SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.
20549

FORM 10-K

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

For the fiscal year ended December 31, 1983

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

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

| | |
|---|---|
| Ohio<br>(State of Incorporation) | 34-0176110<br>(IRS Employer Identification No.) |
| 117 South Water Street<br>Kent, Ohio<br>(Address of principal executive offices) | 44240<br>(Zip Code) |

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

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

(Title of class)

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

(Title of class)

The Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Documents incorporated by reference: Portions of the Registrant's definitive Proxy Statement for its 1984 Annual Meeting of Shareholders are incorporated by reference in Part III of this Annual Report on Form 10-K.

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

Common Shares outstanding at March 15, 1984: 827,302

Index to Exhibits is located on sequential page 14.

FORM 10-K

THE DAVEY TREE EXPERT COMPANY

Year Ended December 31, 1983

PART I

Item 1. Business.

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

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

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

The Registrant provides a wide range of horticultural services to private companies, public utilities, local, state and Federal agencies, and a variety of industrial, commercial and residential customers. During the fiscal year ended December 31, 1983, the Registrant had sales of approximately $26,000,000 (25% of total sales) to Pacific Gas & Electric Company.

Regulation and Environment. The Registrant's facilities and operations, in common with those of the industry generally, are subject to governmental regulations designed to protect the environment. This is particularly important with respect to the Registrant's services regarding insect and disease control, because these services involve to a considerable degree the blending and application of spray materials, which require formal licensing in most areas. The Registrant believes that it is in compliance with existing Federal, state and local laws regulating the use of materials in its spraying operations as well as the other aspects of its business that are subject to any such regulation.

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

Seasonality. The Registrant's business is highly seasonal. Sales and earnings are generally highest in the second and third quarters of the calendar year, and historically the Registrant has incurred losses in the first quarter. This seasonality has historically created heavy demands for additional working capital in the first four to six calendar months ranging from $2,000,000 to $4,000,000, and the Registrant borrows against bank commitments for short-term loans in the form of lines of credit and a revolving credit agreement to provide the necessary funds. Generally, these loans are repaid by the end of the calendar year. Services to utility customers show only small fluctuations in volume throughout the year. Extreme fluctuations do exist, however, in horticultural services to private customers.

Other Factors. The constant changes in environmental conditions, environmental awareness, technology and social attitudes make it necessary for the Registrant to maintain a high degree of awareness of the impact such changes have on the market for its services. Environmental controls inhibit the economic disposal of debris, which directly affects the Registrant's profitability. The Registrant believes, however, that the opportunities resulting from the environmental consciousness of the general public more than offset most of the environmental controls by which it is affected.

The rapid change in equipment technology requires a constant updating of equipment and processes to insure competitive services. Capital expenditures for 1982 and 1983 were approximately $7,600,000 and $11,345,000, respectively. In addition, the Registrant must continually assure its compliance with the Occupational Safety and Health Act.

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

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

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

Item 2. Properties.

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

| Location | Acreage | Building Sq. Ft. |
|---|---|---|
| Cincinnati, Ohio | 2.5 | 7,200 |
| Livermore, California | 10.0 | 25,000 |
| Winter Park, Florida | 1.0 | 2,500 |
| Chamblee, Georgia | 2.0 | 7,000 |
| Dundee, Illinois | 4.0 | 7,500 |
| Indianapolis, Indiana | 1.4 | 5,000 |
| Grand Rapids, Michigan | 4.0 | 2,300 |
| Troy, Michigan | 2.0 | 10,200 |
| Cheektowaga, New York | 6.9 | 3,200 |
| Town of Islip, New York | 2.0 | 7,000 |
| Charlotte, North Carolina | 3.1 | 4,900 |
| Kent, Ohio (multiple) | 68.3 | 74,600 |
| Toledo, Ohio | .5 | 1,400 |
| Wooster, Ohio | 228.0 | 7,800 |
| Pittsburgh, Pennsylvania | 2.5 | 2,000 |
| Ninety-Six, South Carolina | 6.2 | 6,150 |
| Houston, Texas | 1.6 | 8,200 |
| Chantilly, Virginia | 2.0 | 8,900 |
| Downsview, Ontario, Canada | .5 | 2,800 |
| Baltimore, Maryland | 3.3 | 22,500 |
| Lancaster, New York | 3.0 | 6,600 |
| Bettendorf, Iowa | .5 | 320 |
| Richmond, Virginia | .5 | 1,200 |
| Mecklenburg, North Carolina | 15.6 | -0- |
| Penn. Twp., Pennsylvania | 5.7 | -0- |
| Soco Gap, South Carolina | 17.0 | -0- |

The Registrant leases its corporate office in Kent, Ohio, pursuant to a lease expiring at the end of 1984 at an annual rental of approximately $86,000. The Registrant has the option to renew its current lease to either July 1, 1985 or December 31, 1985. The Registrant also rents some 60 other premises ranging from desk space with parking to dumping and storage use. The Registrant believes that all of these properties have been adequately maintained and are suitable and adequate for its business as presently conducted.

Item 3. Legal Proceedings.

There are no material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Registrant or any of its subsidiaries is a party or of which any of their property is the subject.

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

No matter was submitted during the fourth quarter of 1983 to a vote of security holders, through the solicitation of proxies or otherwise.

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

| Name | Position | Age |
|---|---|---|
| John W. Joy | Chairman of the Board; President and Chief Executive Officer | 61 |
| James H. Pohl | Vice Chairman and Secretary | 60 |
| Howard L. Eckel, Jr. | Executive Vice President and General Manager, Kent Operating Group | 53 |
| Eugene W. Haupt | Executive Vice President and General Manager-Davey Tree Surgery Company | 61 |
| R. Douglas Cowan | Executive Vice President-Finance and Administration | 43 |
| Dr. Roger C. Funk | Vice President-Human and Technical Resources | 39 |
| William F. Heim | Vice President and General Manager-Utility Services | 56 |
| Edward J. Johnson | Vice President-Personnel, Safety, Equipment and Shops | 50 |
| Gordon L. Ober | Vice President and Operations Manager-Residential and Commercial Services | 34 |
| Donald J. Shope | Vice President and General Manager-Residential and Commercial Services | 50 |
| David E. Adante | Treasurer | 32 |
| C. Robert Klein | Assistant Secretary | 62 |
| Rosemary Nicholas | Assistant Secretary | 40 |

Mr. Joy was elected Chairman of the Board, President and Chief Executive Officer in January, 1984. From January, 1979, he served as President and Chief Executive Officer.

Mr. Pohl was elected Vice Chairman and Secretary in January, 1984 and had served as Executive Vice President and Treasurer since January, 1979.

Mr. Eckel was elected Executive Vice President and General Manager - Kent Operating Group in January, 1984 and had served as Senior Vice President, Operations since January, 1979.

Mr. Haupt was elected Executive Vice President and General Manager - Davey Tree Surgery Company in January, 1984 and had served as Vice President of the Registrant and General Manager of Davey Tree Surgery Company for more than five years prior to that time.

Mr. Cowan was elected Executive Vice President-Finance and Administration - Corporate Groupin January, 1984, and had served as Vice President, Finance since January, 1979.

Dr. Funk was elected Vice President-Human and Technical Resources in January, 1984 and had served as Vice President, Research and Development since January, 1979.

Mr. Heim was elected Vice President and General Manager-Utility Services in January, 1979.

Mr. Johnson was elected Vice President - Personnel, Safety, Equipment and Shops in January, 1984. He served as Vice President, Field Services from September, 1981 to January, 1984. For more than two years prior to September, 1981, he served as Operations Coordinator of Tree Care Services.

Mr. Ober was elected Vice President and Operations Manager-Residential and Commercial Services in January, 1984 and had served as Vice President, Lawnscape since May, 1980, after having served as General Manager of Lawnscape services since October, 1978.

Mr. Shope was elected Vice President and General Manager-Residential and Commercial Services in January, 1984 and had served as Vice President and General Manager-Tree Care Services since January, 1979.

Mr. Adante was elected Treasurer in January, 1984 and had served as Assistant Treasurer since May, 1982. From July, 1979 to May, 1982, Mr. Adante was Internal Auditor of the Registrant.

Mr. Klein was elected Assistant Secretary in January, 1984 and had served as Secretary of the Registrant for more than five years prior to that time.

Mrs. Nicholas was elected Assistant Secretary in May, 1982, and has been employed as an executive secretary with the Registrant for more than five years.

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

## PART II

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

There is no established public trading market for the Registrant's Common Shares. As of March 15, 1984 there were 554 record holders of the Registrant's Common Shares. During the year ended December 31, 1982, the Registrant paid a dividend of $.10 per share in each of the first three quarters and $.13 per share in the fourth quarter. During the year ended December 31, 1983, the Registrant paid a dividend of $.13 per share in the first quarter and $.15 per share in the second and third quarters and $.17 per share in the fourth quarter. The Registrant's agreements with its lenders provide cash dividends may not exceed the lesser of (a) 30% of net earnings or (b) net earnings less debt service, in each case as defined, with all such amounts being cumulative from January 1, 1981. See Note D to Consolidated Financial Statements beginning on page F-11 of the Annual Report on Form 10-K.

### Item 6. Selected Financial Data.

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1983 | 1982 | 1981 | 1980 | 1979 |
| | (000's omitted, except per share data) | | | | |
| Operating Results: | | | | | |
| Revenues | $104,557 | $84,618 | $76,724 | $67,211 | $60,243 |
| Net Earnings | $ 4,628 | $ 2,682 | $ 2,628 | $ 2,467 | $ 1,832 |
| Net Earnings Per Common Share | $5.77 | $3.38 | $3.18 | $2.57 | $1.88 |
| At Year End: | | | | | |
| Total Assets | $ 36,967 | $29,335 | $26,823 | $22,851 | $21,845 |
| Total Long-Term Debt | $ 3,471 | $ 2,998 | $ 4,631 | $ 3,416 | $ 5,868 |
| Cash Dividends Per Common Share | $.60 | $.43 | $.30 | $.22 | $.17 |

Net earnings, net earnings per common share, and total assets for the years 1979 through 1980 have been restated due to a change in the method of accounting for vacation expense to comply with Statement No. 43 of the Financial Accounting Standards Board. In addition, net earnings per share and dividends per share for the years 1979 through 1982 have been adjusted for a 3-for-1 stock split which took effect in June of 1983.

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

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

## FINANCIAL CONDITION

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Working Capital (in 000's) | $ 1,406 | $ 296 | $ 718 |
| Current Ratio | 1.1:1 | 1.0:1 | 1.1:1 |
| Cash Flow from Operations (in 000's) | $11,570 | $8,418 | $7,873 |
| Capital Expenditures (in 000's) | $11,345 | $7,579 | $9,146 |
| Cash Flow to Capital Expenditures Ratio | 1.0:1 | 1.1:1 | .8:1 |
| Cash Flow as % of Revenues | 11.1% | 10.0% | 9.9% |

At year-end 1983, working capital (current assets less current liabilities) had increased substantially compared to the prior two years, and was $1,110,000 higher than 1982 and $688,000 higher than 1981. The increase was due to higher levels of accounts receivable that resulted from the 24% increase in revenues. All three years were lower than normal due to heavy capital expenditures late in the year, which depleted cash excesses and forced borrowings under the Revolving Credit Agreement.

Management believes that cash flow is the best measure of the Registrant's liquidity, particularly when related to capital expenditures. In 1983, cash flow increased over $3,000,000 from 1982, and nearly $4,000,000 from 1981. As a percentage of revenues, cash flow was an all-time high at 11%. This record level enabled the Registrant to invest $11,345,000 in capital expenditures and yet stay within the Registrant's cash flow. It continues to be management's objective to finance capital expenditures from internally-generated funds (cash flow) as much as is possible, so long as that posture does not prevent the Registrant from maximizing growth opportunities.

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Equity to Debt Ratio | 1.2:1 | 1.1:1 | .9:1 |
| Debt as % of Assets | 44.9% | 47.1% | 52.4% |
| Equity as % of Assets | 55.1% | 52.9% | 47.6% |

The employee acquisition in 1979 resulted in a major restructuring of the debt and equity sections on the Registrant's balance sheet; the equity to debt relationship was completely inverted, and the ratio fell below 1:1 for the first time in years (at year-end 1979, the ratio was .7:1; at year-end 1978, the ratio was 1.5:1). Since that time, the Registrant has achieved record earnings in each succeeding year, and these earnings have both increased stockholders' equity and enabled the Registrant to retire the acquisition debt. At the end of 1983, the relationship of equity to debt was at its highest level in five years and management believes that this favorable trend will continue. However, the Registrant also believes that a ratio of less than 1:1 is not necessarily unhealthy and continually evaluates opportunities which could require additional debt financing. The new corporate center is a case in point -- it will require approximately $4,500,000 of debt financing, and this additional debt will temporarily depress the equity to debt ratio in 1984.

The Registrant will continue to finance its operations needs with borrowings under the Revolving Credit Agreement and short-term Lines of Credit. At January 1, 1984, the Registrant had available for use $8,000,000 in credit commitments under these arrangements, which management believes to be sufficient.

Common Share Measurements. With these measurements, shareholders can assess the Registrant's earnings performance, dividend payout, and equity position as related to their shareholdings. In June of 1983, the shareholders approved and the Board of Directors authorized a 3-for-1 stock split. The financial data for the years 1981 and 1982 have been adjusted for the 3-for-1 stock split.

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Earnings Per Share | $ 5.77 | $ 3.38 | $ 3.18 |
| Dividends Per Share | $ .60 | $ .43 | $ .30 |
| Book Value Per Share | $24.88 | $19.45 | $16.09 |
| ESOT Market Valuation Per Share | $29.60 | $16.85 | $14.83 |

The record earnings in 1983 are reflected in the per share measurements in the table above. Earnings per share in 1983 increased to $5.77 per share, up 71% from 1982, and 81% from 1981. Accordingly, the market value per share increased to $29.60 per share, up 76% from 1982, and 100% from 1981.

Dividends paid per share were increased significantly for the fourth year in a row. In 1983, they were increased $.17 per share, or 40% over 1982, compared to an increase in 1982 of $.13 per share, or 43% over 1981. Total dividends paid to shareholders in 1983 were $485,000, compared to $344,000 in 1982 and $250,000 in 1981.

It is the Registrant's objective to provide a fair return on investment to its shareholders through improved dividends, so long as the Registrant can financially justify such a policy. The increases in each of the last four years reflect this objective.

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

## RESULTS OF OPERATIONS

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Increase in Revenues | 23.6% | 10.3% | 14.2% |
| Operating Earnings as % of Revenues | 7.7% | 5.6% | 6.4% |
| Pre-Tax Earnings as % of Revenues | 7.0% | 4.8% | 5.2% |
| Net Earnings as % of Revenues | 4.4% | 3.2% | 3.4% |

Revenues for 1983 of $104,557,000 set a new record and increased $19,939,000, or 24%, over 1982, compared to a 10% increase in revenues in 1982 and 14% in 1981. Revenues increased in all of the Registrant's major service lines, although the principal increases were in utility services, and particularly, in the west coast subsidiary. Economic conditions continued to affect the Registrant's residential services.

Operating costs increased 23% over 1982, and as a percentage of revenues, decreased to 66.1% as compared with 66.5% in 1982, and returned to the same level as in 1981. Higher labor and fringe benefit costs, associated with the increased utility service revenues, were more than offset by lower equipment costs, as a percentage of revenues.

Selling, general and administrative costs increased 16% in 1982, but at a much lower rate than the revenue increase of 24%; consequently, as a percentage of revenues, selling, general and administrative costs decreased to 20.0% in 1983 compared to 21.3% in 1982 and 21.0% in 1981. Personnel and related costs increased during 1983 to accommodate the continuing growth of the Registrant, but at a lower rate than growth in revenues. Management believes that there will be continued increases in "S, G & A" costs for the near future, but that they are necessary and will have a positive long-term effect.

Depreciation expense in 1983 increased at a slower rate than revenues, 17%, compared with a 13% increase in 1982 and a 21% increase in 1981. The Registrant records its depreciation expense on a double-declining balance method, which provides a higher depreciation expense in the earlier years of asset life; each year's expense, therefore, is significantly affected by the level of capital expenditures in the current and preceding years. Capital expenditures in 1983 were $11,345,000 compared to $7,579,000 in 1982 and $9,146,000 in 1981. As a percentage of revenues, depreciation expense in 1983 was 6.2% compared to 6.6% in 1982 and 6.5% in 1981.

Interest expense in 1983 decreased to $834,000 compared to $1,015,000 in 1982 and $1,213,000 in 1981 due to lower levels of seasonal and long-term borrowings during the year and lower prime interest rates.

As a result of the above factors, earnings before income taxes and net earnings increased in 1983 to record levels, and as a percentage of revenues, they increased to 7.0% and 4.4%, respectively. Management doubts that this level of achievement can be maintained in the short term, particularly because of the cost effects of the new Corporate Center -- but believes that similar or greater results are achievable over the long term.

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Average Assets Employed (in 000's) | $33,151 | $28,079 | $24,837 |
| Asset Turnover (Revenues to Average Assets) | 3.2 | 3.0 | 3.1 |
| Return on Average Assets | 14.0% | 9.6% | 10.6% |

The return on assets for 1983 was an all-time record of 14.0%. The asset turnover improved to 3.2, but the significant improvement was in the net earnings percentage of 4.4%. Management's goal is to maintain an asset turnover rate in excess of 3.0 and to improve the net earnings percentage to provide a return on assets of 15%.

## Item 8. Consolidated Financial Statements and Supplementary Data.

The opinion of independent certified public accountants, the audited consolidated financial statements, and the notes to the audited consolidated financial statements required by this Item 8 appear on pages F-2 through F-17 of this Annual Report on Form 10-K.

## Item 9. Disagreements on Accounting and Financial Disclosure.

Within the 24 months prior to the date of the most recent financial statements, no Form 8-K under the Exchange Act has been filed to report a change of accountants and a disagreement on any matter of accounting principles or practices or financial statement disclosure.

# PART III

## Item 10. Directors and Executive Officers of the Registrant.

The information regarding directors appearing under the heading "Nominees for Board of Directors" in the Registrant's definitive Proxy Statement for its 1984 Annual Meeting of Shareholders is hereby incorporated by reference.

## Item 11. Executive Compensation.

The information regarding compensation of the Registrant's executive officers appearing under the heading "Compensation of Executive Officers" in the Registrant's definitive Proxy Statement for its 1984 Annual Meeting of Shareholders is hereby incorporated by reference.

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

The information regarding the security ownership of certain beneficial owners and management appearing under the heading "Beneficial Ownership of Voting Stock" in the Registrant's definitive Proxy Statement for its 1984 Annual Meeting of Shareholders is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

The information regarding certain relationships and related transactions appearing under the headings "Nominees for Board of Directors" and "Compensation of Executive Officers" in the Registrant's definitive Proxy Statement for its 1984 Annual Meeting of Shareholders is hereby incorporated by reference.

## PART IV

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

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

(a)(3) Exhibits. See the Index to Exhibits on sequentially numbered page 14 of this Annual Report on Form 10-K.

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

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, by Registrants Which Have Not Registered Securities Pursuant to Section 12 of That Act.

At the time of the filing of this Annual Report on Form 10-K, the Registrant has not sent to security holders:

(1) the annual report to security holders covering the Registrant's last fiscal year; or

(2) the proxy statement, form of proxy, or other proxy soliciting material with respect to the annual meeting of security holders.

The annual report to security holders and proxy material is to be furnished to security holders subsequent to the filing of this Annual Report on Form 10-K, and the Registrant will furnish copies of these to the Commission when they are sent to security holders.

SIGNATURES

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

THE DAVEY TREE EXPERT COMPANY

By: J. W. Joy, President and
Chief Executive Officer

March 28, 1984

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 28, 1984.

J. W. JOY, Director;
President, Chairman and
Chief Executive Officer
(Principal Executive Officer)

JAMES H. POHL, Director;
Vice Chairman and Secretary

R. DOUGLAS COWAN, Director;
Executive Vice President
(Principal Financial & Accounting
Officer)

WILLIAM D. GINN, Director

THOMAS W. BLAZEY, Director

HOWARD L. ECKEL, JR., Director

M. L. DAVEY, JR., Director

EUGENE W. HAUPT, Director

RICHARD E. DUNN, Director

J. MAURICE STRUCHEN, Director

EDWARD P. TAYLOR, Director

## INDEX TO EXHIBITS

[Item 14(a)(3)]

| Exhibit No. | Description | Location or Sequential Page |
|---|---|---|
| (3(a)) | 1983 Amended Articles of Incorporation | 16 |
| (3(b)) | Amended Regulations | Incorporated herein by reference to Exhibit 3 (b) to the Registrant's Registration Statement on Form S-1 (File No. 2-63058) and to Exhibit 5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1979 |
| (4) | The Company is a party to certain instruments, copies of which will be furnished to the Securities and Exchange Commission upon request, defining the rights of holders of long-term debt identified in Note D to Notes to Consolidated Financial Statements | 40 |
| (9) | Voting Trust Agreement | Not applicable |
| (10) | 1980 Employee Stock Option Plan, as amended by resolution dated December 8, 1981 | 18 |
| (11) | Statement re computation of per share earnings | Not applicable |
| (12) | Statement re computation ratios | Not applicable |
| (13) | Annual report to security holders, Form 10-Q or quarterly report to security holders | Not applicable |
| (18) | Letter re change in accounting principles | Not applicable |
| (19) | Previously unfiled documents | Not applicable |
| (22) | Subsidiaries of the Company | 27 |

| Exhibit No. | Description | Location or Sequential Page |
|---|---|---|
| (24) | Consent of independent auditors to incorporation of their opinion in Registrant's Registration Statements on Form S-8 (File Nos. 2-73052 and 2-77353) | 28 |
| (25) | Power of Attorney | Not applicable |
| (28) | Additional exhibits | Not applicable |

# 1983 AMENDED ARTICLES OF INCORPORATION OF THE DAVEY TREE EXPERT COMPANY

FIRST. The name of the Company is THE DAVEY TREE EXPERT COMPANY.

SECOND. The place in the State of Ohio where the principal office of the Company is located is the City of Kent, in Portage County.

THIRD. The purposes for which the Company is formed are:

(a) To engage in all phases of the tree and lawn care business, including without limitation, the care, treatment, preservation, propagation, cultivation, planting, removal and sale of trees, plants, shrubs and vines, the practice of landscape architecture, the trimming of trees and other forms of line clearing, including right-of-way clearance for power and telephone companies or others, the publication of books, pamphlets, periodicals and other literature for free distribution or sale, the manufacturing, jobbing, buying and selling at wholesale or retail of any and all tools, materials, supplies, implements or equipment, the practice of forestry, the logging, sawing, milling, processing and marketing of forest products, the development of recreation areas and facilities and the acquisition, operation and sale of farms, manufacturing establishments and other enterprises;

(b) To manufacture, to purchase, lease or otherwise acquire, to hold and use, to sell, lease or otherwise dispose of and to deal in or with personal property of any description and any interest therein;

(c) To purchase, lease or otherwise acquire, to invest in, hold, use and encumber, to sell, lease, exchange, transfer or otherwise dispose of and to construct, develop, improve, equip, maintain and operate structures and real property of any description and any interest therein;

(d) To borrow money, to issue, sell and pledge its notes, bonds and other evidences of indebtedness, to secure any of its obligations by mortgage, pledge or deed of trust of all or any of its property and to guarantee and secure obligations of any person, firm or corporation, all to the extent necessary, useful or conducive to carrying out any of the other purposes of the Company;

(e) To invest its funds in any shares or other securities of another corporation, business or undertaking or of a government, governmental authority or governmental subdivision; and

(f) To do whatever is deemed necessary, useful or conducive to carrying out any of the purposes of the Company and to engage in any lawful activity for which corporations may be formed under the Ohio General Corporation Law.

FOURTH. The authorized number of shares of the Company is 3,000,000, all of which are Common Shares, $1.00 par value.

FIFTH. The Company, by action of its directors and without action by its shareholders, may purchase its own shares in accordance with the provisions of the Ohio General Corporation Law. Such purchases may be made either in the open market or at public or private sale, in such manner and amounts, from such holder or holders of outstanding shares of the Company and at such prices as the directors may from time to time determine.

SIXTH. These 1983 Amended Articles of Incorporation supersede the existing 1973 Amended Articles of Incorporation of the Company and all amendments thereto.

# THE DAVEY TREE EXPERT COMPANY

## 1980 EMPLOYEES STOCK OPTION PLAN

1. Purpose. This 1980 Employees Stock Option Plan (the "Plan") is designed to enable The Davey Tree Expert Company (the "Company") and its subsidiaries, by the grant of options to purchase Common Shares of the Company, to retain and attract executive, managerial, technical, and professional personnel for the Company and its subsidiaries and to provide additional incentive to such personnel through increased stock ownership in the Company. As used in this Plan, the term "subsidiary" means a corporation of which the Company owns, directly or indirectly, shares entitling the holder thereof at the time to exercise a majority of the voting power in the election of directors of the other corporation without regard to voting power which may thereafter exist upon default, failure, or other contingency.

2. Administration. The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee"), which shall consist of not less than three Directors appointed by and serving during the pleasure of the Company's Board of Directors. No Director who has at any time within one year been eligible to participate in the Plan, or in any other stock option or stock appreciation rights plan of the Company or any of its affiliates, may serve as a member of the Committee. The Committee shall have full power and authority to grant options under the Plan, to construe and interpret the provisions of the Plan, and to supervise its administration. All decisions of the Committee shall be made by a majority of its members and shall be final.

3. Shares subject to the Plan. The shares subject to this Plan are the Company's authorized Common Shares, $1 par value, ("Common Shares") and will be treasury shares, except to the extent that the shareholders of the Company in the future may release such shares from pre-emptive rights of shareholders. The total number of Common Shares that may be issued and sold upon the exercise of all options granted under the Plan may not exceed 30,000, subject, however, to adjustment in accordance with Section 12. The Company may reacquire Common Shares at the time options are exercised or from time to time in advance, whenever the Board of Directors deems such purchase advisable. If an option is surrendered or ceases to be exercisable for any reason other than the exercise of related stock appreciation rights, the Common Shares as to which the option has ceased to

be exercisable shall again be available for offering under the Plan. Upon exercise of stock appreciation rights, the option or applicable part of the option related to the stock appreciation rights shall be deemed to have been exercised, and the Common Shares that would otherwise have been issued upon exercise of the option shall not again be available for offering under the Plan.

4. Eligible Employees. The Committee shall, from time to time, designate the employees to whom options are granted. Options may be granted to any salaried employee of the Company or of any subsidiary with executive, managerial, technical, or professional responsibility, including any Director or officer who is a salaried employee. An employee may hold more than one option.

5. Option Price. The option price under each option shall be determined by the Committee or by the Board of Directors and shall not be less than 100% of the fair market value of the Common Shares on the date of the granting of the option. In no event, however, may previously unissued Common Shares be issued at a price less than that permitted by the Ohio General Corporation Law. The fair market value shall, for purposes of the Plan, be determined by the Committee.

6. Notice of Grant of Option. Upon the granting of any option to an employee, the Committee shall promptly cause the employee to be notified of the grant and terms of the option. The date on which the Committee approves the grant of the option shall be considered to be the date on which the option is granted.

7. Exercise of Options.

(a) Except as otherwise provided in Section 8, an option may be exercised only while the optionee is in the employ of the Company or of a subsidiary. Unless an option is accelerated as provided in Subsection 7(b), an optionee to whom an option has been granted must remain in the continuous employ of the Company or of a subsidiary for one year from the date on which the option is granted before he may exercise any part of the option. Thereafter, and during the life of the option, the option may be exercised at any time as to all of the Common Shares subject to the option, or from time to time, as to any portion of such Common Shares. No fraction of a Common Share may, however, be purchased upon the exercise of an option.

(b) Notwithstanding the date an option becomes exercisable pursuant to the provisions of Subsection 7(a), an option shall become exercisable in whole or in part prior to (i) any merger or consolidation in which the Company is not the surviving corporation, (ii) any sale of all or substantially all of the assets of the Company, (iii) any liquidation or dissolution of the Company, or (iv) the termination of any tender or exchange offer for 25% or more of the total number of outstanding Common Shares; unless the corporation surviving the merger or consolidation, acquiring the assets, or making the tender or exchange offer assumes or substitutes new options for all options outstanding under the Plan on a basis approved by the Committee. As soon as practicable prior to the anticipated effective date of any such proposed transaction, the Committee shall cause to be given to each optionee written notice identifying the proposed transaction and specifying a date, which shall not be more than 10 days prior to the anticipated effective date of the proposed transaction, prior to which the option may be exercised. The exercise of an option which becomes exercisable under this Subsection (b) shall be, and the exercise of an option which is already exercisable without regard to this Subscection (b) in the discretion of the optionee may be, conditioned upon consummation of the proposed transaction, in which case the optionee need not make payment for the Common Shares to be purchased upon exercise of the option until five days after written notice by the Company to the optionee that the proposed transaction has been consummated. If the proposed transaction is abandoned, any shares not purchased upon exercise of the option shall continue to be available for purchase in accordance with the other provisions of the Plan.

8. Exercise of Options After Termination of Employment. No option may be exercised after termination of an optionee's employment for any reason except as provided in this Section 8.

(a) If the termination of employment is due to permanent disability or to retirement under the applicable retirement plan or policy of the Company or of a subsidiary, the optionee shall have the right to exercise the option in whole or in part within the earlier of (i) three months after the date of the termination of the optionee's employment or (ii) the expiration of the life of the option.

(b) If the termination of employment is due to the death of the optionee, the optionee's estate, personal representative, or beneficiary shall have the right to exercise the option in whole or in part within the earlier of (i) six months after the date of the optionee's death or (ii) the expiration of the life of the option.

(c) If the termination of employment is due to any reason other than permanent disability, retirement under the applicable retirement plan or policy of the Company or of a subsidiary, or death, the optionee may exercise the option in whole or in part only with the consent of the Committee or the Company's Board of Directors. In such event, the consent of the Committee or the Company's Board of Directors must be obtained and the option exercised within the earlier of (i) three months after the date of the termination of the optionee's employment or (ii) the expiration of the life of the option.

9. Termination of Options.

(a) Unless terminated earlier under Subsections (b) or (c), an option granted under the Plan shall terminate, and the right of the optionee or of any other person to purchase Common Shares upon exercise of the option shall expire, at the time determined by the Committee and specified in the notice of grant of the option, which may not be later than ten years from the date the option is granted.

(b) An option shall terminate, and the right of the optionee or of any other person to purchase Common Shares upon exercise of the option shall expire, upon consummation of any merger or consolidation in which the Company is not the surviving corporation, any sale of all or substantially all of the assets of the Company, or any liquidation or dissolution of the Company.

(c) If this Plan is not approved by the Company's shareholders within 12 months before or after the Plan is adopted by the Company's Board of Directors, any option granted prior to the meeting shall be terminated, and the right of the optionee or any other person to purchase Common Shares upon exercise of the option shall expire.

10. Exercise of Options and Payment for Shares. Options shall be exercised by delivery of written notice of exercise to the Company accompanied, except as provided in Section 7(b), by payment of the option price. Common Shares subject to an option shall be issued or, in the case of treasury shares, sold only upon exercise of the option in whole or in part and, except as provided in Section 7(b), upon full payment of the option price. An optionee shall have none of the rights of a shareholder with respect to the Common Shares subject to the option until the Common Shares are issued or transferred to him.

11. Assignability. An option granted under the Plan may not be transferred or assigned by the optionee otherwise than by will or the laws of descent and distribution, to the extent contemplated by Section 8(b), and may be exercised during the optionee's lifetime only by him or by his guardian or legal representative. A corporation surviving a merger or consolidation with the Company, acquiring all or substantially all of the assets of the Company, or acquiring 25% or more of the total number of outstanding Common Shares may, without the consent of the optionee, assume or substitute a new option for an option granted under the Plan, provided the Committee approves the basis on which the assumptions or substitution is made.

12. Adjustments Upon Change in Shares. In the event of any change in the Common Shares subject to this Plan or to an option granted under the Plan by reason of a merger, consolidation, reorganization, partial or complete liquidation or other corporate transaction or event having an effect similar to any of the foregoing or of a stock dividend, stock split, or other capital adjustment, the total number and class of shares that may be issued and sold upon exercise of options to be granted under the Plan, the number and class of shares subject to each outstanding option, and the option price with respect to such shares shall be appropriately adjusted by the Committee, whose determination shall be final.

13. Purchase for Investment. Each person exercising an option may be required by the Company to furnish a representation that he is acquiring the Common Shares upon exercise of the option as an investment and not with a view to distribution if the Company, in its sole discretion, determines that the representation is needed to insure that the resale or other disposition of the Common Shares will not involve a violation of the Securities Act of 1933, as amended, or of applicable state securities laws. Any such representation shall cease to be applicable when the representation is no longer needed for such purpose. To assure compliance with the representation, the Company may place a legend or other symbol on any certificate for Common Shares issued or sold under the Plan and may issue stop transfer orders or similar instructions to the transfer agent for its Common Shares.

14. Compliance with Securities Laws. No Common Shares may be issued and sold and no share certificate may be delivered upon exercise of an option until the Company has taken such action, if any, as is then required to comply with the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Ohio Securities Act, as amended, any

other applicable securities laws of any other jurisdiction, and any exchange on which the Common Shares may be listed.

15. Duration and Termination of the Plan. The Plan shall remain in effect until March 7, 1990, and shall then terminate, unless terminated at an earlier date by action of the Board of Directors; provided, however, that termination of the Plan shall not affect options previously granted.

16. Amendment of the Plan. The Board of Directors may from time to time amend this Plan, although no such amendment may, without the approval of shareholders, increase the total number of Common Shares that may be issued and sold upon exercise of options granted under the Plan (except in accordance with Section 12), reduce the option price at which options may be exercised, extend the time within which options may be granted under the Plan or the time within which an option may be exercised, or change the requirements relating to either eligibility for participation in the Plan or administration of the Plan. Except in accordance with Section 12, neither the Board of Directors nor the Committee may, without the consent of the optionee, alter or impair an option previously granted under the Plan.

17. Effective Date. This Plan shall become effective when adopted by the Company's Board of Directors, subject to approval by the Company's shareholders within 12 months before or after such adoption.

18. Description. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine gender.

THE DAVEY TREE EXPERT COMPANY
BOARD OF DIRECTORS RESOLUTION AMENDING
1980 EMPLOYEES STOCK OPTION PLAN AND
TERMINATING 1980 STOCK APPRECIATION RIGHTS PLAN

WHEREAS, the Board of Directors believes that the Company's ability to utilize the 1980 Employees Stock Option Plan (the "1980 Plan") as an incentive to retain and attract key employees for the Company and its subsidiaries would be enhanced if the 1980 Plan were amended to permit options granted under the Plan to meet the requirements of "incentive stock options" contained in Section 422A of the Internal Revenue Code, as amended by the Economic Recovery Tax Act of 1981 (the "1981 Act"); and

WHEREAS, the Board of Directors believes that, in light of the tax burden to optionees that is eliminated by amendment to the 1980 Plan to provide for the grant of incentive stock options thereunder, it is in the best interest of the Company and its shareholders and of no detriment to present holders of stock appreciation rights under the Company's 1980 Stock Appreciation Rights (the "SAR Plan") to terminate the SAR Plan and all stock appreciation rights heretofore granted thereunder;

NOW, THEREFORE, BE IT RESOLVED, that the Plan be, and it hereby is, amended as follows:

A. The following additional sentence is added at the end of Section 1:

"Wherever the term 'option' appears in the 1980 Plan, such term shall be deemed to include the term 'incentive stock option' within the meaning of Section 422A of the Internal Revenue Code, as amended by the Economic Recovery Act of 1981."

B. The following additional sentences are added at the end of Section 4:

"In no event, however, shall an option be granted to an employee who at the time of grant owns stock in the Company possessing more than ten percent of the combined voting power of all classes of stock of the Company. In the case of an option granted after December 31, 1980, the aggregate fair market value, determined as of the date of granting of the option, of the Common Shares for which any employee may be granted [incentive stock]* options in any calendar year under all stock option plans of the Company or a parent or subsidiary corporation shall not exceed $100,000 plus any unused limit carryover to such year.*

C. The following additional paragraph is added to Section 7:

(c) Notwithstanding any other Provisions of the Plan, including the provisions of Section 7(b), no option granted to an individual hereunder may be exercised while there is outstanding in the name of such individual any previously granted incentive stock option to purchase Common Shares of the Company.

RESOLVED FURTHER, that, with respect to all options granted uner the Plan and exercised on or after January 1, 1981, or outstanding on that date, the Company elects to have the amendments to the Internal Revenue Code made by Section 251 of the 1981 Act apply so that incentive stock option treatment shall be available for such options, to the extent permitted by that Section, and that the officers of the Company be, and they hereby are, authorized and empowered, for and on behalf of the Company, to execute, deliver, and file such instruments in such manner and at the time that may be prescribed by the Secretary of the Treasury or his delegate to properly effect and evidence such election.

RESOLVED FURTHER, that the Compensation Committee of the Board of Directors cause written notice of the amendments to the 1980 Plan set forth in this resolution, and of the Company's election pursuant to the preceding paragraph hereof, to be given to each holder of an outstanding option under the 1980 Plan and cause each such holder of an outstanding option under the 1980 Plan to receive an instrument whereby he may provide his consent, as required by Section 16 of the 1980 Plan, to the alterations of the options granted to him as contemplated herein.

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*Language in brackets to be omitted unless future Internal Revenue Services rulings indicate that the $100,000 plus carryover limitation applies to only incentive stock options.

**RESOLVED FURTHER**, that the SAR Plan and all stock appreciation rights granted thereunder be, and the same hereby are terminated.

**RESOLVED FURTHER**, that the officers of the Company be, and they hereby are, authorized and empowered to execute and deliver such further documents and to take such other action as they may deem necessary, convenient or appropriate to effectuate the purposes and intent of this resolution.

THE DAVEY TREE EXPERT COMPANY

Exhibit No. 22

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

Exhibit 24

## CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 2-73052 and 2-77353) relating to The Davey Tree Expert Company 1980 Employees Stock Option Plan and to The Davey Tree Expert Company 1982 Employee Stock Purchase Plan, and in the related Prospectuses, of our report, dated February 22, 1984, with respect to the consolidated financial statements of The Davey Tree Expert Company for the year ended December 31, 1983.

Touche Ross & Co

TOUCHE ROSS & CO.

Akron, Ohio
March 29, 1984

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


| Description | Page |
|---|---|
| Opinion of Independent Certified Public Accountants | F-2 |
| Consolidated Balance Sheets at December 31, 1983, 1982 and 1981 | F-3 |
| Consolidated Statements of Earnings for the three years ended December 31, 1983 | F-5 |
| Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1983 | F-6 |
| Consolidated Statements of Changes in Financial Position for the three years ended December 31, 1983 | F-8 |
| Notes to Consolidated Financial Statements for the three years ended December 31, 1983 | F-10 |
| Schedules for the three years ended December 31, 1983: | |
| V -- Property, Plant and Equipment | S-1 |
| VI -- Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment | S-2 |
| IX -- Short-Term Borrowings | S-3 |
| X -- Supplementary Income Statement Data | S-4 |

# OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Davey Tree Expert Company
Kent, Ohio

We have examined the consolidated balance sheets of The Davey Tree Expert Company and subsidiary companies as of December 31, 1983, 1982 and 1981 and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Davey Tree Expert Company and subsidiary companies at December 31, 1983, 1982 and 1981 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations also comprehended the schedules listed in the index at Item 14(a)(2). In our opinion, such schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Touche Ross & Co
TOUCHE ROSS & CO.

Akron, Ohio
February 22, 1984

# THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

### ASSETS

| | December 31 1983 | 1982 | 1981 |
|---|---|---|---|
| CURRENT ASSETS: | | | |
| Cash and short-term investments | $ 853 | $ 736 | $ 734 |
| Accounts receivable, no allowance considered necessary | 11,649 | 8,840 | 7,787 |
| Operating supplies | 833 | 639 | 1,040 |
| Prepaid expenses | 292 | 328 | 279 |
| Deferred income taxes | 53 | 90 | 60 |
| TOTAL CURRENT ASSETS | 13,680 | 10,633 | 9,900 |
| OTHER ASSETS | 264 | 344 | 394 |
| PROPERTY AND EQUIPMENT: | | | |
| Land and land improvements | 1,045 | 1,018 | 1,056 |
| Buildings and leasehold improvements | 3,893 | 3,487 | 3,001 |
| Equipment, principally revenue producing | 45,268 | 36,860 | 33,968 |
| | 50,206 | 41,365 | 38,025 |
| Less accumulated depreciation | 27,183 | 23,007 | 21,496 |
| NET PROPERTY AND EQUIPMENT | 23,023 | 18,358 | 16,529 |
| TOTAL ASSETS | $36,967 | $29,335 | $26,823 |

See notes to consolidated financial statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | December 31 1983 | 1982 | 1981 |
|---|---|---|---|
| CURRENT LIABILITIES: | | | |
| Notes payable, bank | $ 700 | | |
| Accounts payable | 6,443 | $ 5,347 | $ 4,579 |
| Accrued liabilities | 3,981 | 3,477 | 3,242 |
| Income taxes payable | 121 | 288 | 191 |
| Current maturities on long-term debt | 1,029 | 1,225 | 1,170 |
| TOTAL CURRENT LIABILITIES | 12,274 | 10,337 | 9,182 |
| LONG-TERM DEBT | 3,471 | 2,998 | 4,631 |
| DEFERRED INCOME TAXES | 596 | 220 | 14 |
| OTHER LIABILITIES | 275 | 254 | 231 |
| TOTAL LIABILITIES | 16,616 | 13,809 | 14,058 |
| SHAREHOLDERS' EQUITY: | | | |
| Common shares | 1,075 | 358 | 358 |
| Additional paid-in capital | 161 | 518 | 455 |
| Retained earnings | 23,257 | 19,301 | 16,995 |
| | 24,493 | 20,177 | 17,808 |
| Less: | | | |
| Treasury shares, at cost | 2,433 | 2,487 | 2,455 |
| Subscriptions receivable from employees | 291 | 476 | 630 |
| Future contributions to ESOT | 1,418 | 1,688 | 1,958 |
| TOTAL SHAREHOLDERS' EQUITY | 20,351 | 15,526 | 12,765 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $36,967 | $29,335 | $26,823 |

THE DAVEY TREE EXPERT COMPANY
AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in Thousands)

| | Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 1983 | | 1982 | | 1981 | |
| REVENUES | $104,557 | 100.0% | $84,618 | 100.0% | $76,724 | 100.0 |
| COSTS AND EXPENSES: | | | | | | |
| Operating costs | 69,113 | 66.1 | 56,266 | 66.5 | 50,764 | 66.1 |
| Selling, general and administrative | 20,946 | 20.0 | 18,061 | 21.3 | 16,134 | 21.0 |
| Depreciation | 6,492 | 6.2 | 5,536 | 6.6 | 4,885 | 6.5 |
| | 96,551 | 92.3 | 79,863 | 94.4 | 71,783 | 93.6 |
| EARNINGS FROM OPERATIONS | 8,006 | 7.7 | 4,755 | 5.6 | 4,941 | 6.4 |
| INTEREST EXPENSE | (834) | (.8) | (1,015) | (1.2) | (1,213) | (1.5) |
| OTHER INCOME - NET | 139 | .1 | 337 | .4 | 303 | .3 |
| EARNINGS BEFORE INCOME TAXES | 7,311 | 7.0 | 4,077 | 4.8 | 4,031 | 5.2 |
| INCOME TAXES | 2,683 | 2.6 | 1,395 | 1.6 | 1,403 | 1.8 |
| NET EARNINGS | $ 4,628 | 4.4% | $ 2,682 | 3.2% | $ 2,628 | 3.4% |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 802,196 | | 793,194 | | 825,765 | |
| NET EARNINGS PER COMMON SHARE | $ 5.77 | | $ 3.38 | | $ 3.18 | |

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF
SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1983, 1982 AND 1981

(Dollars in Thousands)

| | Par Value Common Shares | Additional Paid-In Capital |
|---|---|---|
| BALANCE, JANUARY 1, 1981 | $ 357 | $ 433 |
| Shares purchased | | |
| Shares sold to employees | | |
| Options exercised | 1 | 22 |
| Receipts on subscriptions | | |
| Contributions to ESOT | | |
| Net earnings | | |
| Dividends, $.30 per share | | |
| Net adjustment for foreign currency translation | | |
| BALANCE, DECEMBER 31, 1981 | 358 | 455 |
| Shares purchased | | |
| Shares sold to employees | | |
| Options exercised | | 40 |
| Receipts on subscriptions | | 23 |
| Contributions to ESOT | | |
| Net earnings | | |
| Dividends, $.43 per share | | |
| Net adjustment for foreign currency translation | | |
| BALANCE, DECEMBER 31, 1982 | 358 | 518 |
| Shares purchased | | |
| Shares sold to employees | | |
| Options exercised | | 170 |
| Receipts on subscriptions | | 11 |
| Contributions to ESOT | | |
| Net earnings | | |
| Dividends, $.60 per share | | |
| Net adjustment for foreign currency translation | | |
| Stock split (3 for 1), effected as 200% stock dividend | 717 | (538) |
| BALANCE, DECEMBER 31, 1983 | $1,075 | $ 161 |

See notes to consolidated financial statements.

| Retained Earnings | Treasury Shares | Subscriptions Receivable From Employees | Future Contributions to ESOT | Total |
|---|---|---|---|---|
| $14,630 | $ (803) | $(790) | $(2,228) | $11,599 |
| | (1,678) | | | (1,678) |
| | 26 | | | 26 |
| | | | | 23 |
| | | 160 | | 160 |
| | | | 270 | 270 |
| 2,628 | | | | 2,628 |
| (250) | | | | (250) |
| (13) | | | | (13) |
| 16,995 | (2,455) | (630) | (1,958) | 12,765 |
| | (87) | | | (87) |
| | 44 | | | 84 |
| | 11 | | | 34 |
| | | 154 | | 154 |
| | | | 270 | 270 |
| 2,682 | | | | 2,682 |
| (344) | | | | (344) |
| (32) | | | | (32) |
| 19,301 | (2,487) | (476) | (1,688) | 15,526 |
| | (168) | | | (168) |
| | 145 | | | 315 |
| | 77 | | | 88 |
| | | 185 | | 185 |
| | | | 270 | 270 |
| 4,628 | | | | 4,628 |
| (485) | | | | (485) |
| (8) | | | | (8) |
| (179) | | | | |
| $23,257 | $(2,433) | $(291) | $(1,418) | $20,351 |

THE DAVEY TREE EXPERT COMPANY
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF
CHANGES IN FINANCIAL POSITION

(Dollars in Thousands)

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1983 | 1982 | 1981 |
| CASH PROVIDED FROM OPERATIONS: | | | |
| Net earnings | $ 4,628 | $ 2,682 | $ 2,628 |
| Items not affecting cash: | | | |
| Depreciation and amortization | 6,529 | 5,560 | 4,892 |
| Deferred income taxes | 413 | 176 | 353 |
| | 11,570 | 8,418 | 7,873 |
| Net book value of property and equipment disposals | 188 | 201 | 136 |
| Cash provided (used) by major components of working capital: | | | |
| Accounts receivable | (2,809) | (1,053) | (1,527) |
| Accounts payable and accrued liabilities | 1,600 | 1,003 | 1,275 |
| Other | (325) | 449 | (251) |
| | (1,534) | 399 | (503) |
| TOTAL CASH PROVIDED FROM OPERATIONS | 10,224 | 9,018 | 7,506 |
| CASH PROVIDED FROM FINANCING ACTIVITIES: | | | |
| Proceeds of long-term borrowings | 1,500 | 80 | 2,347 |
| Short-term financing - net | 700 | | |
| ESOT payment of debt guaranteed by the Company | 270 | 270 | 270 |
| Sale of treasury shares: | | | |
| Receipts on subscriptions receivable | 185 | 154 | 160 |
| Proceeds from stock options exercised | 88 | 34 | 23 |
| Employee stock purchase plan | 245 | 68 | |
| Other | 70 | 16 | 26 |
| Other - net | 56 | 30 | (12) |
| TOTAL CASH PROVIDED FROM FINANCING ACTIVITIES | 3,114 | 652 | 2,814 |
| TOTAL CASH PROVIDED | 13,338 | 9,670 | 10,320 |

# THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (Continued)

(Dollars in Thousands)

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1983 | 1982 | 1981 |
| USES OF CASH: | | | |
| Additions to property and equipment | $11,345 | $ 7,579 | $ 9,146 |
| Reduction of long-term debt | 1,223 | 1,658 | 760 |
| Purchase of treasury shares | 168 | 87 | 1,678 |
| Dividends | 485 | 344 | 250 |
| | 13,221 | 9,668 | 11,834 |
| INCREASE (DECREASE) IN CASH | 117 | 2 | (1,514) |
| CASH, BEGINNING OF YEAR | 736 | 734 | 2,248 |
| CASH, END OF YEAR | $ 853 | $ 736 | $ 734 |

See notes to consolidated financial statements.

THE DAVEY TREE EXPERT COMPANY
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

THREE YEARS ENDED DECEMBER 31, 1983

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of The Davey Tree Expert Company and its wholly-owned subsidiary companies, Davey Tree Surgery Company and Davey Tree Expert Co. of Canada, Limited. All significant intercompany transactions, accounts and profits have been eliminated

Property and equipment are recorded at cost. Generally, the Company depreciates its land improvements, leasehold improvements and buildings by the straight-line method while using the double declining balance method for equipment. The estimated useful lives used in computing depreciation are: land improvements, 5-28 years; buildings and leasehold improvements, 5-40 years; equipment, 3-7 years; furniture and fixtures, 5-10 years.

Income Taxes - Deferred income taxes are provided to recognize the effect of timing differences between financial statement and income tax reporting for depreciation and other items. Investment tax credits are used to reduce the income tax provision in the year in which they are earned.

Pension Plans - The Company has pension plans which are available to substantially all of the Company's employees. Two of the plans are contributory. The Company's policy is to charge expense and contribute the actuarially determined cost for the year, which includes current service cost and amortization of prior service costs over periods from 10 to 30 years.

## B. COMMON SHARES

On May 17, 1983, the shareholders approved an increase in the number of authorized shares of $1.00 par value common stock from 600,000 shares to 3,000,000 shares. On June 10, 1983, the Company distributed 716,570 shares of common stock to shareholders of record on June 1, 1983, representing a three-for-one stock split, effected in the form of a 200% stock dividend. The effect of this distribution was to transfer $537,518 from additional paid-in capital and $179,052 from retained earnings to the capital stock account. The actual number of shares issued at the end of each year was 1,074,855 for 1983, 358,285 for 1982, and 357,860 for 1981. The actual shares in the treasury at the end of each year was 256,859 for 1983, 92,203 for 1982, and 93,356 for 1981. All other references in the financial statements regarding average number of shares of common stock, related per share amounts, dividends per share, stock option and stock purchase plan data have been adjusted to give retroactive effect to the common stock split.

## C. ACCRUED LIABILITIES

Accrued liabilities consisted of:

| | December 31 1983 | 1982 | 1981 |
|---|---|---|---|
| | (000's omitted) | | |
| Wages, salaries, etc. | $2,085 | $1,678 | $1,670 |
| Taxes, other than taxes on income | 996 | 738 | 745 |
| Accrued vacation | 790 | 826 | 681 |
| Other | 110 | 235 | 146 |
| TOTAL | $3,981 | $3,477 | $3,242 |

## D. SHORT-TERM AND LONG-TERM DEBT

### Short-Term Debt

The Company has short-term lines of credit with five banks totalling $3,000,000, generally at the banks' prime rate, of which $700,000 was outstanding at December 31, 1983. In addition, letters of credit totalling $843,000 have been issued by one of the banks with respect to a deferred premium payment plan on the Company's casualty insurance program.

### Long-Term Debt

Long-term debt consisted of:

| | December 31 1983 | 1982 | 1981 |
|---|---|---|---|
| | (000's omitted) | | |
| Term loan agreement | $ 390 | $ 780 | $1,170 |
| Revolving credit agreement | 2,000 | 500 | 1,000 |
| Long-term debt of ESOT | 1,418 | 1,688 | 1,958 |
| 8% subordinated installment notes - employee purchase | | 147 | 289 |
| 8% subordinated installment notes - Davey Option Agreement | 628 | 915 | 1,188 |
| Other | 64 | 193 | 196 |
| | 4,500 | 4,223 | 5,801 |
| Less current maturities | 1,029 | 1,225 | 1,170 |
| TOTAL LONG-TERM DEBT | $3,471 | $2,998 | $4,631 |

The term loan, which was paid in full in February, 1984, carried an interest rate of 2-1/4% over prime, and required quarterly installments of $97,500.

## D. SHORT-TERM AND LONG-TERM DEBT (Continued)

Under the revolving credit agreement the Company may borrow, repay and reborrow up to the lesser of $5,000,000 or 90% of the Company's net book value of revenue producing equipment. The Agreement provides for interest on any borrowings on the "Revolver" at prime, plus a fee of 1/2 of 1% on the unborrowed commitment. In accordance with an informal arrangement, the banks expect the Company to maintain compensating balances equal to approximately 10% of the $5,000,000 Revolving Credit Agreement commitment. Borrowings under the "Revolver" may be converted by the Company, at its option to a five-year term loan payable in equal annual installments, at an interest rate of 1/2% over the banks' prime rate.

The Agreement has been amended effective January 1, 1984. Under the most restrictive covenants of the amended Agreement, there is a restriction on cash dividend payments ($1,902,000 of retained earnings were unrestricted at December 31, 1983), and the Company is obligated to maintain a minimum shareholders' equity, as defined, of $7,000,000; a minimum ratio of shareholders' equity to total liabilities, as defined, of .9 to 1, at December 31, 1984, increasing to 1 to 1 at December 31, 1985; and a minimum current ratio of 1 to 1. At December 31, 1983, the Company was in compliance with these covenants of the Agreement, as amended.

As of December 31, 1983, the total annual installments required to be paid on long-term debt in the years 1984 to 1988 are as follows: 1984, $1,029,000; 1985, $593,000; 1986, $878,000; 1987, $-0-; 1988, $-0-.

## E. EMPLOYEES' PURCHASE OF THE COMPANY

On March 15, 1979, the Company consummated a plan which transferred control of the Company to its employees. The principal features of the Employee Purchase Plan included:

(a) The repurchase by the Company of 657,150 outstanding Common Shares for $4,417,435 in cash and issuance of the Company's 8% subordinated installment notes in the principal amount of $593,640, payable in four equal annual installments through March 15, 1983;

(b) The sale by the Company of 193,656 Common Shares to certain present employees of the Company for cash in the amount of $421,874 and 8% promissory notes in the principal amount of $1,030,546, payable to the Company in six equal annual installments through March 15, 1985 (the balance due is reflected as subscriptions receivable in shareholders' equity);

(c) The sale by the Company of 360,000 Common Shares to the Company's new Employee Stock Ownership Trust (ESOT) for $2,700,000; and

(d) An option agreement to purchase Common Shares owned by the M.L. Davey, Jr. Family and certain Family trusts.

## E. EMPLOYEES' PURCHASE OF THE COMPANY (Continued)

Employee Stock Ownership Plan - The Employee Stock Ownership Plan, in conjunction with the related trust (ESOT), provides for the grant to certain employees of the Company as participants of certain ownership rights in, but not possession of, the Common Shares held by the trustee of the Trust and allocated to individual accounts established for the benefit of the participants. The 360,000 Common Shares purchased by the Trust collateralized a $2,700,000 loan obtained by the Trust to finance its purchase of the shares. The Company has guaranteed the repayment of the loan. The number of shares released from collateral and available for allocation to ESOT participants is determined by dividing the sum of the current year's loan principal and interest payments by the sum of the current and future years' loan principal and interest payments. The bank loan agreement provides for interest at 11-1/2% and requires quarterly principal payments of $67,500 with a final installment on March 31, 1986, of the remaining unpaid principal balance. The Company makes annual cash contributions to the ESOT, net of dividends paid on the shares held as collateral, in order to repay the principal and to pay the interest on the ESOT debt; such contributions are reflected as an expense of the Company. The contributions to the ESOT for 1983, 1982 and 1981 were:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | | (000's omitted) | |
| Principal repayment | $270 | $270 | $270 |
| Interest | 185 | 216 | 249 |
| Other cash requirements of ESOT | | | (4) |
| Total cash contributions required | 455 | 486 | 515 |
| Less dividends paid on collateral shares | 114 | 101 | 82 |
| ESOT expense | $341 | $385 | $433 |
| Annual release of shares from collateral | 39,213 | 41,928 | 44,643 |
| Cumulative release of shares from collateral | 211,848 | 172,635 | 130,707 |
| Number of shares remaining in collateral | 148,152 | 187,365 | 229,293 |

E. EMPLOYEES' PURCHASE OF THE COMPANY (Continued)

Option Agreement - M.L. Davey, Jr. and certain members of his family and certain family trusts who owned an aggregate of 188,610 Common Shares entered into an option agreement with the Company at the time of the Employees' purchase of the Company. In 1980, the Company purchased 169,749 shares, paying $510,786 in cash and issuing 8% subordinated installment notes in the principal amount of $1,313,450, payable in four equal annual installments through March 15, 1985.

F. STOCK OPTION AND STOCK PURCHASE PLANS

Stock Option Plans - The Company has two qualified stock option plans available for officers, directors and key employees as follows at December 31, 1983:

| | 1973 Option Plan | 1980 Option Plan | | |
|---|---|---|---|---|
| Grant date | March 7, 1980 | July 22, 1980 | May 19, 1981 | July 21 1982 |
| Options granted, net of forfeitures | 20,475 | 36,000 | 34,200 | 18,300 |
| Exercised in 1981 | (2,700) | | | |
| Exercised in 1982 | (1,275) | (2,100) | (600) | |
| Exercised in 1983 | | (8,400) | (1,800) | |
| Options outstanding, December 31, 1983 | 16,500 | 25,500 | 31,800 | 18,300 |
| Option purchase price | $ 8.26 | $ 8.26 | $ 9.97 | $14.83 |

All option rights authorized under the plans have been granted, however, due to forfeitures, options for 1,500 shares are available for future grants. The option rights granted may be exercised in full one year after grant and expire five years after grant date.

Stock Purchase Plan - The Company provides an employee stock purchase plan for which 90,000 shares have been reserved. The Plan provides the opportunity for all full-time employees with two years' service to purchase shares through payroll deductions. The purchase price for the shares offered under the Plan is 85% of the fair market value of the shares. The Plan will terminate a) when no more shares are available to be offered, or b) December 31, 1991, whichever occurs first.

F. STOCK OPTION AND STOCK PURCHASE PLANS (Continued)

Purchases under the plan have been as follows:

| | 1983 | 1982 |
|---|---|---|
| Number of employees participating | 273 | 146 |
| Annual shares purchased | 15,502 | 5,367 |
| Average prices paid | $15.84 | $12.61 |
| Cumulative shares purchased | 20,869 | 5,367 |
| Shares available for future purchase | 69,131 | 84,633 |

G. PENSION PLANS

Total pension expense was approximately $345,700 in 1983, $386,500 in 1982 and $287,500 in 1981. Pension expenses have been affected by increases in benefits and increases in the number of employees covered by the plans. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

Accumulated plan benefit information, as calculated by consulting actuaries, as of January 1 of each year, and plan net assets for the Company's pension plans are:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | (000's omitted) | | |
| Actuarial present value of accumulated plan benefits: | | | |
| Vested | $5,604 | $4,288 | $3,861 |
| Non-vested | 147 | 124 | 127 |
| | $5,751 | $4,412 | $3,988 |
| Net assets available for benefits, at market | $6,909 | $4,424 | $4,175 |

As of January 1, 1983, the actuary changed the computation of vested benefits on retired participants to include the estimated value of annuities held by an insurance company. Accordingly, the present value of accumulated plan benefits and net assets available for benefits have increased by approximately $950,000.

## H. INCOME TAXES

The provision for United States Federal, state and local and Canadian income taxes includes:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | (000's omitted) | | |
| Taxes payable before tax credits: | | | |
| U.S. | $2,686 | $1,482 | $1,290 |
| Canadian | 81 | 112 | 132 |
| State and local | 413 | 242 | 270 |
| | 3,180 | 1,836 | 1,692 |
| Investment tax credits | (899) | (586) | (640) |
| Other tax credits | (11) | (31) | (2) |
| Taxes currently payable | 2,270 | 1,219 | 1,050 |
| Deferred taxes: | | | |
| U.S. | 421 | 196 | 356 |
| Canadian | (8) | (20) | (3) |
| | 413 | 176 | 353 |
| | $2,683 | $1,395 | $1,403 |

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Statutory tax rate | 46.0% | 46.0% | 46.0% |
| State and local income taxes | 3.0 | 3.2 | 3.6 |
| Investment tax credits | (12.3) | (14.4) | (16.0) |
| Miscellaneous | | (.6) | 1.2 |
| Effective tax rate | 36.7% | 34.2% | 34.8% |

The major timing differences resulting in deferred income tax expense are as follows:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Accrued vacations | $ (7) | $ 5 | $232 |
| Accelerated depreciation | 403 | 234 | 118 |
| Other | 25 | (43) | 6 |
| Total U.S. | 421 | 196 | 356 |
| Outside the U.S. | (8) | (20) | (3) |
| | $413 | $176 | $353 |

## I. SALES TO A MAJOR CUSTOMER

The Davey Tree Expert Company and its subsidiaries are engaged in the business of providing a broad line of horticultural services to corporate, institutional and residential customers throughout most of the United States and in parts of Canada. The Company had revenues from one customer under multiple long-term contracts aggregating approximately $26,000,000, $13,000,000 and $11,500,000 for the years ended December 31, 1983, 1982 and 1981, respectively.

## J. OPERATING LEASES

The Company leases its corporate offices, other facilities which are used primarily for district office and warehouse operations, and certain automotive and computer equipment. These leases extend for varying periods of time up to five years and, in some cases, contain renewal options. Total rental expenses under such operating leases amounted to approximately $1,030,100, $938,800 and $842,900 for 1983, 1982 and 1981, respectively. As of December 31, 1983, future minimum rental payments, excluding taxes and other operating costs, for all operating leases having noncancelable lease terms in excess of one year, are as follows: 1984, $760,000; 1985, $360,000; 1986, $228,000; 1987, $111,000; and 1988, $89,000.

## K. BUILDING COMMITMENT

In March 1984, the Company expects to purchase 55 acres of land as a site for a new Corporate Center. The Center is to be constructed over the next 18 months at a cost of approximately $4,500,000. The Company has commitments from a bank for funds at conventional rates to complete the construction, but intends to finance the project with ten-year tax-exempt Industrial Revenue Bonds issued through the City of Kent. Issuance of the revenue bonds, however, may be affected by passage of legislation now pending before Congress.

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

(Dollars in Thousands)

| Classification | Balance at Beginning of Period | Additions at Cost | Retirements | Other Changes Add (Deduct) | Balance at End of Period |
|---|---|---|---|---|---|
| Year Ended December 31, 1981: | | | | | |
| Land and Land Improvements | $ 838 | $ 225 | $ 6 | $ (1)[A] | $ 1,056 |
| Buildings and Leaseholds | 2,368 | 710 | 70 | (7)[A] | 3,001 |
| Equipment, Principally Revenue Producing | 28,391 | 8,211 | 2,555 | (79)[A] | 33,968 |
| | $31,597 | $ 9,146 | $2,631 | $ (87)[A] | $38,025 |
| Year Ended December 31, 1982: | | | | | |
| Land and Land Improvements | $ 1,056 | $ 71 | $ | $(109)[B] | $ 1,018 |
| Buildings and Leaseholds | 3,001 | 380 | | 109 [B]) (3)[A]) | 3,487 |
| Equipment, Principally Revenue Producing | 33,968 | 7,128 | 4,202 | (34)[A] | 38,860 |
| | $38,025 | $ 7,579 | $4,202 | $ (37)[A] | $41,365 |
| Year Ended December 31, 1983: | | | | | |
| Land and Land Improvements | $ 1,018 | $ 67 | $ 40 | $ | $ 1,045 |
| Buildings and Leaseholds | 3,487 | 473 | 67 | | 3,893 |
| Equipment, Principally Revenue Producing | 36,860 | 10,805 | 2,389 | (8)[A] | 45,268 |
| | $41,365 | $11,345 | $2,496 | $ (8)[A] | $50,206 |

[A] Effect of compliance with Statement No. 52 of the Financial Accounting Standards Board
[B] Reclassification of prior year addition

THE DAVEY TREE EXPERT COMPANY AND SUBSIDIARY COMPANIES

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

(Dollars in Thousands)

| Description | Balance at Beginning of Period | Depreciation Expenses | Retirements | Other Charges-Add (Deduct) | Balance at End of Period |
|---|---|---|---|---|---|
| Year Ended December 31, 1981: | | | | | |
| Land and Land Improvements | $ 27 | $ 10 | $ | $ | $ 37 |
| Buildings and Leaseholds | 816 | 118 | 64 | (6)[A] | 864 |
| Equipment, Principally Revenue Producing | 18,350 | 4,757 | 2,446 | (66)[A] | 20,595 |
| | $19,193 | $4,885 | $2,510 | $(72)[A] | $21,496 |
| Year Ended December 31, 1982: | | | | | |
| Land and Land Improvements | $ 37 | $ 12 | $ | $ | $ 49 |
| Buildings and Leaseholds | 864 | 156 | | (2)[A] | 1,018 |
| Equipment, Principally Revenue Producing | 20,595 | 5,368 | 4,001 | (22)[A] | 21,940 |
| | $21,496 | $5,536 | $4,001 | $(24)[A] | $23,007 |
| Year Ended December 31, 1983: | | | | | |
| Land and Land Improvements | $ 49 | $ 17 | $ 1 | $ | $ 65 |
| Buildings and Leaseholds | 1,018 | 172 | 61 | | 1,129 |
| Equipment, Principally Revenue Producing | 21,940 | 6,303 | 2,249 | (5)[A] | 25,989 |
| | $23,007 | $6,492 | $2,311 | $ (5)[A] | $27,183 |

[A] Effect of compliance with Statement No. 52 of the Financial Accounting Standards Board

| Notes Payable to Bank | Balance at End of Period | Weighted Average Interest Rate | Maximum Amount Outstanding During the Period | Average Amount Outstanding During the Period(1) | Weighted Average Interest Rate During the Period(2) |
|---|---|---|---|---|---|
| December 31, 1981 | $ | | $300 | $ 80 | 17.28% |
| December 31, 1982 | | | 400 | 99 | 14.52% |
| December 31, 1983 | 700 | 11.0 | 800 | 150 | 10.99% |

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

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







'ANIES

ATA

| to Costs :penses December 31, | |
|---|---|
| '82 | 1981 |
| 499 | $4,347 |
| A) | (A) |
| A) | (A) |
| A) | (A) |
| 961 | $ 796 |

of Net Sales