in 2010 to pay down borrowings under our revolving credit facility.

The 5.09% Senior Notes are equal in right of payment with our revolving credit facility and all other senior unsecured obligations of the Company. Interest is payable semiannually and five equal, annual principal payments commenced on July 22, 2016 (the sixth anniversary of issuance), with four payments remaining. The Purchase Agreement contains customary events of default and covenants related to limitations on indebtedness and transactions with affiliates and the maintenance of certain financial ratios. As of December 31, 2016, we were in compliance with all financial covenants contained in our revolving credit facility.

Accounts Receivable Securitization Facility--On May 9, 2016, Davey Tree entered into a one-year agreement with a bank for an accounts receivable securitization facility (the "AR securitization facility"), whereby Davey Tree has pledged a first priority security interest in certain trade receivables in exchange for the bank issuing letters of credit ("LCs") with a committed facility limit of $60,000.

As of December 31, 2016, we had issued LCs of $58,150 under the terms of the AR securitization facility.

Under the AR securitization facility, Davey Tree transfers by selling or contributing current and future trade receivables to a wholly-owned, bankruptcy-remote financing subsidiary which pledges a perfected first priority security interest in the trade receivables--equal to the issued LCs as of December 31, 2016--to the bank in exchange for the bank issuing LCs.

Fees payable to the bank include: (a) an LC issuance fee, payable on each settlement date, in the amount of .90% per annum on the aggregate amount of all LCs outstanding plus outstanding reimbursement obligations (e.g., arising from drawn LCs), if any, and (b) an unused LC fee, payable monthly, equal to (i) .35% per annum for each day on which the sum of the total LCs outstanding plus any outstanding reimbursement obligations is greater than or equal to 50% of the facility limit and (ii) .45% per annum for each day on which the sum of the total LCs outstanding plus any outstanding reimbursement obligations is less than 50% of the facility limit. If an LC is drawn and the bank is not immediately reimbursed in full for the drawn amount, any outstanding reimbursement obligation will accrue interest at a per annum rate equal to a reserve-adjusted LIBOR or, in certain circumstances, a base rate equal to the higher of (i) the bank's prime rate and (ii) the federal funds rate plus .50% and, following any default, 2.00% plus the greater of (a) adjusted LIBOR and (b) a base rate equal to the higher of (i) the bank's prime rate and (ii) the federal funds rate plus .50%.

The agreements underlying the AR securitization facility contain various customary representations and warranties, covenants, and default provisions which provide for the termination and acceleration of the commitments under the AR securitization facility in circumstances including, but not limited to, failure to make payments when due, breach of a representation, warranty or covenant, certain insolvency events or failure to maintain the security interest in the trade receivables, and defaults under other material indebtedness.

Contractual Obligations Summary

The following is a summary of our long-term contractual obligations, as at December 31, 2016, to make future payments for the periods indicated:

		Contractual Obligations Due -- Year Ending December 31,					
Description	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Revolving credit facility	$ 67,000	$ —	$ 67,000	$ —	$ —	$ —	$ —
Senior unsecured notes	24,000	6,000	6,000	6,000	6,000	—	—
Term loans	16,151	10,701	829	160	169	4,292	—
Capital lease obligations	2,343	170	270	756	632	515	—
Operating lease obligations	28,397	7,005	5,214	4,056	3,093	1,881	7,148
Self-insurance accruals	62,936	23,605	14,825	9,639	5,399	2,792	6,676
Purchase obligations	12,800	12,800	—	—	—	—	—
Other liabilities	20,819	1,396	1,773	1,794	1,936	1,913	9,811
	$ 234,446	$ 61,677	$ 95,911	$ 22,405	$ 17,229	$ 11,393	$ 23,635

The self-insurance accruals in the summary above reflect the total of the undiscounted amount accrued, for which amounts estimated to be due each year may differ from actual payments required to fund claims. Purchase obligations in the summary above represent open purchase-order amounts that we anticipate will become payable within the next year for goods and services we have negotiated for delivery as of December 31, 2016. Other liabilities include estimates of future expected funding requirements related to retirement plans and other sundry items. Because their future cash outflows are uncertain, accrued income tax liabilities for uncertain tax positions, as of December 31, 2016, have not been included in the summary above. Noncurrent deferred taxes and payments related to defined benefit pension plans are also not included in the summary.

As of December 31, 2016, total commitments related to issued letters of credit were $64,225, of which $4,071 were issued under the revolving credit facility, $58,150 were issued under the AR securitization facility, and $2,004 were issued under short-term lines of credit. As of December 31, 2015, total commitments related to issued letters of credit were $59,350, of which $57,347 were issued under the Revolving Credit Facility and $2,003 were issued under short-term lines of credit.

Also, as is common with our industry, we have performance obligations that are supported by surety bonds, which expire during 2017 through 2023. We intend to renew the performance bonds where appropriate and as necessary.

Off-Balance Sheet Arrangements

There are no “off-balance sheet arrangements” as that term is defined in Regulation S-K, Item 303(a)(4)(ii) under the Securities Exchange Act of 1934, as amended.

Capital Resources

Cash generated from operations and our revolving credit facility are our primary sources of capital.

Cash of $9,006 as of December 31, 2016 included $3,770 in the U.S. and $5,236 in Canada, all of which is subject to U.S. federal income taxes and Canadian taxes if repatriated to the U.S. Currently, we do not expect to repatriate a portion of our 2016 Canadian earnings to satisfy our 2016 U.S. based cash flow needs.

Business seasonality results in higher revenues during the second and third quarters as compared with the first and fourth quarters of the year, while our methods of accounting for fixed costs, such as depreciation and interest expense, are not significantly impacted by business seasonality. Capital resources during these periods are equally affected. We satisfy seasonal working capital needs and other financing requirements with the revolving credit facility and several other short-term lines of credit. We are continually reviewing our existing sources of financing and evaluating alternatives. At December 31, 2016, we had working capital of $59,868, unused short-term lines of credit approximating $7,110, and $103,929 available under our revolving credit facility.

Our sources of capital presently allow us the financial flexibility to meet our capital spending plan and to complete business acquisitions for at least the next twelve months and for the foreseeable future.

RECENT ACCOUNTING GUIDANCE

Recent Accounting Guidance

Accounting Standards Adopted in 2016

Accounting Standards Update 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments--In September 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 simplifies the reporting of adjustments to the provisional amounts recorded for a business combination during the measurement period by eliminating the requirement to retrospectively account for those adjustments. Companies are required to present separately, on the face of the income statement, or disclose in the notes to the financial statements, the impact on current period earnings by line item that would have been recorded in previous periods if the adjustment to the provisional amounts were recognized as of the acquisition date. The amendments in ASU 2015-16 became effective January 1, 2016 and require prospective application to qualifying business combinations.

Accounting Standards Update 2015-03, Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs--In April 2015, the FASB issued ASU 2015-03, “Imputation of Interest (Sub-Topic 835-30): Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. During the first quarter of 2016, we retrospectively adopted this standard, which resulted in a reduction of other noncurrent assets and long-term debt of $471 as of December 31, 2015 in the consolidated balance sheet.

Accounting Standards Update 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern--In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related note disclosures. As of December 31, 2016, the Company adopted ASU 2014-15, which had no impact on the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)--In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,” which provides guidance on how cash receipts and cash payments related to eight specific cash flow issues are presented and classified in the statement of cash flows, with the objective of reducing the existing diversity in practice. The update is effective for annual periods beginning after December 15, 2017, which for Davey Tree would be January 1, 2018. Early adoption is permitted. We do not expect the adoption of ASU 2016-15 to have a material impact on our consolidated financial statements.

Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting--In March 2016, the FASB issued ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," with the objective to simplify several aspects of the accounting for share-based payment transactions, including: the income tax consequences; classification of awards as either equity or liabilities; classification of certain items on the statement of cash flows; and, accounting for forfeitures. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, which for Davey Tree would be January 1, 2017. Early adoption is permitted. Management is currently in the process of evaluating the impact the new standard will have on the Company's consolidated financial statements.

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)--In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which will replace all current U.S. GAAP guidance on revenue recognition and eliminate all industry-specific guidance.

The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The underlying principle is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration for which the entity expects in exchange for those goods and services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced information to be presented in the financial statements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Subsequent to the issuance of ASU 2014-09, the FASB has provided additional implementation guidance updates related to ASU 2014-09, including:

a. ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ('Update 2015-14')," which responded to stakeholders' requests to defer the effective date of the guidance in ASU 2014-09.

b. ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ('Update 2016-08')," which clarifies the implementation guidance on principal versus agent considerations.

c. ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ('Update 2016-10')," which clarifies multiple aspects of Topic 606.

d. ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ('Update 2016-12')," which provides clarifying guidance in a few narrow areas and adds some practical expedients to the guidance.

The effective date and the transition requirements for the Updates are the same as the effective date of Topic 606 ASU 2015-14, which becomes effective for Davey Tree beginning with the first quarter 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The FASB also affirmed its proposal to permit all entities to apply the new revenue standard early, but not before the original effective date, which for Davey Tree would be first quarter 2017. The new revenue guidance will supersede existing revenue guidance affecting our Company, and may also affect our business processes and our information technology systems.

Management has assembled an internal project team and is reviewing our contracts and agreements with our customers under the provisions of the new standard. The Company currently expects revenue recognition for many of its services to remain unchanged, except for the interim recognition of certain variable, incentive-based components of contracts due to the timing of revenue recognition. The Company is also in the process of evaluating the disclosure requirements under the standard and any necessary changes to our systems, policies and controls as a result. We plan to adopt ASU 2014-09 using the modified retrospective approach effective January 1, 2018.

Accounting Standards Update 2016-02, Leases (Topic 842)--In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard: (a) clarifies the definition of a lease; (b) requires a dual approach to lease classification similar to current lease classifications; and, (c) causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease-term of more than twelve months. The new standard is effective for interim and annual periods beginning after December 15, 2018, which for Davey Tree would be January 1, 2019. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. We are currently evaluating the impact of the new standard on our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

On an ongoing basis, we evaluate our estimates and assumptions, including those related to accounts receivable, specifically those receivables under contractual arrangements primarily arising from Utility customers; allowance for doubtful accounts; and self-insurance accruals. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We believe the following are our "critical accounting policies and estimates"--those most important to the financial presentations and those that require the most difficult, subjective or complex judgments.

Revenue Recognition--Revenues from Residential and Commercial customers are recognized as the services are provided and amounts are determined to be collectible. Revenues from contractual arrangements, primarily with Utility customers, are recognized based on costs incurred to total estimated contract costs. Changes in estimates and assumptions related to total estimated contract costs may have a material effect on the amounts reported as receivables arising from contractual arrangements and the corresponding amounts of revenues and profit.

Utility Customers--We generate a significant portion of revenues and corresponding accounts receivable from our Utility customers in the utility industry. One Utility customer, PG&E, approximated 12% of revenues during 2016, 11% during 2015 and 8% during 2014. Adverse conditions in the utility industry or individual utility customer operations may affect the collectibility of our receivables or our ability to generate ongoing revenues.

Allowance for Doubtful Accounts--In determining the allowance for doubtful accounts, we evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings), we record a specific allowance for doubtful accounts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due. If circumstances change (e.g., unexpected material adverse changes in a major customer's ability to meet its financial obligation to us or higher than expected customer defaults), our estimates of the recoverability of amounts could differ from the actual amounts recovered.

Self-Insurance Accruals--We are generally self-insured for losses and liabilities related primarily to workers' compensation, vehicle liability and general liability claims. We use commercial insurance as a risk-reduction strategy to minimize catastrophic losses. Ultimate losses are accrued based upon estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company-specific experience.

Our self-insurance accruals include claims for which the ultimate losses will develop over a period of years. Accordingly, our estimates of ultimate losses can change as claims mature. Our accruals also are affected by changes in the number of new claims incurred and claim severity. The methods for estimating the ultimate losses and the total cost of claims were determined by third-party consulting actuaries; the resulting accruals are reviewed by management, and any adjustments arising from changes in estimates are reflected in income.

The workers' compensation accruals are discounted as the amount and timing of cash payments related to those accruals are reliably determinable given the nature of workers' compensation benefits and the level of historical claim volume to support the actuarial assumptions and judgments used to derive the expected loss payment pattern. The workers' compensation accruals are discounted using an interest rate that approximates the long-term investment yields over the expected payment pattern of unpaid losses.

Our self-insurance accruals are based on estimates and, while we believe that the amounts accrued are adequate and not excessive, the ultimate claims may be in excess of or less than the amounts provided.

MARKET RISK INFORMATION

In the normal course of business, we are exposed to market risk related to changes in interest rates, changes in foreign currency exchange rates and changes in the price of fuel. We do not hold or issue derivative financial instruments for trading or speculative purposes. We use derivative financial instruments to manage risk, in part, associated with changes in interest rates and changes in fuel prices.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on long-term debt obligations. We regularly monitor and measure our interest rate risk and, to the extent that we believe we are exposed, from time-to-time we have entered into interest rate swap contracts--derivative financial instruments--with the objective of altering interest rate exposures related to a portion of our variable debt.

The following table provides information, as of December 31, 2016, about our debt obligations, including principal cash flows, weighted-average interest rates by expected maturity dates and fair values. Weighted-average interest rates used for variable-rate obligations are based on rates as derived from published spot rates, in effect as of December 31, 2016.

	Expected Maturity Date							
	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value December 31, 2016
Liabilities								
Long-term debt:								
Fixed rate	$ 15,150	$ 6,385	$ 6,901	$ 6,819	$ 4,838	$ —	$ 40,093	$ 42,835
Average interest rate	3.0%	5.0%	4.6%	4.7%	5.3%	—		
Variable rate	$ 1,721	$ 67,679	$ —	$ —	$ —	$ —	$ 69,400	$ 69,401
Average interest rate	4.5%	2.2%	—	—	—	—		

Interest rates on the variable-rate debt, as of December 31, 2016, ranged from 2.7% to 13.0%.

Foreign Currency Exchange Rate Risk

We are exposed to market risk related to foreign currency exchange rate risk resulting from our operations in Canada, where we provide a comprehensive range of horticultural services. Our financial results could be affected by factors such as changes in the foreign currency exchange rate or differing economic conditions in the Canadian markets as compared with the markets for our services in the United States. Our earnings are affected by translation exposures from currency fluctuations in the value of the U.S. dollar as compared to the Canadian dollar. Similarly, the Canadian dollar-denominated assets and liabilities may result in financial exposure as to the timing of transactions and the net asset / liability position of our Canadian operations.

For the year ended December 31, 2016, the result of a hypothetical 10% uniform change in the value of the U.S. dollar as compared with the Canadian dollar would not have a material effect on our results of operations or our financial position. Our sensitivity analysis of the effect of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices. Presently, we do not engage in hedging activities related to our foreign currency exchange rate risk.

Commodity Price Risk

We are subject to market risk from fluctuating prices of fuel--both diesel and gasoline. In prior years we have used fuel derivatives as "economic hedges" related to fuel consumed by Davey Tree service vehicles. The objectives of the economic hedges are to fix the price of a portion of our fuel needs and mitigate the earnings and cash flow volatility attributable to the risk of changing prices. Presently, we are not engaged in any hedging or derivative activities.

Impact of Inflation

The impact of inflation on the results of operations has not been significant in recent years.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The information set forth in “Market Risk Information” under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data.*

Our consolidated financial statements are attached hereto and listed on page F-1 of this annual report.

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

None.

Item 9A. *Controls and Procedures.*

(a) Management’s Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to the material weakness described below, the design and operation of our disclosure controls and procedures were not effective at the reasonable assurance level as of the end of the period covered by this Form 10K/A in ensuring that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management’s Discussion of Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control framework and processes were designed to provide reasonable assurance to management and the Board of Directors that our financial reporting is reliable and that our consolidated financial statements for external purposes have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

Our management recognizes its responsibility for fostering a strong ethical climate so that our affairs are conducted according to the highest standards of personal and corporate conduct.

Our internal controls over financial reporting include policies and procedures that: (i) provide for the maintenance of records that, in reasonable detail, accurately and fairly reflect our business transactions; (ii) provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with U.S. GAAP; and (iii) provide reasonable assurance that the unauthorized acquisition, use, or disposition of our assets will be prevented or detected in a timely manner. We maintain a dynamic system of internal controls and processes--including internal controls over financial reporting--designed to ensure reliable financial recordkeeping, transparent financial reporting and protection of physical and intellectual property.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

(c) Management's Annual Report on Internal Control over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation as to the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon our initial evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016. Subsequent to filing previously issued quarterly reports on Form 10-Q, including April 1, 2017 and July 1, 2017 financial statements, an error was discovered related to the classification of shares of the Company's common stock held by the Davey 401KSOP and ESOP Plan which were historically classified as permanent equity rather than temporary equity in the mezzanine section of the balance sheet. This error resulted in a material misstatement of the financial statements and required restatement of the financial statements included in the Company's Form 10-K for the year ended December 31, 2016. This error, which was not detected timely by management, was the result of inadequate design, as well as insufficient operating effectiveness, of the control pertaining to the Company's review of redemption provisions and associated fair value and classification of the common shares held by the Davey 401KSOP and ESOP (the Plan) as well as shares distributed from the Plan, which remain subject to redemption. The deficiency is considered to be indicative of a material weakness in our internal control over financial reporting. Based on the subsequent identification of the material weakness, we have now concluded that our internal control over financial reporting was ineffective as of December 31, 2016.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting, which is included in this report.

/s/ Patrick M. Covey	/s/ Joseph R. Paul	/s/ Thea R. Sears
President and Chief Executive Officer	*Executive Vice President, Chief Financial Officer and Secretary*	*Vice President and Controller*

Kent, Ohio
November 21, 2017

(d) Changes in Internal Control over Financial Reporting

We have begun to enhance our controls and procedures in an effort to remediate the material weakness discussed above, including improving the precision of our review controls relating to the redemption provisions and associated fair value and classification of our common shares related to the Plan. We expect to fully remediate the above mentioned material weakness before the end of the fiscal year ending December 31, 2017. There were no changes in our internal control over financial reporting during the fourth quarter 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to evaluate the effectiveness of our disclosure controls and procedures and our internal control over financial reporting on an ongoing basis and take action as appropriate.

(e) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

The Davey Tree Expert Company

We have audited The Davey Tree Expert Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Davey Tree Expert Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated March 14, 2017, we expressed an unqualified opinion that The Davey Tree Expert Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria. Management has subsequently identified a deficiency in controls related to inadequate design, as well as insufficient operating effectiveness, of the control pertaining to the Company's review of redemption provisions and associated fair value and classification of the common shares held by the Davey 401KSOP and ESOP (the Plan) as well as shares distributed from the Plan, which remain subject to redemption, and has further concluded that such deficiency represented a material weakness as of December 31, 2016. As a result, management has revised its assessment, as presented in the accompanying Management's Report on Internal Control Over Financial Reporting; to conclude that The Davey Tree Expert Company's internal control over financial reporting was not effective as of December 31, 2016. Accordingly, our present opinion on the effectiveness of The Davey Tree Expert Company's internal control over financial reporting as of December 31, 2016, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls related to inadequate design, as well as insufficient operating effectiveness, of the control pertaining to the Company's review of redemption provisions and associated fair value and classification of the common shares held by the Davey 401KSOP and ESOP (the Plan) as well as shares distributed from the Plan, which remain subject to redemption. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Davey Tree Expert Company as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and this report does not affect our report dated March 14, 2017, except for the effect of the error correction discussed in Notes C, M and O, and the effect of the stock split discussed in Note B, as to which the date is November 21, 2017, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, The Davey Tree Expert Company has not maintained effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

/s/ Ernst & Young LLP

Akron, Ohio

March 14, 2017, except for the effect of the material weakness described in the sixth paragraph above, as to which the date is November 21, 2017.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Information about our executive officers is included in the section "Executive Officers of the Company," pursuant to Instruction G of Form 10-K as an unnumbered item to Part I of this report.

Information about our directors is in the section "Election of Directors" of our 2017 Proxy Statement, which is incorporated into this report by reference.

Information about our audit committee and our audit committee financial experts is in the section "Committees of the Board of Directors; Attendance" of our 2017 Proxy Statement, which is incorporated into this report by reference.

Information required by Item 405 of Regulation S-K is in the section "Section 16(a) Beneficial Ownership Reporting Compliance" of our 2017 Proxy Statement, which is incorporated into this report by reference. See also the section titled "Shareholder Nominations for Director," which is incorporated into this report by reference.

We have adopted a Code of Ethics for Financial Matters that applies to our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. That Code is available on our website or upon request, as described in this report in Item 1. "Business - Access to Company Information." We intend to disclose, on our website, any amendments to, or waiver of, any provision of that Code that would otherwise be required to be disclosed under the rules of the Securities and Exchange Commission.

Item 11. *Executive Compensation.*

Information about executive and director compensation is in the sections "Compensation Discussion and Analysis," "Report of the Compensation Committee," "Compensation Risk Analysis," "Compensation of Executive Officers," Committees of the Board of Directors; Attendance" and "Compensation of Directors" of our 2017 Proxy Statement, which are incorporated into this report by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Information about ownership of our common shares by certain persons is in the section "Ownership of Common Shares" of our 2017 Proxy Statement, which is incorporated into this report by reference. Information about our securities authorized for issuance under equity compensation plans is in the section "Equity Compensation Plan Information" of our 2017 Proxy Statement, which is incorporated into this report by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information about certain transactions between us and our affiliates and certain other persons and the independence of directors is in the section "Corporate Governance-Board Independence" and "Transactions with Related-Persons, Promoters and Certain Control Persons" of our 2017 Proxy Statement, which is incorporated into this report by reference.

Item 14. *Principal Accountant Fees and Services.*

Information about our principal accountant's fees and services is in the section "Independent Auditors" of our 2017 Proxy Statement, which is incorporated into this report by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

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

The response to this portion of Item 15 is set forth on page F-1 of this report.

(b) Exhibits.

The exhibits to this Form 10-K/A are submitted as a separate section of this report. See Exhibit Index.

Item 16. ***Form 10-K Summary.***

None.

EXHIBIT INDEX

Exhibit No.	Description
3.1.1	2003 Amended Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 27, 2003).
3.1.2	Certificate of Amendment to the 2003 Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015).
3.2	1987 Amended and Restated Regulations of The Davey Tree Expert Company (Incorporated by reference to Exhibit 3.2 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2006).
10.1	Second Amended and Restated Credit Agreement among The Davey Tree Expert Company, as borrower, various lending institutions party thereto, as banks, KeyBank National Association, as lead arranger, syndication agent and administrative agent, and PNC Bank, National Association and Wells Fargo Bank, N.A., as co-documentation agents, dated as of November 7, 2013 (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 12, 2013).
10.2	2004 Omnibus Stock Plan (Incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.3	2004 401KSOP Match Restoration Plan (Incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.4	Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.5	Retirement Benefit Restoration Plan (Incorporated by reference to Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2004).
10.6	The Davey Tree Expert Company Board of Directors Revised Deferred Compensation Plan (Incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).
10.7	2014 Omnibus Stock Plan (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 21, 2014).
10.8	Stock Subscription Agreement (Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014).
10.9	Receivables Financing Agreement, dated May 9, 2016, between The Davey Tree Expert Company, Davey Receivables LLC, PNC Bank, National Association, and PNC Capital Markets LLC (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2016).
10.10	Receivables Purchase Agreement, dated May 9, 2016, between The Davey Tree Expert Company, Davey Tree Surgery Company, and Davey Receivables LLC (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2016).

Exhibit No.	Description	
10.11	Second Amendment to The Davey Tree Expert Company 401KSOP Match Restoration Plan, dated March 9, 2017 (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2017).	
21	Subsidiaries of the Registrant.	Filed Herewith
23	Consent of Independent Registered Public Accounting Firm.	Filed Herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished Herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished Herewith
101	The following materials from the Company's Annual Report on Form 10-K/A for the year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets (as restated), (ii) the Consolidated Statements of Operations (as restated), (iii) the Consolidated Statements of Comprehensive Income (as restated), (iv) the Statements of Consolidated Shareholders' Equity (as restated), (v) the Consolidated Statements of Cash Flows (as restated), and (vi) Notes to Consolidated Financial Statements (as restated).	Filed Herewith

The documents listed as Exhibits 10.2 through 10.8 constitute management contracts or compensatory plans or arrangements.

The Registrant 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.

ANNUAL REPORT ON FORM 10-K/A

ITEM 8, ITEM 15(a)(1) and (2)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CERTAIN EXHIBITS

FINANCIAL STATEMENTS SCHEDULES

YEAR ENDED DECEMBER 31, 2016

THE DAVEY TREE EXPERT COMPANY

KENT, OHIO

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 21, 2017.

THE DAVEY TREE EXPERT COMPANY

By: /s/ Patrick M. Covey

Patrick M. Covey, President and
Chief Executive Officer

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 indicated on November 21, 2017.

/s/ Donald C. Brown

Donald C. Brown, Director

/s/ Patrick M. Covey

Patrick M. Covey, Director
President and Chief Executive Officer
(Principal Executive Officer)

/s/ J. Dawson Cunningham

J. Dawson Cunningham, Director

/s/ William J. Ginn

William J. Ginn, Director

/s/ Douglas K. Hall

Douglas K. Hall, Director

/s/ Sandra W. Harbrecht

Sandra W. Harbrecht, Director

/s/ John E. Warfel

John E. Warfel, Director

/s/ Karl J. Warnke

Karl J. Warnke, Director,
Chairman of the Board of Directors

/s/ Joseph R. Paul

Joseph R. Paul, Executive Vice President,
Chief Financial Officer and Secretary
(Principal Financial Officer)

/s/ Thea R. Sears

Thea R. Sears, Vice President and Controller
(Principal Accounting Officer)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FORM 10-K/A - ITEM 15(a)(1) AND (2)

THE DAVEY TREE EXPERT COMPANY

The following consolidated financial statements of The Davey Tree Expert Company are included in Item 8:

Financial Statement Schedules:

None.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
The Davey Tree Expert Company

We have audited the accompanying consolidated balance sheets of The Davey Tree Expert Company as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Davey Tree Expert Company at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes C, M and O to the consolidated financial statements, the financial statements as of December 31, 2016 and for each of the three years in the period ending December 31, 2016 have been restated to correct an error in the classification of shares of the Company’s common stock held by the Davey 401KSOP and ESOP as well as shares distributed from the Plan, which remain subject to redemption.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Davey Tree Expert Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated March 14, 2017, except for the effect of the material weakness described in the sixth paragraph of that report, as to which the date is November 21, 2017, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Akron, Ohio

March 14, 2017, except for the effect of the error correction discussed in Notes C, M and O, and the effect of the stock split discussed in Note B, as to which the date is November 21, 2017.

THE DAVEY TREE EXPERT COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share dollar amounts)

	December 31, 2016 (As Restated)	December 31, 2015 (As Restated)
Assets		
Current assets:		
Cash	**$ 9,006**	$ 16,030
Accounts receivable, net	**146,134**	120,001
Operating supplies	**7,277**	7,171
Prepaid expenses	**14,493**	13,862
Other current assets	**1,863**	3,870
Total current assets	**178,773**	160,934
Property and equipment:		
Land and land improvements	**16,263**	16,135
Buildings and leasehold improvements	**37,676**	36,532
Equipment	**534,711**	504,527
	588,650	557,194
Less accumulated depreciation	**409,214**	390,772
	179,436	166,422
Other assets	**31,354**	31,949
Identified intangible assets and goodwill, net	**34,376**	34,281
	$ 423,939	$ 393,586
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt	**$ 16,701**	$ 15,501
Current portion of capital leases	**170**	—
Accounts payable	**41,283**	37,750
Accrued expenses	**37,659**	36,146
Self-insurance accruals	**23,092**	22,553
Total current liabilities	**118,905**	111,950
Long-term debt	**72,194**	60,801
Senior unsecured notes	**17,923**	23,832
Capital leases	**2,173**	—
Self-insurance accruals	**39,746**	37,786
Other liabilities	**20,819**	17,678
	271,760	252,047
Redeemable common shares related to 401KSOP and Employee Stock Ownership Plan (ESOP): 7,057 and 7,773 shares at redemption value as of December 31, 2016 and 2015	**124,201**	127,089
Common shareholders' equity:*		
Common shares, $1.00 par value, per share; 48,000 shares authorized; 35,857 and 35,141 shares issued and outstanding before treasury shares and which excludes 7,057 and 7,773 shares subject to redemption as of December 31, 2016 and 2015	**35,857**	35,141
Additional paid-in capital	**41,626**	24,340
Common shares subscribed	**8,209**	8,591
Retained earnings	**133,951**	123,307
Accumulated other comprehensive loss	**(12,162)**	(13,394)
	207,481	177,985
Less: Cost of Common shares held in treasury; 17,991 shares in 2016 and 17,427 in 2015	**176,530**	159,429
Common shares subscription receivable	**2,973**	4,106
Total common shareholders' equity	**27,978**	14,450
	$ 423,939	**$ 393,586**

* Adjusted for two-for-one stock split

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share dollar amounts)

	Year Ended December 31,		
	2016	**2015**	**2014**
Revenues	**$ 845,678**	$ 821,904	$ 789,911
Costs and expenses:			
Operating	**541,486**	528,899	508,677
Selling	**152,106**	144,234	140,027
General and administrative	**61,789**	59,798	54,970
Depreciation	**47,284**	44,677	40,970
Amortization of intangible assets	**2,306**	2,214	2,070
Gain on sale of assets, net	**(4,664)**	(2,026)	(806)
	800,307	777,796	745,908
Income from operations	**45,371**	44,108	44,003
Other income (expense):			
Interest expense	**(4,393)**	(3,355)	(2,948)
Interest income	**255**	249	295
Other	**(3,989)**	(5,744)	(3,050)
Income before income taxes	**37,244**	35,258	38,300
Income taxes	**14,960**	13,460	15,131
Net income	**$ 22,284**	$ 21,798	$ 23,169
Share data:*			
Earnings per share--basic	**$ .85**	$ .81	$ .84
Earnings per share--diluted	**$ .82**	$ .78	$ .81
Weighted-average shares outstanding:*			
Basic	**26,212**	26,931	27,642
Diluted	**27,247**	27,955	28,477
Dividends declared per share*	**$ .1000**	$ .1000	$ .0925

* Adjusted for two-for-one stock split

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2016	**2015**	**2014**
Net income	**$ 22,284**	$ 21,798	$ 23,169
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments gains/(losses)	**744**	(5,093)	(2,798)
Defined benefit pension plans:			
Net (loss)/gain arising during the year	**(1,219)**	326	(6,023)
Reclassification to results of operations:			
Amortization of defined benefit pension items:			
Net actuarial loss	**1,912**	2,863	1,682
Prior service cost	**(205)**	33	9
	1,707	2,896	1,691
Defined benefit pension plan adjustments	**488**	3,222	(4,332)
Total other comprehensive income (loss), net of tax	**1,232**	(1,871)	(7,130)
Comprehensive income	**$ 23,516**	$ 19,927	$ 16,039

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(In thousands, except per share data)

	2016		2015		2014	
	Shares*	Amount	Shares*	Amount	Shares*	Amount
	(As Restated)		(As Restated)		(As Restated)	
Common shares						
At beginning of year	**35,141**	**$ 35,141**	34,697	$ 34,697	34,301	$ 34,301
Change in 401KSOP and ESOP related shares	716	716	444	444	396	396
At end of year	35,857	35,857	35,141	35,141	34,697	34,697
Additional paid-in capital						
At beginning of year		**24,340**		9,520		—
Shares sold to employees		**4,182**		6,066		3,417
Options exercised		**(992)**		(152)		(273)
Subscription shares, issued		**21**		83		184
Stock-based compensation		**2,860**		2,357		1,125
Change in 401KSOP and ESOP related shares		**11,215**		6,466		5,067
At end of year		**41,626**		24,340		9,520
Common shares subscribed, unissued						
At beginning of year	**872**	**8,591**	952	9,381	1,062	10,467
Common shares, subscribed	**—**	**—**	—	—	—	—
Common shares, issued	**(32)**	**(325)**	(68)	(676)	(78)	(758)
Cancellations	**(6)**	**(57)**	(12)	(114)	(32)	(328)
At end of year	**834**	**8,209**	872	8,591	952	9,381
Retained earnings						
At beginning of year		**123,307**		114,504		109,445
Net income		**22,284**		21,798		23,169
Dividends, $ .1000 per share		**(2,597)**		(2,663)		—
Dividends, $ .0925 per share		**—**		—		(2,674)
Change in the fair value of 401KSOP and ESOP related shares		**(9,043)**		(10,332)		(15,436)
At end of year		**133,951**		123,307		114,504
Accumulated other comprehensive income (loss), net of tax						
At beginning of year		**(13,394)**		(11,523)		(4,393)
Currency translation adjustments		**744**		(5,093)		(2,798)
Defined benefit pension plans		**488**		3,222		(4,332)
At end of year		**(12,162)**		(13,394)		(11,523)
Common shares held in treasury						
At beginning of year	**17,427**	**(159,429)**	16,584	(138,155)	16,036	(125,034)
Shares purchased	**1,492**	**(25,290)**	1,648	(25,395)	1,454	(19,598)
Shares sold to employees	**(617)**	**5,298**	(576)	2,198	(574)	3,822
Options exercised	**(262)**	**2,442**	(143)	1,225	(232)	1,861
Subscription shares, issued	**(49)**	**449**	(86)	698	(100)	794
At end of year	**17,991**	**(176,530)**	17,427	(159,429)	16,584	(138,155)
Common shares subscription receivable						
At beginning of year	**(872)**	**(4,106)**	(952)	(5,600)	(1,062)	(7,342)
Shares subscribed	**—**	**—**	—	—	—	—
Payments	**32**	**1,104**	68	1,434	78	1,543
Cancellations	**6**	**29**	12	60	32	199
At end of year	**(834)**	**(2,973)**	(872)	(4,106)	(952)	(5,600)
Common shareholders' equity at December 31	**17,866**	**$ 27,978**	17,714	$ 14,450	18,113	$ 12,824

* Adjusted for two-for-one stock split

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2016	**2015**	**2014**
Operating activities			
Net income	**$ 22,284**	$ 21,798	$ 23,169
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**47,284**	44,677	40,970
Amortization	**2,306**	2,214	2,070
Gain on sale of assets	**(4,664)**	(2,026)	(806)
Deferred income taxes	**60**	(2,975)	(2,679)
Other	**1,286**	2,399	(5,638)
Changes in operating assets and liabilities:			
Accounts receivable	**(26,133)**	(8,403)	(4,489)
Accounts payable and accrued expenses	**2,454**	1,722	1,206
Self-insurance accruals	**2,499**	1,446	2,116
Other assets, net	**7,994**	1,837	(6,640)
	33,086	40,891	26,110
Net cash provided by operating activities	**55,370**	62,689	49,279
Investing activities			
Capital expenditures:			
Equipment	**(54,147)**	(52,466)	(46,228)
Land and buildings	**(2,499)**	(3,581)	(9,503)
Proceeds from sales of property and equipment	**5,635**	2,650	1,366
Purchases of businesses	**(3,797)**	(2,649)	(9,695)
Net cash used in investing activities	**(54,808)**	(56,046)	(64,060)
Financing activities			
Revolving credit facility borrowings/(payments), net	**12,500**	10,000	24,500
Borrowings/(payments) of notes payable	**656**	6,720	(1,091)
Borrowings/(payments) of long-term debt and capital leases	**(5,142)**	(6,624)	5,695
Purchase of common shares for treasury	**(25,290)**	(25,395)	(19,598)
Sale of common shares from treasury	**11,019**	9,328	8,762
Cash received on common-share subscriptions	**1,133**	1,494	1,741
Dividends	**(2,597)**	(2,663)	(2,674)
Net cash (used in) provided by financing activities	**(7,721)**	(7,140)	17,335
Effect of exchange rate changes on cash	**135**	(1,888)	—
(Decrease) Increase in cash	**(7,024)**	(2,385)	2,554
Cash, beginning of year	**16,030**	18,415	15,861
Cash, end of year	**$ 9,006**	$ 16,030	$ 18,415

See notes to consolidated financial statements.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements
December 31, 2016
(In thousands, except share data)

A. Our Business

We provide a wide range of arboricultural, horticultural, environmental and consulting services to residential, utility, commercial and government entities throughout the United States and Canada. We have two reportable operating segments organized by type or class of customer: Residential and Commercial, and Utility.

Residential and Commercial--Residential and Commercial provides services to our residential and commercial customers including: the treatment, preservation, maintenance, removal and planting of trees, shrubs and other plant life; the practice of landscaping, grounds maintenance, tree surgery, tree feeding and tree spraying; the application of fertilizer, herbicides and insecticides; and, natural resource management and consulting, forestry research and development, and environmental planning.

Utility--Utility is principally engaged in providing services to our utility customers--investor-owned, municipal utilities, and rural electric cooperatives--including: the practice of line-clearing and vegetation management around power lines, rights-of-way and chemical brush control; and, natural resource management and consulting, forestry research and development and environmental planning.

We also maintain research, technical support and laboratory diagnostic facilities.

When we refer to “we,” “us,” “our,” “Davey Tree,” and the “Company,” we mean The Davey Tree Expert Company, unless the context indicates otherwise.

B. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation--The consolidated financial statements include the accounts of Davey Tree and our wholly-owned subsidiaries and were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as codified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Intercompany accounts and transactions have been eliminated in consolidation.

Per Common Share Information--We have given retroactive consideration to the two-for-one stock split of our common shares effective June 1, 2017 including all common share and per share data.

Use of Estimates in Financial Statement Preparation--The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts. Estimates are used for, but not limited to, accounts receivable valuation, depreciable lives of fixed assets, self-insurance accruals, and revenue recognition. Actual results could differ from those estimates.

Property and Equipment--Property and equipment are stated at cost. Repair and maintenance costs are expensed as incurred. Depreciation is computed for financial reporting purposes by the straight-line method for land improvements, building and leasehold improvements and by the declining-balance method for equipment, based on the estimated useful lives of the assets, as follows:

Land improvements	5 to 20 years
Buildings	5 to 30 years
Equipment	3 to 10 years
Leasehold improvements	Shorter of lease term or estimated useful life; ranging from 5-to-20 years

Intangible Assets--Intangible assets with finite lives, primarily customer lists, noncompete agreements and tradenames, are amortized by the straight-line method based on their estimated useful lives, ranging from one-to-ten years.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

B. Summary of Significant Accounting Policies (continued)

Long-Lived Assets--We assess potential impairment to our long-lived assets, other than goodwill, when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely and the carrying amount of the asset exceeds the estimated future undiscounted cash flow. In the event the assessment indicates that the carrying amounts may not be recoverable, an impairment loss would be recognized to reduce the asset's carrying amount to its estimated fair value based on the present value of the estimated future cash flows.

Goodwill--Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identified net assets acquired. Goodwill is not amortized, but tested for impairment annually or when events or circumstances indicate that impairment may have occurred. Annually, we perform the impairment tests for goodwill during the fourth quarter. Impairment of goodwill is tested at the reporting-unit level, which for us are also our business segments. Impairment of goodwill is tested by comparing the reporting unit's carrying value, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using discounted projected cash flows. If the carrying value of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any. We conducted our annual impairment tests and determined that no impairment loss was required to be recognized in 2016 or for any prior periods. There were no events or circumstances from the date of our assessment through December 31, 2016 that would impact this conclusion.

Self-Insurance Accruals--We are generally self-insured for losses and liabilities related primarily to workers' compensation, vehicle liability and general liability claims. We use commercial insurance as a risk-reduction strategy to minimize catastrophic losses. Ultimate losses are accrued based upon estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company-specific experience.

Our self-insurance accruals include claims for which the ultimate losses will develop over a period of years. Accordingly, our estimates of ultimate losses can change as claims mature. Our accruals also are affected by changes in the number of new claims incurred and claim severity. The methods for estimating the ultimate losses and the total cost of claims were determined by third-party consulting actuaries; the resulting accruals are reviewed by management, and any adjustments arising from changes in estimates are reflected in income.

The workers' compensation accruals are discounted as the amount and timing of cash payments related to those accruals are reliably determinable given the nature of workers' compensation benefits and the level of historical claim volume to support the actuarial assumptions and judgments used to derive the expected loss payment pattern. The workers' compensation accruals are discounted using an interest rate that approximates the long-term investment yields over the expected payment pattern of unpaid losses.

Our self-insurance accruals are based on estimates and, while we believe that the amounts accrued are adequate and not excessive, the ultimate claims may be in excess of or less than the amounts provided.

***Stock-Based Compensation*--**Stock-based compensation cost for all share-based payment plans is measured at fair value on the date of grant and recognized over the employee service period on the straight-line recognition method for awards expected to vest. The fair value of all stock-based payment plans—stock option plans, stock-settled stock appreciation rights, and performance-based restricted stock units as well as our Employee Stock Purchase Plan—is determined by the number of awards granted and the price of our common stock. The fair value of each award is estimated on the date of grant using a binomial option-pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behavior. Expected volatilities utilized in the binomial model are based on historical volatility of our share prices and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the stock-based awards is derived from the output of the binomial model and represents the period of time that awards granted are expected to be outstanding.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

B. Summary of Significant Accounting Policies (continued)

Defined Benefit Pension Plans--We record annual expenses relating to our defined benefit pension plans based on calculations that include various actuarial assumptions, including discount rates and expected long-term rates of return on plan assets. Actuarial assumptions are reviewed annually with modifications made to the assumptions, if necessary, based on current rates and trends. The effects of the actuarial gains or losses are amortized over future service periods. The funded status (that is, the projected benefit obligation less the fair value of plan assets) for each plan is reported in our balance sheet using a December 31 measurement date. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss).

Income Taxes--We compute taxes on income in accordance with the tax rules and regulations where the income is earned. The income tax rates imposed by these taxing authorities vary. Taxable income may differ from pretax income for financial reporting purposes. We compute and recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of our assets and liabilities. Changes in tax rates and laws are reflected in income in the period when such changes are enacted. We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, it is more-likely-than-not that the position will be sustained upon examination.

Earnings Per Share--Basic earnings per share is determined by dividing the income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed similarly to basic earnings per share except that the weighted-average number of shares is increased to include the effect of stock awards that were granted and outstanding during the period.

Revenue Recognition--Revenues from residential and commercial services are recognized as the services are provided and amounts are determined to be collectible. Revenues from contractual arrangements, primarily with utility services customers, are recognized based on costs incurred to total estimated contract costs. During the performance of such contracts, estimated final contract prices and costs are periodically reviewed and revisions are made, as required, to the revenue recognized. On cost-plus-fee contracts, revenue is recognized to the extent of costs incurred plus a proportionate amount of fees earned, and on time-and-material contracts, revenue is recognized to the extent of billable rates times hours worked, plus material and other reimbursable costs incurred. Revisions arise in the normal course of providing services to utility services customers and generally relate to changes in contract specifications and cost allowability. Such revisions are recorded when realization is probable and can be reliably estimated.

Concentration of Credit Risk--Credit risk represents the accounting loss that would be recognized if the counterparties failed to perform as contracted. The principal financial instruments subject to credit risk follow:

Cash--To limit our exposure, we transact our business and maintain banking relationships with high credit-quality financial institutions.

Accounts Receivable--Our residential and commercial customers are located geographically throughout the United States and Canada and, as to commercial customers, within differing industries; thus, minimizing credit risk. The credit exposure of utility services customers is directly affected by conditions within the utility industries as well as the financial condition of individual customers. One utility customer approximated 12% of revenues during 2016, 11% in 2015 and 8% in 2014. To reduce credit risk, we evaluate the credit of customers, but generally do not require advance payments or collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition.

Foreign Currency Translation and Transactions--Assets and liabilities of our Canadian operations are translated into U.S. dollars using year-end exchange rates, and revenues and expenses are translated using exchange rates as determined throughout the year. Gains or losses resulting from translation are included in the consolidated balance sheet, classified in shareholders' equity as a separate component of accumulated other comprehensive income (loss). Gains or losses resulting from Canadian-dollar transactions with the Canadian operations are translated to U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effect of the transactions gain or loss is classified in the statement of operations as a component of other nonoperating income (expense), net.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

B. Summary of Significant Accounting Policies (continued)

Interest Rate Risk Management--We have entered into interest rate contracts, from time-to-time, with the objective of altering interest rate exposures related to variable rate debt. In the interest rate contracts, we have agreed with a financial institution to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount.

Comprehensive Income (Loss)--Comprehensive income (loss) includes net income and other comprehensive income or loss. Other comprehensive income (loss) refers to revenues, expenses, gains and losses that under U.S. GAAP are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax.

C. Correction of an Error

The Davey 401KSOP and ESOP Plan includes a put option for the Company's common shares distributed from the Davey 401KSOP and ESOP Plan. Shares are distributed from the Davey 401KSOP and ESOP Plan to former participants of the plan, their beneficiaries, donees or heirs (each, a "participant"). Since our common shares are not readily tradeable on an established market, participants who receive a distribution of common shares from the Davey 401KSOP and ESOP Plan have two 60-day periods in which they may require the Company to purchase the distributed shares at a per share price equal to their fair value. The first 60-day period begins to run upon the distribution of shares by the trustee of the Davey 401KSOP and ESOP Plan; if the participant does not exercise the put option within this period, an additional 60-day period will begin to run on the first anniversary of the date the shares were distributed by the trustee. Once the put option is exercised, the Company is obligated to repurchase the shares for cash. The common shares held by the Davey 401KSOP and ESOP Plan as well as shares distributed from the Davey 401KSOP and ESOP Plan, which remain subject to redemption (collectively the "Davey 401KSOP and ESOP Plan Related Shares" were previously classified in permanent equity. Due to the Company's obligation under the put option, the Davey 401KSOP and ESOP Plan Related Shares are now recorded at fair value and classified as temporary equity in the mezzanine section of the consolidated balance sheets. The effects of the error correction on the consolidated balance sheets are shown below. The statements of consolidated shareholders' equity have also been restated as a result of the error correction. See Notes M and O. The below amounts also reflect the effects of the stock split described in Note B.

	As Previously Reported December 31, 2016	Effect of Error Correction	Effect of Stock Split	As Restated December 31, 2016
Redeemable common shares related to 401KSOP and Employee Stock Ownership Plan (ESOP)	$ —	$ 124,201	$ —	$ 124,201
Common shares	21,457	(2,751)	17,151	35,857
Additional paid-in Capital	23,886	17,740	—	41,626
Retained earnings	290,292	(139,190)	(17,151)	133,951

	As Previously Reported December 31, 2015	Effect of Error Correction	Effect of Stock Split	As Restated December 31, 2015
Redeemable common shares related to 401KSOP and Employee Stock Ownership Plan (ESOP)	$ —	$ 127,089	$ —	$ 127,089
Common shares	21,457	(3,467)	17,151	35,141
Additional paid-in capital	17,815	6,525	—	24,340
Retained earnings	270,605	(130,147)	(17,151)	123,307

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

C. Correction of an Error (continued)

The effect of the error correction and stock split on the affected beginning balances (December 31, 2013) are shown below:

	As Previously Reported December 31, 2013	Effect of Error Correction	Effect of Stock Split	As Restated December 31, 2013
Redeemable common shares related to 401KSOP and Employee Stock Ownership Plan (ESOP)	$ —	$ 113,694	$ —	$ 113,694
Common shares	21,457	(4,307)	17,151	34,301
Additional paid-in capital	5,008	(5,008)	—	—
Retained earnings	230,975	(104,379)	(17,151)	109,445

D. Recent Accounting Guidance

Accounting Standards Adopted in 2016

Accounting Standards Update 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments--In September 2015, the FASB issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." ASU 2015-16 simplifies the reporting of adjustments to the provisional amounts recorded for a business combination during the measurement period by eliminating the requirement to retrospectively account for those adjustments. Companies are required to present separately, on the face of the income statement, or disclose in the notes to the financial statements, the impact on current period earnings by line item that would have been recorded in previous periods if the adjustment to the provisional amounts were recognized as of the acquisition date. The amendments in ASU 2015-16 became effective January 1, 2016 and requires prospective application to qualifying business combinations.

Accounting Standards Update 2015-03, Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs--In April 2015, the FASB issued ASU 2015-03, "Imputation of Interest (Sub-Topic 835.30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. During the first quarter of 2016, we retrospectively adopted this standard, which resulted in a reduction of other noncurrent assets and long-term debt of $471 as of December 31, 2015 in the consolidated balance sheet.

Accounting Standards Update 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern--In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related note disclosures. As of December 31, 2016, the Company adopted ASU 2014-15, which had no impact on the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)--In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance on how cash receipts and cash payments related to eight specific cash flow issues are presented and classified in the statement of cash flows, with the objective of reducing the existing diversity in practice. The update is effective for annual periods beginning after December 15, 2017, which for Davey Tree would be January 1, 2018. Early adoption is permitted. We do not expect the adoption of ASU 2016-15 to have a material impact on our consolidated financial statements.

D. Recent Accounting Guidance (continued)

Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting--In March 2016, the FASB issued ASU 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," with the objective to simplify several aspects of the accounting for share-based payment transactions, including: the income tax consequences; classification of awards as either equity or liabilities; classification of certain items on the statement of cash flows; and, accounting for forfeitures. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, which for Davey Tree would be January 1, 2017. Early adoption is permitted. Management is currently in the process of evaluating the impact the new standard will have on the Company's consolidated financial statements.

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)--In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which will replace all current U.S. GAAP guidance on revenue recognition and eliminate all industry-specific guidance.

The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The underlying principle is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration for which the entity expects in exchange for those goods and services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The guidance also requires enhanced information to be presented in the financial statements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Subsequent to the issuance of ASU 2014-09, the FASB has provided additional implementation guidance updates related to ASU 2014-09, including:

a. ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ('Update 2015-14')," which responded to stakeholders' requests to defer the effective date of the guidance in ASU 2014-09.

b. ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ('Update 2016-08')," which clarifies the implementation guidance on principal versus agent considerations.

c. ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ('Update 2016-10')," which clarifies multiple aspects of Topic 606.

d. ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ('Update 2016-12')," which provides clarifying guidance in a few narrow areas and adds some practical expedients to the guidance.

The effective date and the transition requirements for the Updates are the same as the effective date of Topic 606 ASU 2015-14, which becomes effective for Davey Tree beginning with the first quarter 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The FASB also affirmed its proposal to permit all entities to apply the new revenue standard early, but not before the original effective date, which for Davey Tree would be first quarter 2017. The new revenue guidance will supersede existing revenue guidance affecting our Company, and may also affect our business processes and our information technology systems.

Management has assembled an internal project team and is reviewing our contracts and agreements with our customers under the provisions of the new standard. The Company currently expects revenue recognition for many of its services to remain unchanged, except for the interim recognition of certain variable, incentive-based components of contracts due to the timing of revenue recognition. The Company is also in the process of evaluating the disclosure requirements under the standard and any necessary changes to our systems, policies and controls as a result. We plan to adopt ASU 2014-09 using the modified retrospective approach effective January 1, 2018.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

D. Recent Accounting Guidance (continued)

Accounting Standards Update 2016-02, Leases (Topic 842)--In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard: (a) clarifies the definition of a lease; (b) requires a dual approach to lease classification similar to current lease classifications; and, (c) causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease-term of more than twelve months. The new standard is effective for interim and annual periods beginning after December 15, 2018, which for Davey Tree would be January 1, 2019. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. We are currently evaluating the impact of the new standard on our consolidated financial statements.

E. Business Combinations

Our investments in businesses were: (a) $4,888 in 2016, including liabilities assumed of $216 and debt issued of $875; (b) $4,149 in 2015, including no liabilities assumed and debt issued of $1,500; and (c) $12,853 in 2014, including $1,078 liabilities assumed and debt issued of $2,080.

The net assets of the businesses acquired are accounted for under the acquisition method and were recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an increase in goodwill of approximately $817 in 2016 (all of which is deductible for tax purposes), $1,410 in 2015 (all of which is deductible for tax purposes) and $4,624 goodwill in 2014 (all of which is deductible for tax purposes).

The results of operations of acquired businesses have been included in the consolidated statements of operations beginning as of the effective dates of acquisition. The effect of these acquisitions on our consolidated revenues and results of operations, either individually or in the aggregate, for the years ended December 31, 2016, 2015 or 2014 was not significant.

F. Accounts Receivable, Net and Supplemental Balance Sheet Information

Accounts receivable, net, consisted of the following:

	December 31,	
	2016	**2015**
Accounts receivable	$ 128,202	$ 104,567
Receivables under contractual arrangements	21,541	19,142
	149,743	123,709
Less allowances for doubtful accounts	3,609	3,708
	$ 146,134	$ 120,001

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

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

F. Accounts Receivable, Net and Supplemental Balance Sheet Information (continued)

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

	December 31,	
Other current assets	**2016**	**2015**
Refundable income taxes	$ 548	$ 2,952
Other	1,315	918
Total	$ 1,863	$ 3,870

	December 31,	
Other assets, noncurrent	**2016**	**2015**
Assets invested for self-insurance	$ 15,492	$ 17,167
Investment--cost-method affiliate	1,168	1,172
Deferred income taxes	11,129	11,521
Other	3,565	2,089
Total	$ 31,354	$ 31,949

	December 31,	
Accrued expenses	**2016**	**2015**
Employee compensation	$ 18,438	$ 18,176
Accrued compensated absences	9,215	8,607
Self-insured medical claims	2,961	2,347
Customer advances, deposits	2,997	2,564
Income taxes payable	953	—
Taxes, other than income	2,166	3,517
Other	929	935
Total	$ 37,659	$ 36,146

	December 31,	
Other liabilities, noncurrent	**2016**	**2015**
Pension and retirement plans	$ 15,982	$ 14,296
Other	4,837	3,382
Total	$ 20,819	$ 17,678

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

G. Supplemental Operating Information

Other Nonoperating (Expense) Income, Net

Other nonoperating (expense) income, net, included in the statements of operations follows:

	Year Ended December 31,		
	2016	2015	2014
Other nonoperating expense, net	$ (3,989)	$ (5,744)	$ (3,050)

Other nonoperating (expense) income, net, includes foreign currency (i) gains of $113 for 2016, (ii) losses of $854 for 2015, and (iii) losses of $235 for 2014 on the intercompany balances of our Canadian operations.

H. Supplemental Cash Flow Information

Supplemental cash flow information follows:

	Year Ended December 31,		
Supplemental cash flow information	2016	2015	2014
Interest paid	$ 4,329	$ 3,386	$ 2,948
Income taxes paid, net	10,578	16,679	13,577
Noncash transactions:			
Debt issued for purchases of businesses	$ 875	$ 1,500	$ 2,080
Detail of acquisitions:			
Assets acquired:			
Receivables	$ —	$ —	$ 1,852
Operating supplies	157	—	61
Prepaid expense	55	—	213
Equipment	2,485	1,264	1,726
Deposits and other	—	11	558
Intangibles	2,191	2,874	8,443
Liabilities assumed	(216)	—	(1,078)
Debt issued for purchases of businesses	(875)	(1,500)	(2,080)
Cash paid	$ 3,797	$ 2,649	$ 9,695

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

I. Identified Intangible Assets and Goodwill, Net

The carrying amount of the identified intangibles and goodwill acquired in connection with our investments in businesses were as follows:

	Weighted-Average Amortization Period (Years)	December 31, 2016		December 31, 2015	
		Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Amortized intangible assets:					
Customer lists/relationships	2.6 years	$ 17,822	$ 15,171	$ 16,805	$ 13,764
Employment-related	2.6 years	7,032	6,386	6,811	6,008
Tradenames	2.6 years	5,634	4,860	5,502	4,539
Total		30,488	$ 26,417	29,118	$ 24,311
Less accumulated amortization		26,417		24,311	
Identified intangibles, net		4,071		4,807	
Unamortized intangible assets:					
Goodwill	Not amortized	30,305		29,474	
		$ 34,376		$ 34,281	

The changes in the carrying amounts of goodwill, by segment, for the year ended December 31, 2016 follow:

	Balance at January 1, 2016	Acquisitions	Translation and Other Adjustments	Balance at December 31, 2016
Utility	$ 3,424	$ —	$ —	$ 3,424
Residential and Commercial	26,050	817	14	26,881
Total	$ 29,474	$ 817	$ 14	$ 30,305

Estimated future aggregate amortization expense of intangible assets--The estimated aggregate amortization expense of intangible assets, as of December 31, 2016, in each of the next five years follows:

	Estimated Future Amortization Expense
Year ending December 31, 2017	$ 1,705
2018	885
2019	664
2020	512
2021	232

J. Short and Long-Term Debt and Commitments Related to Letters of Credit

Short-term debt consisted of the following:

	December 31,	
	2016	2015
Current portion of long-term debt	$ 16,701	$ 15,501

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

J. Short and Long-Term Debt and Commitments Related to Letters of Credit (continued)

At December 31, 2016, we also had unused short-term lines of credit with several banks totaling $7,110, generally at the banks' prime rate or LIBOR plus a margin adjustment of .75% to 1.50%. Long-term debt consisted of the following:

	December 31,	
	2016	2015
Revolving credit facility		
Swing-line borrowings	$ 10,000	$ 2,500
LIBOR borrowings	57,000	52,000
	67,000	54,500
Senior unsecured notes	24,000	30,000
Term loans	16,151	16,105
	107,151	100,605
Less debt issuance costs	333	471
Less current portion	16,701	15,501
	$ 90,117	$ 84,633

Revolving Credit Facility and 5.09% Senior Unsecured Notes--In November 2013, the Company amended its revolving credit facility. The amended and restated credit agreement, which expires in November 2018, permits borrowings as defined up to $175,000 including a letter of credit sublimit of $100,000 and a swing-line commitment of $15,000. Under certain circumstances, the amount available under the revolving credit facility may be increased to $210,000. The revolving credit facility contains certain affirmative and negative covenants customary for this type of facility and includes financial covenant ratios with respect to a maximum leverage ratio and a maximum balance sheet leverage ratio.

On July 22, 2010, we issued $30,000 of 5.09% Senior Unsecured Notes, Series A, due July 22, 2020 (the "5.09% Senior Notes"). The 5.09% Senior Notes were issued pursuant to a Master Note Purchase Agreement (the “Purchase Agreement”), between the Company and the purchasers of the 5.09% Senior Notes. The net proceeds of the 5.09% Senior Notes were used to pay down borrowings under our revolving credit facility.

The 5.09% Senior Notes are equal in right of payment with our revolving credit facility and all other senior unsecured obligations of the Company. Interest is payable semiannually and five equal, annual principal payments commenced on July 22, 2016 (the sixth anniversary of issuance). The Purchase Agreement contains customary events of default and covenants related to limitations on indebtedness and transactions with affiliates and the maintenance of certain financial ratios.

As of December 31, 2016, we had unused commitments under the revolving credit facility approximating $103,929, and $71,071 committed, which consisted of borrowings of $67,000 and issued letters of credit of $4,071. Borrowings outstanding bear interest, at Davey Tree’s option, of either (a) the base rate or (b) LIBOR plus a margin adjustment ranging from .75% to 1.50%--with the margin adjustments in both instances based on the Company's leverage ratio at the time of borrowing. The base rate is the greater of (i) the agent bank’s prime rate, (ii) LIBOR plus 1.5%, or (iii) the federal funds rate plus .5%. A commitment fee ranging from .10% to .25% is also required based on the average daily unborrowed commitment.

Term Loans, Weighted-Average Interest Rate--The weighted-average interest on the term loans approximated 3.56% at December 31, 2016 and 3.55% at December 31, 2015.

Aggregate Maturities of Long-Term Debt--Aggregate maturities of long-term debt for the five years subsequent to December 31, 2016 were as follows: 2017--$16,701; 2018--$73,829; 2019--$6,160; 2020--$6,169; and, 2021--$4,292.

Accounts Receivable Securitization Facility--On May 9, 2016, Davey Tree entered into a one-year agreement with a bank for an accounts receivable securitization facility (the “AR securitization facility”), whereby Davey Tree has pledged a first priority security interest in certain trade receivables in exchange for the bank issuing letters of credit (“LCs”) with a committed facility limit of $60,000.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

J. Short and Long-Term Debt and Commitments Related to Letters of Credit (continued)

As of December 31, 2016, we had issued LCs of $58,150 under the terms of the AR securitization facility.

Under the AR securitization facility, Davey Tree transfers by selling or contributing current and future trade receivables to a wholly-owned, bankruptcy-remote financing subsidiary which pledges a perfected first priority security interest in the trade receivables--equal to the issued LCs as of December 31, 2016--to the bank in exchange for the bank issuing LCs.

Fees payable to the bank include: (a) an LC issuance fee, payable on each settlement date, in the amount of .90% per annum on the aggregate amount of all LCs outstanding plus outstanding reimbursement obligations (e.g., arising from drawn LCs), if any, and (b) an unused LC fee, payable monthly, equal to (i) .35% per annum for each day on which the sum of the total LCs outstanding plus any outstanding reimbursement obligations is greater than or equal to 50% of the facility limit and (ii) .45% per annum for each day on which the sum of the total LCs outstanding plus any outstanding reimbursement obligations is less than 50% of the facility limit. If an LC is drawn and the bank is not immediately reimbursed in full for the drawn amount, any outstanding reimbursement obligation will accrue interest at a per annum rate equal to a reserve-adjusted LIBOR or, in certain circumstances, a base rate equal to the higher of (i) the bank's prime rate and (ii) the federal funds rate plus .50% and, following any default, 2.00% plus the greater of (a) adjusted LIBOR and (b) a base rate equal to the higher of (i) the bank's prime rate and (ii) the federal funds rate plus .50%.

The agreements underlying the AR securitization facility contains various customary representations and warranties, covenants, and default provisions which provide for the termination and acceleration of the commitments under the AR securitization facility in circumstances including, but not limited to, failure to make payments when due, breach of a representation, warranty or covenant, certain insolvency events or failure to maintain the security interest in the trade receivables, and defaults under other material indebtedness.

Total Commitments Related to Issued Letters of Credit--As of December 31, 2016, total commitments related to issued letters of credit were $64,225, of which $4,071 were issued under the revolving credit facility, $58,150 were issued under the AR securitization facility, and $2,004 were issued under short-term lines of credit. As of December 31, 2015, total commitments related to issued letters of credit were $59,350, of which $57,347 were issued under the revolving credit facility and $2,003 were issued under short-term lines of credit.

K. Self-Insurance Accruals

Components of our self-insurance accruals for workers' compensation, vehicle liability and general liability follow:

	December 31,	
	2016	2015
Workers' compensation	$ 38,811	$ 35,304
Present value discount	2,236	1,937
	36,575	33,367
Vehicle liability	4,763	5,880
General liability	21,500	21,092
Total	62,838	60,339
Less current portion	23,092	22,553
Noncurrent portion	$ 39,746	$ 37,786

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

K. Self-Insurance Accruals (continued)

The changes in our self-insurance accruals and the discount rate used for the workers' compensation accrual are summarized in the table below.

	December 31,	
	2016	2015
Balance, beginning of year	$ 60,339	$ 58,893
Provision for claims	33,404	33,499
Payment of claims	30,905	32,053
Balance, end of year	$ 62,838	$ 60,339
Workers' compensation discount rate	2.20%	2.20%

L. Lease Obligations

Assets acquired under capital leases and included in property and equipment consisted of the following:

	December 31,	
	2016	2015
Equipment	$ 2,528	$ —
Less accumulated amortization	160	—
	$ 2,368	$ —

We also lease facilities under noncancelable operating leases, which are used for district office and warehouse operations. These leases extend for varying periods of time up to five years and, in some cases, contain renewal options. Minimum rental commitments under all capital and noncancelable operating leases, as of December 31, 2016, were as follows:

	Lease Obligations	
Minimum lease obligations	**Capital**	**Operating**
Year ending December 31, 2017	$ 171	$ 6,369
2018	271	4,559
2019	756	3,380
2020	632	2,398
2021	515	1,164
2022 and after	—	1,266
Total minimum lease payments	2,345	$ 19,136
Amounts representing interest	2	
Present value of net minimum lease payments	2,343	
Less current portion	170	
Long-term capital lease obligations, December 31, 2016	$ 2,173	

Total rent expense under all operating leases was $7,536 in 2016, $7,398 in 2015 and $6,554 in 2014.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

M. Common Shares, Redeemable Common Shares and Preferred Shares

We have given retroactive consideration to the two-for-one stock split of our common shares effective June 1, 2017 including all common share and per share data.

Preferred Shares--We have authorized a class of 4,000,000 preferred shares, no par value, of which none were issued.

***Redeemable Common Shares*-**Our Davey 401KSOP and ESOP Plan includes a put option for shares of the Company's common stock distributed from the plan. Due to the Company's obligation under the put option, shares held in the Davey 401KSOP and ESOP Plan as well as distributed shares subject to the put option are reclassified from permanent equity to temporary equity. The number of redeemable common shares for each of the three years in the period ended December 31, 2016 was as follows: 2016--7,056,904; 2015--7,773,052; and 2014--8,217,131.

Common Shares--The number of common shares authorized is 48,000,000, par value $1.00. The number of common shares issued during each of the three years in the period ended December 31, 2016 was as follows: 2016--35,856,856; 2015--35,140,708; and 2014--34,696,629. The number of shares in the treasury for each of the three years in the period ended December 31, 2016 was as follows: 2016--17,990,620; 2015--17,427,132; and 2014--16,583,894.

Our common and redeemable common shares are not listed or traded on an established public trading market, and market prices are, therefore, not available. Semiannually, an independent stock valuation firm determines the fair market value of our common and redeemable common shares based upon our performance and financial condition. Since 1979, we have provided a ready market for all shareholders through our direct purchase of their common shares, although we are under no obligation to do so (other than repurchases pursuant to the put option under the Davey 401KSOP and ESOP Plan, as described in Note O). During 2016, purchases of common shares, both redeemable and common, totaled 1,492,082 shares for $25,290 in cash; we also had direct sales to directors and employees of 24,242 shares for $397, excluding those shares issued through either the exercise of options or the Employee Stock Purchase Plan. We also sold 89,972 shares to our 401(k) plan for $1,488 and issued 206,308 shares to participant accounts to satisfy our liability for the 2015 employer match in the amount of $3,373. The liability accrued at December 31, 2016 for the 2016 employer match was $3,661. There were also 297,262 shares purchased during 2016 under the Employee Stock Purchase Plan.

Common and Redeemable Shares Outstanding--The table below reconciles the activity of the common and redeemable shares outstanding:

	Common Shares Net of Treasury Shares As Restated	Redeemable Shares As Restated	Total As Restated
Shares outstanding, December 31, 2014	18,112,735	8,217,131	26,329,866
Shares purchased	(919,699)	(727,955)	(1,647,654)
Shares sold	291,874	283,876	575,750
Stock subscription offering, employee cash purchases	86,142	—	86,142
Options exercised	142,524	—	142,524
Shares outstanding, December 31, 2015	17,713,576	7,773,052	25,486,628
Shares purchased	(479,807)	(1,012,275)	(1,492,082)
Shares sold	321,657	296,127	617,784
Stock subscription offering, employee cash purchases	48,730	—	48,730
Options exercised	262,080	—	262,080
Shares outstanding, December 31, 2016	17,866,236	7,056,904	24,923,140

On December 31, 2016, we had 24,923,140 common and redeemable shares outstanding, employee options exercisable to purchase 750,896 common shares, partially-paid subscription for 833,440 common shares and purchase rights outstanding for 338,382 common shares.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

M. Common Shares, Redeemable Common Shares and Preferred Shares (continued)

Stock Subscription Offering--Beginning May 2012, the Company offered to eligible employees and nonemployee directors the right to subscribe to common shares of the Company at $9.85 per share in accordance with the provisions of The Davey Tree Expert Company 2004 Omnibus Stock Plan and the rules of the Compensation Committee of the Company's Board of Directors (collectively, the "plan"). The offering period ended on August 1, 2012 and resulted in the subscription of 1,275,428 common shares for $12,563 at $9.85 per share.

Under the plan, a participant in the offering purchasing common shares for an aggregate purchase price of less than $5 had to pay with cash. All participants (excluding Company directors and officers) purchasing $5 or more of the common shares had an option to finance their purchase through a down-payment of at least 10% of the total purchase price and a seven-year promissory note for the balance due with interest at 2%. Payments on the promissory note can be made either by payroll deductions or annual lump-sum payments of both principal and interest.

Common shares purchased under the plan have been pledged as security for the payment of the promissory note and the common shares will not be issued until the promissory note is paid-in-full. Dividends will be paid on all subscribed shares, subject to forfeiture to the extent that payment is not ultimately made for the shares.

All participants in the offering purchasing in excess of $5 of common shares were granted a "right" to purchase one additional common share at a price of $9.85 per share for every three common shares purchased under the plan. As a result of the stock subscription, employees were granted rights to purchase 423,600 common shares. Each right may be exercised at the rate of one-seventh per year and will expire seven years after the date that the right was granted. Employees may not exercise a right should they cease to be employed by the Company.

N. Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other adjustments that relate to foreign currency translation adjustments and defined benefit pension plan adjustments. We do not provide income taxes on currency translation adjustments, as the earnings of our Canadian operations are considered to be indefinitely reinvested.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

N. Accumulated Other Comprehensive Income (Loss) (continued)

The following summarizes the components of other comprehensive income (loss) accumulated in shareholders' equity:

	Foreign Currency Translation Adjustments	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2014	$ 1,647	$ (6,040)	$ (4,393)
Unrealized gains (losses)	(2,798)	—	(2,798)
Amounts reclassified from accumulated other comprehensive income (loss)	—	2,786	2,786
Tax effect	—	(1,095)	(1,095)
Unrecognized amounts from defined benefit pension plans	—	(9,923)	(9,923)
Tax effect	—	3,900	3,900
Net of tax amount	(2,798)	(4,332)	(7,130)
Balance at December 31, 2014	$ (1,151)	$ (10,372)	$ (11,523)
Unrealized gains (losses)	(5,093)	—	(5,093)
Amounts reclassified from accumulated other comprehensive income (loss)	—	4,774	4,774
Tax effect	—	(1,878)	(1,878)
Unrecognized amounts from defined benefit pension plans	—	538	538
Tax effect	—	(212)	(212)
Net of tax amount	(5,093)	3,222	(1,871)
Balance at December 31, 2015	$ (6,244)	$ (7,150)	$ (13,394)
Unrealized gains (losses)	744	—	744
Amounts reclassified from accumulated other comprehensive income (loss)	—	2,844	2,844
Tax effect	—	(1,137)	(1,137)
Unrecognized amounts from defined benefit pension plans	—	(2,032)	(2,032)
Tax effect	—	813	813
Net of tax amount	744	488	1,232
Balance at December 31, 2016	$ (5,500)	$ (6,662)	$ (12,162)

The amounts reclassified from accumulated other comprehensive income (loss) related to defined benefit pension plans for 2016, 2015 and 2014 are included in net periodic pension expense and classified in the statement of operations as costs and expenses, general and administrative.

O. The Davey 401KSOP and Employee Stock Ownership Plan

On March 15, 1979, we consummated a plan, which transferred control of the Company to our employees. As a part of this plan, we initially sold 120,000 common shares (presently, 23,040,000 common shares adjusted for stock splits) to our Employee Stock Ownership Trust ("ESOT") for $2,700. The Employee Stock Ownership Plan ("ESOP"), in conjunction with the related ESOT, provided for the grant to certain employees of certain ownership rights in, but not possession of, the common shares held by the trustee of the ESOT. Annual allocations of shares have been made to individual accounts established for the benefit of the participants.

Defined Contribution and Savings Plans--Most employees are eligible to participate in The Davey 401KSOP and ESOP. Effective January 1, 1997, the plan commenced operations and retained the existing ESOP participant accounts and incorporated a deferred savings plan (a "401(k) plan") feature. Participants in the 401(k) plan are allowed to make before-tax

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

O. The Davey 401KSOP and Employee Stock Ownership Plan (continued)

contributions, within Internal Revenue Service established limits, through payroll deductions. Effective January 1, 2009 we match, in either cash or our common shares, 100% of the first one percent and 50% of the next three percent of each participant's before-tax contribution, limited to the first four percent of the employee's compensation deferred each year. All nonbargaining domestic employees who attained age 21 and completed one year of service are eligible to participate. In May 2004, we adopted the 401K Match Restoration Plan, a defined contribution plan that supplements the retirement benefits of certain employees that participate in the savings plan feature of The Davey 401KSOP and ESOP Plan, but are limited in contributions because of tax rules and regulations.

The Davey 401KSOP and ESOP Plan includes a put option for shares of the Company's common stock distributed from the plan. Shares are distributed from the Davey 401KSOP and ESOP Plan to former participants of the plan, their beneficiaries, donees or heirs (each, a "participant"). Since our common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value for two 60-day periods after distribution of the shares from the Davey 401KSOP and ESOP. The fair value of distributed shares subject to the put option totaled $1,148 and $6,829 as of December 31, 2016 and December 31, 2015, respectively. The fair value of the shares held in the Davey 401KSOP and ESOP totaled $123,053 and $120,260 as of December 31, 2016 and December 31, 2015, respectively. Due to the Company's obligation under the put option, the distributed shares subject to the put option and the shares held in the Davey 401KSOP and ESOP (collectively referred to as 401KSOP and ESOP related shares) are classified as temporary equity in the mezzanine section of the consolidated balance sheets and totaled $124,201, $127,089 and $123,668 as of December 31, 2016, December 31, 2015 and December 31, 2014, respectively. Changes in the fair value of the Davey 401KSOP and ESOP Plan related shares are reflected in retained earnings while net share activity associated with the Davey 401KSOP and ESOP Plan related shares are first reflected in additional paid-in capital and then retained earnings if additional paid in-capital is insufficient. See Note B.

Total compensation for these plans, consisting primarily of the employer match, was $3,661 in 2016, $3,373 in 2015, and $3,055 in 2014.

P. Stock-Based Compensation

Our shareholders approved the 2014 Omnibus Stock Plan (the "2014 Stock Plan") at our annual meeting of shareholders on May 20, 2014. The 2014 Stock Plan replaced the expired 2004 Omnibus Stock Plan (the "2004 plan") previously approved by the shareholders in 2004. The 2014 Stock Plan is administered by the Compensation Committee of the Board of Directors and will remain in effect for ten years. All directors of the Company and employees of the Company and its subsidiaries are eligible to participate in the 2014 Stock Plan. The 2014 Stock Plan (similar to the 2004 plan) continues the maintenance of the Employee Stock Purchase Plan, as well as provisions for the grant of stock options and other stock-based incentives. The 2014 Stock Plan provides for the grant of five percent of the number of the Company's common shares outstanding as of the first day of each fiscal year plus the number of common shares that were available for grant of awards, but not granted, in prior years. In no event, however, may the number of common shares available for the grant of awards in any fiscal year exceed ten percent of the common shares outstanding as of the first day of that fiscal year. Common shares subject to an award that is forfeited, terminated, or canceled without having been exercised are generally added back to the number of shares available for grant under the 2014 Stock Plan. We have given retroactive consideration to the two-for-one stock split of our common shares effective June 1, 2017.

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

	Year Ended December 31,		
	2016	2015	2014
Compensation expense, all share-based payment plans	$ 2,811	$ 2,327	$ 1,860
Income tax benefit	823	694	549

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

P. Stock-Based Compensation (continued)

Stock-based compensation consisted of the following:

Employee Stock Purchase Plan--Under the Employee Stock Purchase Plan, all full-time employees with one year of service are eligible to purchase, through payroll deduction, common shares. Employee purchases under the Employee Stock Purchase Plan are at 85% of the fair market value of the common shares--a 15% discount. Purchases under the plan, at 85% of the fair market value of the common shares, have been as follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Number of employees participating	1,952	1,750	1,684
Shares purchased during the year	297,262	251,558	230,058
Weighted-average per share purchase price paid	$ 14.17	$ 13.11	$ 11.54
Cumulative shares purchased since 1982	18,051,330	17,754,068	17,502,510

Compensation costs are recognized as payroll deductions are made. The 15% discount of total shares purchased under the plan resulted in compensation cost recognized of $727 in 2016, $569 in 2015 and $463 in 2014.

Stock Option Plans--The stock options outstanding were awarded under a graded vesting schedule, measured at fair value, and have a term of ten years. Compensation costs for stock options are recognized over the requisite service period on the straight-line recognition method. Compensation cost recognized for stock options was $596 in 2016, $494 in 2015 and $398 in 2014.

Stock-Settled Stock Appreciation Rights--During the year ended December 31, 2016, the Compensation Committee of the Board of Directors awarded 300,200 Stock-Settled Stock Appreciation Rights ("SSARs") to certain management employees and nonemployee directors, which vest ratably over five years. A stock-settled stock appreciation right is an award that allows the recipient to receive common stock equal to the appreciation in the fair market value of our common stock between the date the award was granted and the conversion date of the shares vested.

The following table summarizes the SSARs as of December 31, 2016:

Stock-Settled Stock Appreciation Rights	Number of Rights	Weighted-Average Award Date Value	Weighted-Average Remaining Contractual Life	Unrecognized Compensation Cost	Aggregate Intrinsic Value
Unvested, January 1, 2016	661,414	$ 2.33			
Granted	300,200	3.19			
Forfeited	—	—			
Vested	(217,952)	2.05			
Unvested, December 31, 2016	743,662	$ 2.75	2.8 years	$ 1,515	$ 12,605
Employee SSARs	737,664	$ 2.76	2.9 years	$ 1,513	$ 12,503
Nonemployee Director SSARs	5,998	$ 1.01	0.4 years	$ 2	$ 102

Compensation costs for SSARs are determined using a fair-value method and amortized over the requisite service period. Compensation expense for SSARs totaled $591 in 2016, $489 in 2015 and $384 in 2014.

Performance-Based Restricted Stock Units--During the year ended December 31, 2016, the Compensation Committee of the Board of Directors awarded 70,030 Performance-Based Restricted Stock Units ("PRSUs") to certain management employees.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

P. Stock-Based Compensation (continued)

Similar awards were made in prior periods. The awards vest over specified periods. The following table summarizes PRSUs as of December 31, 2016:

Performance-Based Restricted Stock Units	Number of Stock Units	Weighted-Average Grant Date Value	Weighted-Average Remaining Contractual Life	Unrecognized Compensation Cost	Aggregate Intrinsic Value
Unvested, January 1, 2016	283,970	$ 11.99			
Granted	70,030	15.80			
Forfeited	—	—			
Vested	(49,042)	9.82			
Unvested, December 31, 2016	304,958	$ 13.21	2.5 years	$ 2,119	$ 5,169
Employee PRSUs	266,168	$ 13.05	2.7 years	$ 1,843	$ 4,512
Nonemployee Director PRSUs	38,790	$ 14.35	1.7 years	$ 276	$ 657

Compensation cost for awards is determined using a fair-value method, amortized over the requisite service period. “Intrinsic value” is defined as the amount by which the fair market value of a common share of stock exceeds the exercise price of a performance-based restricted stock unit. Compensation expense on restricted stock awards totaled $897 in 2016, $775 in 2015 and $615 in 2014.

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

The fair values of stock-based awards granted were estimated at the dates of grant with the following weighted-average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Volatility rate	10.6%	10.9%	11.2%
Risk-free interest rate	1.8%	2.1%	2.6%
Expected dividend yield	.7%	.7%	1.1%
Expected life of awards (years)	9.5	9.3	9.4

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

P. Stock-Based Compensation (continued)

General Stock Option Information--The following table summarizes activity under the stock option plans for the year ended December 31, 2016:

Stock Options	Number of Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Unrecognized Compensation Cost	Aggregate Intrinsic Value
Outstanding, January 1, 2016	1,633,488	$ 10.79			
Granted	296,000	16.35			
Exercised	(275,392)	6.19			
Forfeited	(54,800)	14.40			
Outstanding, December 31, 2016	1,599,296	$ 12.49	6.8 years	$ 1,886	$ 7,141
Exercisable, December 31, 2016	750,896	$ 10.42	5.3 years		$ 4,903

"Intrinsic value" is defined as the amount by which the market price of a common share of stock exceeds the exercise price of an option. Information regarding the stock options outstanding at December 31, 2016 is summarized below:

Stock Options Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
Employee options:					
$ 8.00	177,706	2.8 years	$ 8.00	177,706	$ 8.00
8.30	190,190	3.8 years	8.30	190,190	8.30
11.60	363,300	6.5 years	11.60	204,500	11.60
13.20	346,100	7.5 years	13.20	125,900	13.20
15.05	267,000	8.5 years	15.05	52,600	15.05
16.35	255,000	9.5 years	16.35	—	16.35
	1,599,296	6.8 years	$ 12.49	750,896	$ 10.42

We issue common shares from treasury upon the exercise of stock options, stock-settled stock appreciation rights, performance-based restricted stock units or purchases under the Employee Stock Purchase Plan.

Tax Benefits of Stock-Based Compensation--Our total income tax benefit from share-based awards--as recognized in our consolidated statement of operations--for the last three years was: $823 in 2016, $694 in 2015, and $549 in 2014. Tax benefits for share-based awards are accrued as stock compensation expense and recognized in our consolidated statement of operations. Tax benefits on share-based awards are realized when: (a) stock-settled stock appreciation rights are exercised; (b) performance-based restricted stock units vest; and, (c) stock options are exercised.

When actual tax benefits realized exceed the tax benefits accrued for share-based awards, we realize an excess tax benefit. We had excess tax benefits of: $1,113 in 2016, $352 in 2015, and $354 in 2014.

Q. Defined Benefit Pension Plans

We have defined benefit pension plans covering certain current and retired U.S. employees. Plans include: (i) the Employee Retirement Plan ("ERP") for employees hired prior to January 1, 2009, (ii) a Supplemental Executive Retirement Plan

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

("SERP") for which future benefit accruals were frozen effective at the end of the second quarter 2015; and, (iii) a Benefit Restoration Pension Plan ("Restoration Plan") for certain key employees hired prior to January 1, 2009.

Both the SERP and the Restoration Plan are defined benefit plans under which nonqualifed supplemental pension benefits will be paid in addition to amounts paid under our qualified retirement defined benefit pension plans, which are subject to Internal Revenue Service limitations on covered compensation.

Effective December 31, 2008, enhanced benefits were implemented to our defined contribution savings plan--The Davey 401KSOP and ESOP--at which time, the Board of Directors approved an amendment to freeze the ERP and the Restoration Plan. The ERP was closed to new participants after December 2008. In connection with the freeze of the ERP, the Restoration Plan and the SERP, (a) benefits currently being paid to retirees continue and (b) benefits accrued through December 31, 2008 for employees covered by the ERP were not affected. All ERP, Restoration Plan and SERP balances remain intact and participant account balances, as well as service credits for vesting and retirement eligibility, remain intact and continue in accordance with the terms of the plans. Only future accruals were eliminated with the: (i) the 2008 freeze of the ERP and Restoration Plan; and (ii) the 2015 freeze of the SERP.

During the first quarter 2016, the Company terminated the plan for bargaining employees not covered by union pension plans ("SPP") for which future benefit accruals were frozen effective December 31, 2013. We purchased a guaranteed group annuity contract from a third-party insurance company, which unconditionally and irrevocably guarantees the full payment of all annuity payments to the 94 participants. In connection with the plan termination, we made cash contributions of $522 to fully fund the SPP obligation and recorded a settlement charge of $453.

The change in benefit obligations and the fair value of plans assets follows:

	December 31,	
	2016	2015
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 27,228	$ 35,876
Service cost	370	35
Interest cost	1,243	1,486
Actuarial (gains)/losses	1,150	(2,445)
New longevity assumptions	(447)	(340)
Amendments	341	—
Curtailments	—	(404)
Settlements	(4,873)	(6,186)
Benefits paid	(179)	(794)
Projected benefit obligation at end of year	$ 24,833	$ 27,228
Accumulated benefit obligation at end of year	$ 24,833	$ 27,228

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

	December 31, 2016	December 31, 2015
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	$ 15,216	$ 21,567
Actual return on plan assets	400	(135)
Plan expenses, including PBGC premiums	(727)	(536)
Employer contributions	1,672	1,300
Settlements	(4,873)	(6,186)
Benefits paid	(179)	(794)
Fair value of plan assets at end of year	$ 11,509	$ 15,216

The settlements in the change in benefit obligation and in the change in fair value of plan assets arise from: (i) termination of the SPP plan during the first quarter 2016; (ii) lump sum offering to 224 participants in our ERP plan during the fourth quarter 2016 and (iii) purchase during the fourth quarter 2015 of a guaranteed group annuity contract from a third-party insurance company which unconditionally and irrevocably guarantees the full payment of all annuity payments to the participants that were receiving payments from the ERP plan, with the third-party insurance company having assumed all investment risk associated with funding participant payments.

	December 31, 2016	December 31, 2015
Funded status of the plans		
Fair value of plan assets	$ 11,509	$ 15,216
Projected benefit obligation	24,833	27,228
Funded status of the plans	$ (13,324)	$ (12,012)

	December 31, 2016	December 31, 2015
Amounts reported in the consolidated balance sheets		
Current liability	$ (83)	$ (499)
Noncurrent liability	(13,241)	(11,513)
Funded status of the plans	$ (13,324)	$ (12,012)

Amounts included in accumulated other comprehensive income (loss), related to our defined benefit pension plans follow:

	At December 31, 2016		At December 31, 2015	
	Pretax	Net of Tax	Pretax	Net of Tax
Amounts reported in accumulated other comprehensive income				
Unrecognized net actuarial loss	$ 10,675	$ 6,456	$ 11,836	$ 7,150
Unrecognized prior service cost	341	206	—	—
	$ 11,016	$ 6,662	$ 11,836	$ 7,150

To the extent actuarial losses exceed the greater of 10% of the projected benefit obligation or market-related value of plan assets, the unrecognized actuarial losses will be amortized straight-line on a plan-by-plan basis, over the remaining expected

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

future working lifetime of active participants, except for the SERP, which, after the plan freeze, is being amortized based on the remaining life expectancy of plan participants. The total amount of unrecognized prior service cost was amortized straight-line on a plan-by-plan basis. The total amortization associated with these amounts that is expected to be recognized in net periodic benefit expense for 2017 follows:

	Year ending December 31, 2017	
	Pretax	Net of Tax
Amortization of Costs Expected to be Recognized Next Year		
Unrecognized net actuarial loss	$ 949	$ 569
Unrecognized prior service cost	64	38
	$ 1,013	$ 607

The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans in which the fair value of plan assets is less than either the projected benefit obligation or accumulated benefit obligation follow:

	December 31,	
	2016	2015
For pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	$ 24,833	$ 27,228
Accumulated benefit obligation	24,833	27,228
Fair value of plan assets	11,509	15,216

The actuarial assumptions follow. The discount rates were used to measure the year-end benefit obligation and compute pension expense for the subsequent year.

	December 31,		
	2016	2015	2014
Actuarial assumptions			
Discount rate	4.20%	4.70%	4.30%
Expected long-term rate of return on plan assets	5.00	7.25	7.50

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

Net periodic benefit expense (income) associated with the defined benefit pension plans included the following components:

	Year Ended December 31,		
	2016	2015	2014
Components of pension expense (income)			
Service costs--increase in benefit obligation earned	$ 370	$ 35	$ 51
Interest cost on projected benefit obligation	1,243	1,486	1,618
Expected return on plan assets	(1,044)	(1,576)	(1,993)
Curtailment loss	—	49	—
Settlement loss	2,346	2,915	2,065
Amortization of net actuarial loss	951	1,400	708
Amortization of prior service cost	—	6	14
Net pension expense of defined benefit pension plans	$ 3,866	$ 4,315	$ 2,463

Investment Strategy and Risk Management for Plan Assets--Our investment strategy is to manage the plan assets in order to pay retirement benefits to plan participants while minimizing our cash contributions over the life of the plans. This is accomplished by preserving capital through diversification in high-quality investments through the use of investment managers and mutual funds. Performance of all investment managers and mutual funds is monitored quarterly and evaluated over rolling three-to-five year periods.

The plan assets are divided into asset classes that include equity, fixed income, and alternative investments and allocated among target allocations to include: (a) equities of a minimum 20% to a maximum of 40%; (b) fixed income and cash of a minimum 50% to a maximum of 70%; and, (c) alternative investments of a minimum of zero to a maximum of 15%. The purpose of the equity asset class is to provide a total return that simultaneously provides for growth in principal and current income while at the same time preserving the purchasing power of the plan assets, even though assets invested in equities have greater market volatility and risk. The purpose of the fixed income asset class is to provide a deflation hedge, to reduce the overall volatility of plan assets and to produce current income in support of the needs of the plan. The purpose of alternative investments is the diversification benefit of alternative strategies.

Equity assets are to be allocated within certain ranges among the asset categories of large cap growth and value; small/ midcap growth and value; and international growth and value. Each of the equity asset categories are assigned to an appropriate asset manager or mutual fund. Fixed income assets are allocated within a certain range to mutual funds of fixed income securities. Alternative investment assets are allocated within a certain range to mutual funds and may include the use of leverage. Short-selling, securities lending, financial futures, margins, options, and derivatives are not used. Investments in nonmarketable securities, commodities, or direct ownership of real estate are prohibited.

Rate-of-return-on-assets assumptions are made by major category of plan assets according to historical analysis, tempered for an assessment of possible future influences that could cause the returns to exceed or trail long-term patterns. The overall expected long-term rate-of-return-on-plan assets net of investment manager fees as at December 31, 2016, was 5.00%.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

Plan Assets--The fair values of our pension plan assets at December 31, 2016 by asset category, using the three-level hierarchy of fair value inputs, were as follows:

		Fair Value Measurements at December 31, 2016 Using:		
Description	Total Carrying Value at December 31, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset Category				
Money market funds	$ 2,882	$ —	$ 2,882	$ —
U.S. large-cap equities				
Growth	687	687	—	—
Value	729	729	—	—
U.S. small/mid-cap equities				
Growth	339	339	—	—
Value	339	339	—	—
International equities				
Growth	443	443	—	—
Value	514	514	—	—
Fixed income	4,669	4,669	—	—
Multiclass world-allocation mutual funds	907	907	—	—
	$ 11,509	$ 8,627	$ 2,882	$ —

The fair values of our pension plan assets at December 31, 2015 by asset category, using the three-level hierarchy of fair value inputs, were as follows:

		Fair Value Measurements at December 31, 2015 Using:		
Description	Total Carrying Value at December 31, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset Category				
Money market funds	$ 2,794	$ —	$ 2,794	$ —
U.S. large-cap equities				
Growth	1,869	1,869	—	—
Value	1,492	1,492	—	—
U.S. small/mid-cap equities				
Growth	781	781	—	—
Value	1,003	1,003	—	—
International equities				
Growth	1,270	1,270	—	—
Value	1,183	1,183	—	—
Fixed income	3,035	3,035	—	—
Multiclass world-allocation mutual funds	1,789	1,789	—	—
	$ 15,216	$ 12,422	$ 2,794	$ —

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

Within the pension plan asset categories, the Level 1 investments are publicly traded in active markets and are valued using the net asset value or closing price of the investment at the measurement date. Securities held by a money market fund are generally high quality and liquid; however, they are reflected as Level 2 because the inputs used to determine fair value are not quoted prices in an active market.

Expected Benefit Plan Contributions--It is our practice to make contributions to comply with the minimum funding requirements of ERISA. In accordance with such practice, contributions totaling $1,504 are required for 2017; however, we may make additional discretionary contributions.

Expected Benefit Plan Payments--The benefits, as of December 31, 2016, expected to be paid to defined-benefit plan participants in each of the next five years, and in the aggregate for the five years thereafter, follow:

Estimated future payments		Participants Benefits
Year ending December 31, 2017	$	659
2018		878
2019		981
2020		1,088
2021		1,167
Years 2022 to 2026		6,677

Multiemployer Defined Benefit Pension Plans--In providing services to our Utility Services customers, we contribute to multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover certain of our union-represented employees.

These plans generally provide retirement benefits to participants based on their service to contributing employers. We do not administer these multiemployer plans. In general, these plans are managed by a board of trustees with the unions appointing certain trustees and other contributing employers of the plan appointing certain members. We generally are not represented on the board of trustees.

The risks of participating in these multiemployer plans are different from single-employer plans in that: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be assumed by the remaining participating employers; and, (c) if we choose to stop participating in a multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Our participation in the multiemployer defined benefit pension plans is summarized in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act of 2006 (the "PPA") zone status is from the Form 5500, "Annual Return/Report of Employee Benefit Plan," filed by the plan and certified by the plan's actuary. The PPA zone status describes plans that are underfunded. Among other factors, plans in the "critical" red zone are generally less than 65% funded; plans in the "endangered" yellow zone are less than 80% funded; and, plans in the "safe" green zone are at least 80% funded.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

Q. Defined Benefit Pension Plans (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2016	Pension Protection Act Zone Status 2015	FIP/RP Status Pending Implemented	Davey Tree Contributions 2016	Davey Tree Contributions 2015	Davey Tree Contributions 2014	Surcharge Imposed	Expiration Dates of Bargaining Agreement
National Electric Benefit Fund	53-0181657/001	Green	Green	No	$ 712	$ 774	$ 743	No	Ranging from June 30, 2017 to December 31, 2018
Eighth District Electrical Pension Fund	84-6100393/001	Green	Green	No	90	119	105	No	December 31, 2017
					$ 802	$ 893	$ 848		

We were not listed in the Form 5500 for either plan as having provided more than 5% of the total contributions.

Both the National Electric Benefit Fund and the Eighth District Electrical Pension Fund are green zone status--safe--which represents at least 80% funded and does not require a “financial improvement plan” (“FIP”) or a “rehabilitation plan” (“RP”).

We are party to nine collective-bargaining agreements with the National Electric Benefit Fund, with expiration dates ranging from June 30, 2017 to December 31, 2018, and one collective-bargaining agreement with Eighth District Electrical Pension Fund with an expiration date of December 31, 2017.

R. Income Taxes

Income before income taxes was attributable to the following sources:

	Year Ended December 31, 2016	2015	2014
United States	$ 35,867	$ 32,807	$ 30,380
Canada	1,377	2,451	7,920
Total	$ 37,244	$ 35,258	$ 38,300

The provision for income taxes follows:

	Year Ended December 31, 2016	2015	2014
Currently payable:			
Federal	$ 12,216	$ 13,337	$ 13,159
State	2,286	2,487	2,524
Canadian	398	611	2,127
Total current	14,900	16,435	17,810
Deferred taxes	60	(2,975)	(2,679)
Total taxes on income	$ 14,960	$ 13,460	$ 15,131

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

R. Income Taxes (continued)

A reconciliation of the expected statutory U.S. federal rate to our actual effective income tax rate follows:

	Year Ended December 31,		
	2016	**2015**	**2014**
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.0	3.7	3.9
Effect of Canadian income taxes	(.2)	(.5)	(1.7)
Nondeductible expenses	2.2	2.3	1.9
ESOP dividend deduction	(.7)	(.8)	(.7)
Uncertain tax adjustments and audit settlement	.2	1.5	1.6
Valuation allowance	—	(2.2)	—
All other, net	(.3)	(.8)	(.5)
Effective income tax rate	40.2%	38.2%	39.5%

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recorded when it is more-likely-than-not that an income tax benefit will not be realized.

Significant components of our noncurrent net deferred tax assets and liabilities at December 31, were as follows:

	December 31,	
	2016	**2015**
Deferred tax assets:		
Self-insurance accruals	$ 21,967	$ 21,136
Accrued compensated absences	3,540	3,189
Accrued expenses and other liabilities	1,394	1,255
Accrued stock compensation	2,502	2,144
Defined benefit pension plans	4,019	3,721
Foreign tax credit carryforward	575	680
Other future deductible amounts, net	4,213	4,354
	38,210	36,479
Deferred tax liabilities:		
Intangibles	297	150
Prepaid expenses	3,510	3,138
Property and equipment	23,274	21,670
	27,081	24,958
Net deferred tax assets--noncurrent	$ 11,129	$ 11,521

We treat all of our Canadian subsidiary earnings through December 31, 2016 as permanently reinvested and have not provided any U.S. federal or state tax thereon. As of December 31, 2016, approximately $28,983 of undistributed earnings attributable to our Canadian operations was considered to be indefinitely invested. Presently, our intention is to reinvest the earnings permanently.

If, in the future, these earnings are distributed to the U.S. in the form of dividends or otherwise, or if the Company determines such earnings will be remitted in the foreseeable future, the Company would be subject to U.S. income taxes and Canadian

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

R. Income Taxes (continued)

withholding taxes. It is not practicable to estimate the amount of taxes that would be payable upon remittance of these earnings given the various tax planning alternatives that we could employ should we decide to repatriate those earnings.

As at December 31, 2015, we released a valuation allowance that had been recorded in prior years related to the foreign tax credit carryforward that arose in 2010--wherein we repatriated earnings in 2010 of our Canadian operations due to capital in Canada in excess of current and future projected needs. Management presently believes that it is more-likely-than-not that the deferred tax asset, related to the foreign tax credit that expires in 2020, will be realized. The criteria considered in making the determination included the ability to utilize tax-planning strategies, historical and projected operating results, and the period of time over which the foreign tax credit can be utilized.

The amount of income taxes we pay is subject to audit by U.S. federal, state, local and Canadian tax authorities, which may result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. Uncertain tax positions are recognized only if they are more-likely-than-not to be upheld during examination based on their technical merits. The measurement of the uncertain tax position is based on the largest benefit amount that is more-likely-than-not (determined on a cumulative probability basis) to be realized upon settlement of the matter. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate settlement, a further charge to expense may result.

The balance of unrecognized benefits and the amount of related interest and penalties at December 31, were as follows:

	December 31,	
	2016	2015
Unrecognized tax benefits	$ 2,532	$ 2,557
Portion, if recognized, would reduce tax expense and effective tax rate	2,053	1,981
Accrued interest on unrecognized tax benefits	107	115

We recognize interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense.

The Company is routinely under audit by U.S. federal, state, local and Canadian authorities in the area of income tax. These audits include questioning the timing and the amount of income and deductions and the allocation of income and deductions among various tax jurisdictions. During the fourth quarter 2013, the U.S. Internal Revenue Service completed its audit of the Company's U.S. income tax returns for 2010 and 2011 and, during 2010, Canada Revenue Agency completed its audit of the Company's Canadian operations for 2006, 2007 and 2008. With the exception of U.S. state jurisdictions, the Company is no longer subject to examination by tax authorities for the years through 2012. As of December 31, 2016, we believe it is reasonably possible that the total amount of unrecognized tax benefits will not significantly increase or decrease.

The changes in our unrecognized tax benefits are summarized in the table below:

	Year Ended December 31,		
	2016	2015	2014
Balance, beginning of year	$ 2,557	$ 1,949	$ 1,221
Additions based on tax positions related to the current year	402	642	587
Additions for tax positions of prior years	51	52	234
Reductions for tax positions of prior years	(39)	(63)	(79)
Lapses in statutes of limitations	(439)	(23)	(14)
Balance, end of year	$ 2,532	$ 2,557	$ 1,949

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

S. Earnings Per Share Information

Earnings per share is computed as follows (adjusted for the two-for-one stock split of our common shares effective June 1, 2017):

	Year Ended December 31,		
	2016	2015	2014
Income available to common shareholders:			
Net income	$ 22,284	$ 21,798	$ 23,169
Weighted-average shares:			
Basic:			
Outstanding	25,378,600	26,058,736	26,674,396
Partially-paid share subscriptions	833,440	872,162	968,050
Basic weighted-average shares	26,212,040	26,930,898	27,642,446
Diluted:			
Basic from above	26,212,040	26,930,898	27,642,446
Incremental shares from assumed:			
Exercise of stock subscription purchase rights	142,746	135,428	109,648
Exercise of stock options and awards	892,568	888,254	724,458
Diluted weighted-average shares	27,247,354	27,954,580	28,476,552
Share data:			
Earnings per share--basic	$ .85	$ .81	$ .84
Earnings per share--diluted	$ .82	$ .78	$ .81

T. Operations by Business Segment and Geographic Information

We provide a wide range of arboricultural, horticultural, environmental and consulting services to residential, utility, commercial and government entities throughout the United States and Canada. We have two reportable operating segments organized by type or class of customer: Residential and Commercial, and Utility.

Residential and Commercial--Residential and Commercial provides services to our residential and commercial customers including: the treatment, preservation, maintenance, removal and planting of trees, shrubs and other plant life; the practice of landscaping, grounds maintenance, tree surgery, tree feeding and tree spraying; the application of fertilizer, herbicides and insecticides; and, natural resource management and consulting, forestry research and development, and environmental planning.

Utility--Utility is principally engaged in providing services to our utility customers--investor-owned, municipal utilities, and rural electric cooperatives--including: the practice of line-clearing and vegetation management around power lines, rights-of-way and chemical brush control; and, natural resource management and consulting, forestry research and development and environmental planning.

All other operating activities, including research, technical support and laboratory diagnostic facilities, are included in "All Other."

Measurement of Segment Profit and Loss and Segment Assets--We evaluate performance and allocate resources based primarily on operating income and also actively manage business unit operating assets. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that (a) we compute and recognize depreciation expense for our segments only by the straight-line method and (b) state income taxes are allocated to the segments. Corporate expenses are substantially allocated among the operating segments, but the nature of expenses allocated may differ from year-to-year. There are no intersegment revenues.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

T. Operations by Business Segment and Geographic Information (continued)

Segment assets are those generated or directly used by each segment, and include accounts receivable, operating supplies, and property and equipment.

Information on reportable segments and reconciliation to the consolidated financial statements follows:

	Utility Services	Residential Commercial Services	All Other	Reconciling Adjustments		Consolidated
Fiscal Year 2016						
Revenues	$ 433,379	$ 410,878	$ 1,421	$ —		$ 845,678
Income (loss) from operations	19,256	36,640	(4,318)	(6,207)	(a)	45,371
Interest expense				(4,393)		(4,393)
Interest income				255		255
Other income (expense), net				(3,989)		(3,989)
Income before income taxes						$ 37,244
Depreciation	$ 26,855	$ 17,198	$ —	$ 3,231	(b)	$ 47,284
Amortization	135	2,136	—	35		2,306
Capital expenditures	28,660	21,819	—	6,167		56,646
Segment assets, total	171,220	166,858	—	85,861	(c)	423,939
Fiscal Year 2015						
Revenues	$ 433,117	$ 386,327	$ 2,460	$ —		$ 821,904
Income (loss) from operations	24,273	35,271	(5,368)	(10,068)	(a)	44,108
Interest expense				(3,355)		(3,355)
Interest income				249		249
Other income (expense), net				(5,744)		(5,744)
Income before income taxes						$ 35,258
Depreciation	$ 25,466	$ 15,592	$ —	$ 3,619	(b)	$ 44,677
Amortization	144	2,062	—	8		2,214
Capital expenditures	26,853	22,853	—	6,341		56,047
Segment assets, total	145,306	162,679	—	85,601	(c)	393,586
Fiscal Year 2014						
Revenues	$ 404,519	$ 386,274	$ (882)	$ —		$ 789,911
Income (loss) from operations	21,382	37,232	(6,037)	(8,574)	(a)	44,003
Interest expense				(2,948)		(2,948)
Interest income				295		295
Other income (expense), net				(3,050)		(3,050)
Income before income taxes						$ 38,300
Depreciation	$ 23,225	$ 14,544	$ —	$ 3,201	(b)	$ 40,970
Amortization	174	1,896	—	—		2,070
Capital expenditures	25,994	17,490	—	12,247		55,731
Segment assets, total	150,002	144,413	—	86,589	(c)	381,004

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

T. Operations by Business Segment and Geographic Information (continued)

Reconciling adjustments from segment reporting to consolidated external financial reporting include unallocated corporate items:

(a) Reconciling adjustments from segment reporting to consolidated external financial reporting include reclassification of depreciation expense and allocation of corporate expenses.

(b) Adjustments to declining-balance method depreciation expense from straight-line method and depreciation and amortization of corporate assets.

(c) Corporate assets include cash, prepaid expenses, corporate facilities, enterprise-wide information systems and other nonoperating assets.

Geographic Information--The following presents revenues and long-lived assets by geographic territory:

	Year Ended December 31,		
	2016	2015	2014
Revenues			
United States	$ 775,870	$ 749,896	$ 706,145
Canada	69,808	72,008	83,766
	$ 845,678	$ 821,904	$ 789,911

	December 31,		
	2016	2015	2014
Long-lived assets, net			
United States	$ 224,727	$ 213,323	$ 196,116
Canada	20,439	19,329	17,692
	$ 245,166	$ 232,652	$ 213,808

U. Fair Value Measurements and Financial Instruments

Financial Accounting Standards Board Accounting Standard Codification 820, "Fair Value of Measurements and Disclosures ("Topic 820")" defines fair value based on the price that would be received to sell an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are defined as buyers or sellers in the principal or most advantageous market for the asset or liability that are independent of the reporting entity, knowledgeable and able and willing to transact for the asset or liability.

Valuation Hierarchy--Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 inputs are observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

U. Fair Value Measurements and Financial Instruments (continued)

Our assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and December 31, 2015, were as follows:

		Fair Value Measurements at December 31, 2016 Using:		
Description	**Total Carrying Value at December 31, 2016**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Assets invested for self-insurance, classified as other assets, noncurrent	$ 15,492	$ 15,492	$ —	$ —
Defined benefit pension plan assets	11,509	8,627	2,882	—
Liabilities:				
Deferred compensation	$ 1,837	$ —	$ 1,837	$ —

		Fair Value Measurements at December 31, 2015 Using:		
Description	**Total Carrying Value at December 31, 2015**	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Assets invested for self-insurance, classified as other assets, noncurrent	$ 17,167	$ 17,167	$ —	$ —
Defined benefit pension plan assets	15,216	12,422	2,794	—
Liabilities:				
Deferred compensation	$ 1,574	$ —	$ 1,574	$ —

The estimated fair value of the deferred compensation--classified as Level 2--is based on the value of the Company's common shares, determined by independent valuation.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

U. Fair Value Measurements and Financial Instruments (continued)

Fair Value of Financial Instruments--The fair values of our current financial assets and current liabilities, including cash, accounts receivable, accounts payable, and accrued expenses among others, approximate their reported carrying values because of their short-term nature. The assets invested for self-insurance are money market funds--classified as Level 1--based on quoted market prices of the identical underlying securities in active markets. Financial instruments classified as noncurrent liabilities and their carrying values and fair values were as follows:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facility, noncurrent	$ 67,000	$ 67,000	$ 54,500	$ 54,500
Senior unsecured notes	18,000	18,509	24,000	24,837
Term loans, noncurrent	7,623	9,854	6,604	7,008
Total	$ 92,623	$ 95,363	$ 85,104	$ 86,345

The carrying value of our revolving credit facility approximates fair value--classified as Level 2--as the interest rates on the amounts outstanding are variable. The fair value of our senior unsecured notes and term loans--classified as Level 2--is determined based on expected future weighted-average interest rates with the same remaining maturities.

Market Risk--In the normal course of business, we are exposed to market risk related to changes in foreign currency exchange rates, changes in interest rates and changes in fuel prices. We do not hold or issue derivative financial instruments for trading or speculative purposes. In prior years, we have used derivative financial instruments to manage risk, in part, associated with changes in interest rates and changes in fuel prices. Presently, we are not engaged in any hedging or derivative activities.

V. Commitments and Contingencies

Letters of Credit

At December 31, 2016, we were contingently liable to our principal banks in the amount of $64,225 for letters of credit outstanding primarily related to insurance coverage.

Surety Bonds

In certain circumstances, we have performance obligations that are supported by surety bonds in connection with our contractual commitments.

Litigation

We are 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 reflected in the self-insurance accruals, and would not be material in relation to the financial position or results of operations.

The Davey Tree Expert Company
Notes to Consolidated Financial Statements--(Continued)
December 31, 2016
(In thousands, except share data)

W. Quarterly Results of Operations (Unaudited)

The following is a summary of the results of operations for each quarter of 2016 and 2015. We have given retroactive consideration to the two-for-one stock split of our common shares effective June 1, 2017.

	Fiscal 2016, Three Months Ended			
	Apr 2	July 2	Oct 1	Dec 31
Revenues	$ 180,833	$ 224,763	$ 223,719	$ 216,363
Gross profit (revenues less costs and expenses, operating)	57,660	87,631	81,386	77,515
Income (loss) from operations	(5,120)	24,286	15,042	11,163
Net income (loss)	(4,188)	13,309	8,141	5,022
Net income (loss) per share -- Basic	$ (.17)	$ .52	$ .32	$ .18
Net income (loss) per share -- Diluted	$ (.17)	$ .50	$ .31	$ .18
ESOT valuation per share	$ 16.35	$ 16.35	$ 16.95	$ 17.60

	Fiscal 2015, Three Months Ended			
	Apr 4	Jul 4	Oct 3	Dec 31
Revenues	$ 174,292	$ 224,773	$ 224,981	$ 197,858
Gross profit (revenues less costs and expenses, operating)	54,434	87,432	81,808	69,331
Income (loss) from operations	(3,985)	27,796	16,177	4,120
Net income (loss)	(3,528)	15,932	8,174	1,220
Net income (loss) per share -- Basic	$ (.14)	$ .61	$ .29	$ .05
Net income (loss) per share -- Diluted	$ (.14)	$ .59	$ .28	$ .05
ESOT valuation per share	$ 15.05	$ 15.05	$ 15.75	$ 16.35

Fourth quarters 2016 and 2015 include a decrease in casualty insurance expense that had the effect of increasing the fourth quarter gross profit for 2016 and 2015 by approximately $2,810 and $2,589, respectively.

Exhibit 21

Subsidiaries of the Registrant

Name	Jurisdiction of Organization
Davey Tree Surgery Company	Ohio
Davey Tree Expert Co. of Canada, Limited	Canada
The Care of Trees, Inc.	Illinois

The Registrant has other subsidiaries that are not in the aggregate “significant subsidiaries” as defined in Rule 1-02(w) of Regulation S-X.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-123767) pertaining to The Davey Tree Expert Company 2004 Omnibus Stock Plan;
(2) Registration Statements (Form S-8 No. 333-172738, Form S-8 No. 333-187205, Form S-8 No. 333-203865 and Form S-8 No. 333-211465) pertaining to The Davey 401KSOP and ESOP;
(3) Registration Statements (Form S-8 No. 333-196224) pertaining to The Davey Tree Expert Company 2014 Omnibus Stock Plan;

of our report dated March 14, 2017 (except for the effect of the error correction discussed in Notes C, M and O, and the effect of the stock split discussed in Note B, as to which the date is November 21, 2017), with respect to the consolidated financial statements of The Davey Tree Expert Company and our report dated March 14, 2017 (except for the effect of the material weakness described in the sixth paragraph of that report, as to which the date is November 21, 2017) with respect to the effectiveness of internal control over financial reporting of The Davey Tree Expert Company, included in this Annual Report (Form 10-K/A) of The Davey Tree Expert Company for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Akron, Ohio
November 21, 2017

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certification of Chief Executive Officer

I, Patrick M. Covey, certify that:

1. I have reviewed this annual report on Form 10-K/A of The Davey Tree Expert Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 21, 2017

/s/ Patrick M. Covey
Patrick M. Covey
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Certification of Chief Financial Officer

I, Joseph R. Paul, certify that:

1. I have reviewed this annual report on Form 10-K/A of The Davey Tree Expert Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 21, 2017

/s/ Joseph R. Paul

Joseph R. Paul
Executive Vice President, Chief Financial Officer and Secretary

Exhibit 32.1

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

Certification of Chief Executive Officer

I, Patrick M. Covey, Chairman and Chief Executive Officer of The Davey Tree Expert Company (the "Company"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1.) The Annual Report on Form 10-K/A of the Company for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and,

(2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 21, 2017	/s/ Patrick M. Covey
		Patrick M. Covey
		President and Chief Executive Officer

Exhibit 32.2

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

Certification of Chief Financial Officer

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

(1.) The Annual Report on Form 10-K/A of the Company for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and,

(2.) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 21, 2017	/s/ Joseph R. Paul
	Joseph R. Paul
	Executive Vice President, Chief Financial Officer and Secretary