EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEF 14A
March 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

Expeditors International

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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x No fee required.

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1) Amount Previously Paid:

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EXPEDITORS INTERNATIONAL

OF WASHINGTON, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 6, 2009

To the Shareholders of Expeditors International of Washington, Inc.

The Annual Meeting of Shareholders of EXPEDITORS INTERNATIONAL OF WASHINGTON, INC. (the Company) will be held at 2:00 in the afternoon, on Wednesday, May 6, 2009, at the Company s offices located at 1015 Third Avenue, Seattle, Washington, for the following purposes:

(1) To elect eight (8) directors, each to serve until the next annual meeting of shareholders and until a successor is elected and qualified;

(2) To approve and ratify adoption of the 2009 Stock Option Plan;

(3) To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2009; and

(4) To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 9, 2009, will be entitled to notice of and to vote at the meeting and any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 6, 2009.

The Proxy Statement and Annual Report are available to the Company s registered holders and employee stock purchase plan participants at *www.envisionreports.com/expd* and to the Company s beneficial holders at *www.edocumentview.com/expd*.

By Order of the Board of Directors

/s/ Peter J. Rose

Peter J. Rose

Chairman of the Board and Chief Executive Officer

Seattle, Washington

March 20, 2009

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting in person, please sign, date and return the accompanying proxy in the enclosed stamped and addressed envelope; or submit your vote and proxy by telephone or by Internet in accordance with the instructions on your proxy card. This will ensure a quorum at the meeting. The giving of the proxy will not affect your right to vote at the meeting if the proxy is revoked in the manner set forth in the accompanying proxy statement.

EXPEDITORS INTERNATIONAL

OF WASHINGTON, INC.

1015 Third Avenue, 12th Floor

Seattle, Washington 98104

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

MAY 6, 2009

INFORMATION REGARDING PROXIES

This Proxy Statement and the accompanying form of proxy are furnished in connection with the solicitation of proxies by the Board of Directors of Expeditors International of Washington, Inc. (the Company) for use at the annual meeting of shareholders (the Annual Meeting) to be held at the Company s offices at 1015 Third Avenue, Seattle, Washington on Wednesday, May 6, 2009, at 2:00 p.m. local time, and at any adjournment or adjournments thereof. Only shareholders of record at the close of business on March 9, 2009 (the Record Date) will be entitled to notice of and to vote at the meeting. It is anticipated that these proxy solicitation materials and a copy of the Company s 2008 Annual Report to Shareholders will be made available to shareholders on or about March 20, 2009, on request.

If the accompanying form of proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon. In the absence of instructions to the contrary, such shares will be voted for all of the nominees for the Company s Board of Directors listed in this Proxy Statement and in the form of proxy, for approval of the Company s 2009 Stock Option Plan and for the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm. Any shareholder executing a proxy has the power to revoke it at any time prior to the voting thereof on any matter (without, however, affecting any vote taken prior to such revocation) by delivering written notice to the Secretary of the Company, by executing and delivering to the Company another proxy dated as of a later date or by voting in person at the meeting.

VOTING SECURITIES

The only outstanding voting securities of the Company are shares of Common Stock, $.01 par value (the Common Stock). As of the Record Date, there were 212,518,077 shares of Common Stock issued and outstanding, and each such share is entitled to one vote at the Annual Meeting. The presence in person or by proxy of holders of record of a majority of the outstanding shares of Common Stock is required to constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock underlying abstentions and broker non-votes will be considered present at the Annual Meeting for the purpose of determining whether a quorum is present.

Under Washington law and the Company s bylaws, if a quorum is present, the eight nominees for election to the Board of Directors who receive the majority of the votes cast by persons present in person at the Annual Meeting or represented by proxy shall be elected Directors. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees. For the purposes of the Company s majority vote standard for uncontested director elections, the following will not be votes cast: (a) a share otherwise present at the meeting but for which there is an abstention; and (b) a share otherwise present at the meeting as to which a shareholder gives no authority or direction.

With respect to the proposals to approve and ratify adoption of the 2009 Stock Option Plan and the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm, such proposals will be approved if the votes cast by persons present at the Annual Meeting or represented by proxy in favor of the proposal exceed the votes cast against such proposal. Abstentions and broker non-votes will not be counted either in favor or against such proposals.

Proxies and ballots will be received and tabulated by Computershare Trust Company, N.A., an independent business entity not affiliated with the Company.

The Common Stock is listed for trading on the NASDAQ Global Select Market under the symbol EXPD. The last sale price for the Common Stock, as reported by NASDAQ on March 9, 2009, was $24.02 per share.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth information, as of March 9, 2009, with respect to all shareholders known by the Company to be beneficial owners of more than five percent of its outstanding Common Stock. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

Name and Address	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
T. Rowe Price Associates, Inc.(1)	14,506,643	6.8%
100 E. Pratt Street		
Baltimore, MD 21202		
Morgan Stanley(2)	12,939,446	6.1%
1585 Broadway		
New York, NY 10036		

(1) The holding shown is as of December 31, 2008, according to Schedule 13G/A dated February 13, 2009 filed by T. Rowe Price Associates, Inc. (Price Associates), an investment adviser. Price Associates reports that it has sole voting power with respect to 4,992,303 shares and sole dispositive power with respect to 14,447,443 shares.

(2) The holding shown is as of December 31, 2008, according to Schedule 13G dated February 16, 2009 filed by Morgan Stanley, a parent holding company. Morgan Stanley reports that it has sole voting power with respect to 12,489,222 shares.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company s bylaws require a Board of Directors composed of not less than six nor more than nine members. A Board of Directors consisting of eight directors will be elected at the Annual Meeting to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. Any vacancy resulting from the non-election of a director may be filled by the Board of Directors. If no director receives a majority vote in an uncontested election, then the incumbent directors will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practical, and any may in the interim fill one or more offices with the same director who will continue in office until their successors are elected. The Board of Directors has unanimously approved the nominees named below. All nominees are members of the current Board of Directors.

Majority Vote Standard for Director Elections

The Company s bylaws require that in an uncontested election each director will be elected by the vote of the majority of the votes cast. A majority of votes cast means that the number of shares cast for a director s election exceeds the number of votes cast against that director. A share which is otherwise present at the meeting but for which there is an abstention, or to which a shareholder gives no authority or direction shall not be considered a vote cast.

In an uncontested election, a nominee who does not receive a majority vote will not be elected. Except as explained in the next paragraph, an incumbent director who is not elected because he or she does not receive a majority vote will continue to serve as a holdover director until the earliest of: (a) 90 days after the date on which an inspector determines the voting results as to that director; (b) the date on which the Board of Directors appoints an individual to fill the office held by that director; or (c) the date of the director s resignation. Under the Company s resignation policy, any director who does not receive a majority vote in an uncontested election will resign immediately.

In a contested election, the directors will be elected by the vote of a plurality of the votes cast. As provided in Article IV of the Company s bylaws, a contested election is one in which: (i) as of the last day for giving notice of a shareholder nominee, a shareholder has nominated a candidate for director according to the requirements of the Company s bylaws (assuming on that day there is a candidate nominated by the Board of Directors for each of the director positions to be voted on at the meeting), and (ii) as of the date that notice of the meeting is given, the Board of Directors considers that a shareholder candidacy has created a bona fide election contest.

The Board of Directors may fill any vacancy resulting from the non-election of a director as provided in the Company s bylaws. The Nominating and Governance Committee will consider promptly whether to fill the office of a nominee who fails to receive a majority vote and make a recommendation to the Board of Directors about filling the office. The Board of Directors will act on the Nominating and Governance Committee s recommendation and within ninety (90) days after the certification of the shareholder vote will disclose publicly its decision. Except as provided in the next sentence, no director who fails to receive a majority vote for election will participate in the Nominating and Governance Committee recommendation or Board decision about filling his or her office. If no director receives a majority vote in an uncontested election, then the incumbent directors (a) will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more offices with the same director(s) who will continue in office until their successors are elected.

Nominees

Unless otherwise instructed, it is the intention of the persons named in the accompanying form of proxy to vote shares represented by properly executed proxies for the eight nominees of the Board of Directors named below. Although the Board of Directors anticipates that all of the nominees will be available to serve as directors of the Company, should any one or more of them be unwilling or unable to serve, it is intended that the proxies will be voted for the election of a substitute nominee or nominees designated by the Board of Directors.

All directors hold office until the next annual meeting of shareholders of the Company and until their successors are elected and qualified or until the directors earlier death, resignation, removal or termination of term.

The following table lists the names and ages, and the amount and nature of the beneficial ownership of Common Stock of each Director, of each of the Named Executive Officers described in the Summary Compensation Table, and all Directors and Executive Officers as a group at March 9, 2009. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Amount and Nature of Beneficial Ownership	Percent of Class
Nominees:			
Peter J. Rose(1)	65	1,883,286	*
James L.K. Wang(2)	61	699,996	*
R. Jordan Gates(3)	53	852,052	*
Mark A. Emmert (4)	56	3,893	*
Dan P. Kourkoumelis(5)	57	299,045	*
Michael J. Malone(6)	64	277,893	*
John W. Meisenbach(7)	72	307,893	*
Robert R. Wright(8)	49	3,893	*
Additional Director and Named Executives:			
James J. Casey(9)	76	153,493	*
Rommel C. Saber(10)	51	698,978	*
Robert L. Villanueva(11)	56	319,202	*
Bradley S. Powell	48		*
All Directors and Executive Officers as a group (22 persons)(12)		7,459,031	3.51%

* Less than 1%

(1) Includes 663,000 shares subject to purchase options exercisable within sixty days.

(2) Includes 517,750 shares subject to purchase options exercisable within sixty days.

(3) Includes 561,976 shares subject to purchase options exercisable within sixty days.

(4) Includes 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009.

(5) Includes 224,000 shares subject to purchase options exercisable within sixty days and 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009.

(6) Includes 224,000 shares subject to purchase options exercisable within sixty days and 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009.

(7) Includes 224,000 shares subject to purchase options exercisable within sixty days and 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009.

(8) Includes 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009.

(9)

Includes 96,000 shares subject to purchase options exercisable within sixty days and 3,893 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 30, 2009. As previously disclosed, on June 10, 2008, Mr. Casey announced to the Company that he would not stand for re-election in 2009.

(10) Includes 415,672 shares subject to purchase options exercisable within sixty days.

(11) Includes 143,004 shares subject to purchase options exercisable within sixty days.

(12) Includes 4,316,099 shares subject to purchase options exercisable within sixty days and 23,358 restricted shares that the director has sole voting power, but dispositive power is restricted through May 30, 2009.

Nominees

Peter J. Rose has served as a director and Vice President of the Company since July 1981. Mr. Rose was elected a Senior Vice President of the Company in May 1986, Executive Vice President in May 1987, President and Chief Executive Officer in October 1988, and Chairman and Chief Executive Officer in May 1991.

James L.K. Wang has served as a director and the Managing Director of Expeditors International Taiwan Ltd., the Company s former exclusive Taiwan agent, since September 1981. In 1991, Mr. Wang s employment agreement was assigned to E.I. Freight (Taiwan), Ltd., the Company s exclusive Taiwan agent through 2004. Mr. Wang s agreement is now assigned to ECI Taiwan Co. Ltd., a wholly-owned subsidiary of the Company. In October 1988, Mr. Wang became a director of the Company and its Director-Far East, and Executive Vice President in January 1996. In May 2000, Mr. Wang was elected President-Asia.

R. Jordan Gates joined the Company as its Controller-Europe in February 1991. Mr. Gates was elected Chief Financial Officer and Treasurer of the Company in August 1994 and Senior Vice President-Chief Financial Officer and Treasurer in January 1998. In May 2000, Mr. Gates was elected Executive Vice President-Chief Financial Officer and Treasurer. Mr. Gates was also elected as a director in May 2000. Effective January 1, 2008, Mr. Gates assumed the role of President and Chief Operating Officer of the Company. Mr. Gates served as the Principal Financial and Accounting Officer through March 15, 2009.

Mark A. Emmert became a director of the Company in May 2008. In 2004, Dr. Emmert became the 30th President of the University of Washington. Prior to the University of Washington, from 1999 to 2004, Dr. Emmert was Chancellor of Louisiana State University. He also served as the Chancellor of the University of Connecticut and held administrative and academic positions at the University of Colorado and Montana State University. Dr. Emmert currently serves on the Board of Directors of the Weyerhaeuser Company. Dr. Emmert is a Life Member of the Council on Foreign Relations and a Fellow of the Academy of Public Administration.

Dan P. Kourkoumelis became a director of the Company in March 1993. From 1967 through 1998, Mr. Kourkoumelis was employed in various positions by Quality Food Centers, Inc., a supermarket chain, and became a member of its Board of Directors in April 1991. He was appointed Executive Vice President in 1983 and Chief Operating Officer in 1987, President in 1989 and served as Chief Executive Officer from 1996 to September 1998. Mr. Kourkoumelis is a member of the Board of Directors of the Western Association of Food Chains and the Great Atlantic and Pacific Tea Company.

Michael J. Malone has been a director of the Company since August 1999. Mr. Malone is the retired Chairman and Chief Executive Officer of AEI/DMX Music, a $150 million, multinational music programming and distribution company that he founded in 1971 and subsequently sold via merger to Liberty Media, Inc. in May, 2001. From the May, 2001 merger through February 7, 2005, Mr. Malone served as Chairman of Maxide Acquisition, Inc., the holding company for DMX Music, Inc. and a subsidiary of Liberty Media Corporation. On February 14, 2005, Maxide Acquisition, Inc. filed for Chapter 11 protection with the U.S. Bankruptcy Court for the District of Delaware. Mr. Malone currently has interests in several premium hotels and restaurants, including the Sorrento Hotel, and serves as Founder of ACUMEN Hotel Group, a national hotel management company. He is also currently Principal of Hunters Capital, LLC, a Northwest Real Estate Development and Management Company.

John W. Meisenbach became a director of the Company in November 1991. Since 1962, Mr. Meisenbach has been the President and sole shareholder of MCM, a Meisenbach Company, a financial services company. He currently serves on the Board of Directors of Costco Wholesale Corporation, a wholesale membership store chain and M Financial Holdings Incorporated dba M Financial Group, a financial services organization. Mr. Meisenbach is a trustee of the Elite Fund, an investment company registered under the Investment Company Act of 1940.

Robert R. Wright became a director of the Company in May 2008. Since 2002, Mr. Wright has been the President and Chief Executive Officer of Matthew G. Norton Co. , a real estate investment, development and management firm based in Seattle, Washington. Prior to joining Matthew G. Norton, Mr. Wright was the Regional Managing Partner of Tax for Arthur Andersen and the Chief Financial Officer of Brinderson Ltd., a construction and real estate development company. He currently serves on the Board of Directors for Stimson Lumber Company, a privately held timber company.

Additional Director and Named Executives

James J. Casey became a director of the Company in May 1984. From May 1987 to December 1989, Mr. Casey was the Executive Vice President of Avia Group International, a subsidiary of Reebok and a retailer of athletic shoes and sporting apparel. From December 1985 to April 1987, Mr. Casey was the Chief Operating Officer of Starbucks Coffee and Tea, a distributor of premium coffees and teas. From 1978 to November 1985, Mr. Casey was employed by Eddie Bauer, Inc., a subsidiary of General Mills and a retailer of high quality recreational and sporting apparel and equipment, in various management capacities, including President-Direct Marketing.

Rommel C. Saber joined the Company as Director-Near/Middle East in February 1990 and was elected Senior Vice President-Sales and Marketing in January 1993. Mr. Saber was elected Senior Vice President-Air Export in September 1993. In July 1997, Mr. Saber was elected Senior Vice President Near/Middle East and Indian Subcontinent and Executive Vice President-Europe, Africa and Near/Middle East in August 2000. In February 2006, Mr. Saber was elected President-Europe, Africa, Near/Middle East and Indian Subcontinent.

Robert L. Villanueva joined the Company as Regional Vice President Northwest U.S. Region in April 1994. In September 1999, he was elected Executive Vice President-The Americas and President-The Americas in May 2004.

Bradley S. Powell joined the Company as Chief Financial Officer in October 2008. Prior to joining the Company, Mr. Powell served as President and Chief Financial Officer of Eden Bioscience Corporation, a publicly-traded biotechnology company, from December 2006 to September 2008 and as Vice President and Chief Financial Officer from July 1998 to December 2006. Mr. Powell assumed the role of Principal Financial and Accounting Officer on March 15, 2009.

CORPORATE GOVERNANCE

Board and Committee Meetings

The Board of Directors of the Company held six meetings during the year ended December 31, 2008 and transacted business on sixteen occasions during the year by unanimous written consent.

The Board of Directors has determined that Messrs. Casey, Kourkoumelis, Malone, Meisenbach, Emmert and Wright, meet the independent standards as defined by the Securities Exchange Act of 1934. Each member also meets the requirements of the Marketplace Rules of the NASDAQ Global Select Market relating to independence and any other legal requirements.

Each director attended at least 75% of the aggregate of the total number of Board of Directors meetings and meetings of committees of the Board of Directors on which he served. While the Company has no established policy requiring directors to attend the Annual Meeting, historically, and in 2008, all members were in attendance.

The following table shows the current membership of each committee and the number of meetings held by each committee during the year ended December 31, 2008:

Name	Board of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Peter J. Rose	X			
James L.K. Wang	X			
R. Jordan Gates	X			
James J. Casey*	X	X	X	X
Mark A. Emmert*	X	X	X	X
Dan P. Kourkoumelis*	X	X	X	X
Michael J. Malone*	X	X	X	X
John W. Meisenbach*	X	X	X	X
Robert R. Wright*	X	X	X	X
Fiscal 2008 meetings	6	5	4	1

* Independent Director

Audit Committee

The Board of Directors has an Audit Committee which consists of Messrs. Casey, Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert. Mr. Casey was elected Chairman. Since Mr. Casey is not standing for re-election in 2009, Mr. Wright has been appointed as the Chairman of the Audit Committee as of May 6, 2009. Mr. Casey remains the Chairman until that time. The Board of Directors has determined that Messrs. Casey and Wright are audit committee financial experts as defined by Item 401(h) of Regulation S-K of the Exchange Act. In addition, the Board of Directors has determined that each member of the Audit Committee is independent within the meaning of Rule 4200(a)(15) of the Nasdaq Stock Market Marketplace Rules.

The function of the Audit Committee is set forth in the Audit Committee Charter, which was amended and restated on February 9, 2009 and can be found on the Company s website at *www.investor.expeditors.com*. In general, these responsibilities include meeting with the internal financial and audit staff of the Company and members of the independent registered public accounting firm engaged by the Company to review (i) the scope and findings of the annual audit, (ii) quarterly financial statements, (iii) accounting policies and procedures and the Company s financial reporting, and (iv) the internal controls employed by the Company. The Audit Committee also recommends to the Board of Directors the independent registered public accounting firm to be selected to audit the Company s annual financial statements and reviews the fees charged for audits and for any non-audit engagements. The Audit Committee s findings and recommendations are reported to management and the Board of Directors for appropriate action.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee (the Nominating Committee) which consists of all independent directors. The Nominating Committee held one meeting during the year ended December 31, 2008.

The Nominating and Corporate Governance Committee Charter, which was amended and restated on February 9, 2009 and can be found on the Company s website at *www.investor.expeditors.com*, states that the Nominating Committee will assist the Board of Directors by (i) identifying individuals qualified to become members of the Board of Directors, and to recommend the director nominees for the election to be held at the next annual meeting of shareholders; (ii) identifying individuals qualified to become members in the event of a vacancy, and to recommend to the Board of Directors qualified individuals to fill any such vacancy; (iii) recommending to the Board of Directors, on an annual basis, director nominees for each Board of Directors committee; and (iv) providing a leadership role with respect to corporate governance of the Company.

Director Nomination Process

The Policy on Director Nominations, which was amended and restated on February 9, 2009 and can be found on the Company s website at *www.investor.expeditors.com*, describes the process by which director nominees are selected by the Nominating Committee, and includes the criteria the Nominating Committee will consider in determining the qualifications of any candidate for director. Among the qualifications, qualities and skills of a candidate considered important by the Nominating Committee are a candidate s integrity, ethical character, business judgment, professional experience, expertise, and diversity in experiences and perspectives.

The Nominating Committee considers candidates for director who are recommended by its members, other members of the Board of Directors, by management, and by search firms retained by the Nominating Committee. In addition, the Nominating Committee will evaluate candidates proposed by any single shareholder or group of shareholders that has beneficially owned more than five percent of the Company s common stock for at least one year and that satisfies certain notice, information and consent provisions in the Company s Policy on Director Nominations (such individual or group, the Qualified Stockholder). The Nominating Committee evaluates all candidates (whether identified internally or by a Qualified Stockholder), including incumbent directors, in accordance with the criteria described above and in the Policy on Director Nominations. All candidates for director who, after evaluation, are then recommended by the Nominating Committee and approved by the Board of Directors will be included in the Company s recommended slate of director nominees in its proxy statement.

In addition, a shareholder may nominate a candidate for election to the Board of Directors if the shareholder complies with the notice, information and consent provisions of Article II of the Company s Amended and

Restated Bylaws which can be found on the Securities and Exchange Commission website at *www.sec.gov* filed as Exhibit 3.2 to Form 8-K on or about January 16, 2009.

Communications with the Board of Directors

Shareholders may communicate with the Board of Directors and the procedures for doing so are located on the Company s website at *www.investor.expeditors.com*. Information regarding the submission of comments or complaints relating to the Company s accounting, internal accounting controls or auditing matters can be found on the Company s website at *www.investor.expeditors.com*.

Compensation Committee Interlocks and Insider Participation

The Board of Directors has a Compensation Committee which consists of Messrs. Casey, Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert. The function of the Compensation Committee includes consultation with management establishing the Company s general policies relating to senior management compensation; overseeing the development and implementation of senior management compensation programs and approving the annual and long-term performance goals for the Company s incentive plans. The Compensation Committee has been appointed by the Board of Directors to administer the Company s stock option plans. The Compensation Committee Charter can be found on the Company s website at *www.investor.expeditors.com.* No member of the Compensation Committee is or has been an officer or employee of the Company and none had any interlocking relationships with any other entities of the type that would be required to be disclosed in this Proxy Statement. The Compensation Committee held four meetings during 2008 and transacted business on five occasions during the year by unanimous written consent.

AUDIT COMMITTEE REPORT

The Audit Committee has continuously functioned since it was established in 1984 by action of the Board of Directors. The function of the Audit Committee is set forth in an Audit Committee charter (the Audit Charter) which was adopted by action of the Board of Directors on May 3, 2000 and was amended and restated on January 15, 2009, and can be found on the Company s website at *www.investor.expeditors.com*.

Management is responsible for the Company s internal controls and the financial reporting process. The Company s independent registered public accounting firm, selected each year by the Board of Directors at the recommendation of the Audit Committee, is responsible for performing an independent audit of the Company s consolidated financial statements, and internal control over financial reporting, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon. As described in the Audit Charter, the Audit Committee s responsibility is generally to monitor and oversee these processes. Each member of the Audit Committee was and is independent of management according to both the letter and spirit of the applicable rules.

In addition to its other responsibilities under the Audit Charter, the Audit Committee has reviewed and discussed with management of the Company the Company s audited financial statements for the year ended December 31, 2008. The Audit Committee has discussed with KPMG LLP (KPMG), the Company s independent registered public accounting firm for 2008, the matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees), as amended. In addition, the Audit Committee has received from KPMG written affirmation of their independence required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed with KPMG the auditor s independence from the Company and its management.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

James J. Casey, Chairman
Mark A. Emmert
Dan P. Kourkoumelis
Michael J. Malone
John W. Meisenbach
Robert R. Wright

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee of the Board of Directors (all of whom are independent, non-employee directors) has responsibility for the determination and oversight of:

- Base salaries for Executive Officers, which are set annually.
- The Company s executive non-equity incentive compensation program (the 2008 Executive Incentive Compensation Plan), as approved by shareholders in 2008. This oversight includes approving participants of the executive non-equity incentive compensation program as well as the percentage each participant will receive of amounts available for distribution under the program and authorizing the actual payments of the non-equity incentive compensation program before they occur.
- The Company s equity compensation programs, consisting of both non-qualified and incentive stock option grants. This oversight includes recommending the amount of total options to be submitted for shareholder approval via the Company s annual proxy statement, as well as approving the amounts of stock options awarded to each employee, particularly the Company s Executive Officers.
- The Chief Executive Officer s post-retirement services agreement.

Throughout this Proxy Statement, the individuals who served as the Company s Chief Executive Officer, Chief Operating Officer and Chief Financial Officer during fiscal 2008, as well as the other individuals included in the Summary Compensation Table on page 26 are referred to as the Named Executive Officers . The term Executive refers to individuals who are Executive Officers or are otherwise participants in the executive non-equity incentive compensation program, but are not Named Executive Officers. The term senior management includes all Named Executive Officers, Executive Officers and other officers of the Company.

General Philosophy and Objectives

We believe that our compensation programs, which have been in place since the Company became a publicly traded entity, are one of the unique characteristics responsible for differentiating our performance from that of many of our competitors. Throughout the Company s history, our managers, including our most senior managers, have been compensated through a combination of three basic compensation techniques. These consist of:

1. A fixed and modest base salary, one that is intended to be substantially lower (45-92% lower in cases of Executive Officers) than comparable base salaries for similar positions in our industry;
2. A broad-based equity compensation program in the form of stock option grants made to individual employees at the discretion of the Compensation Committee; and
3. A non-equity incentive compensation program based upon a fixed percentage of the cumulative operating results of the business unit controlled by each key employee, with no upper limit on the potential dollar amount that can be earned through sustained business growth.

The Company has maintained a consistent compensation philosophy: offer a confident and capable individual a modest base salary and the opportunity to share in a fixed and determinable percentage of the operating profit generated by the business unit under his or her control. Growth in individual compensation will only occur in conjunction with an increase in the contribution to Company profits. Key elements of this compensation philosophy include encouraging each manager to think and act as an entrepreneur, establishing compensation levels that are not perceived as being arbitrary, developing financial rewards that are team-oriented, and closely aligning the interests of the individual employee with the goals of the Company and returns to the shareholders. The non-equity incentive compensation program is intended to provide the largest component of Executive compensation. Since the plan is based on cumulative operating income, any operating losses that are incurred must be recovered from future operating profits before any amounts will be due to participating Executives.

In order to provide the Compensation Committee with a general understanding of base salaries and other current compensation practices in the transportation industry, the Proxy statements of UTi Worldwide Inc. (UTIW), CH Robinson Worldwide Inc. (CHRW) and the eighteen companies, other than Expeditors, included in the Dow Jones Transportation Index were reviewed for comparison purposes.

It is the opinion of both the Compensation Committee and the Company s management that the manner and degree to which each of these components has been utilized in combination with the others has had a direct impact on the Company s long-term financial performance. Furthermore, we believe that this combined compensation program has a proven track record of aligning both the long-term and short-term interests of our Company s Executives with the long-term interests of our Company s shareholders.

Targeted Overall Compensation. Management does not believe that compensation targets, per se, are consistent with the underlying compensation philosophy utilized by the Company. The Company does, however, recognize that because it operates in the highly competitive global logistics services industry, the quality of its service depends upon the quality of the Executives and other employees it is able to attract and retain. In order to succeed, the Company believes that it must be able to attract and retain qualified Executives and employees. The Compensation Committee considers the competitiveness of the entire compensation package of an Executive Officer relative to that paid by similar companies when evaluating the adequacy of the base salaries, percentage allocation of the non-equity incentive compensation program and grants of stock options. The Company s objective is to offer a total compensation package which gives the Executive the opportunity to be paid at a level which the Company believes to be superior to that offered by the Company s competitors in the global logistics services industry. The Company believes that the opportunity for achieving superior levels of compensation is predicated on achieving sustained, long-term profitable results which are superior to those of the Company s competitors.

Based on the Company s general philosophy and objectives described above, hypothetical targets for the overall compensation for Executives and other managers are considered neither useful nor desirable. The Compensation Committee is actively involved in reviewing and approving payments under the non-equity compensation program which are available to each participating Executive, including the Named Executive Officers. These payments are allocated from a pool consisting of 10% of pre-bonus operating income (referred to hereafter as the pool). This is done in consultation with the Chairman and Chief Executive Officer. Over time, as the Company has grown, more Executives have been added to this program. The overriding motivation in determining the relative percentage of the pool allocated to each Executive, has not been to target specific levels of compensation. Rather, these allocations of the pool have been made to perpetuate a culture that focuses management s attention on creating and sustaining long-term profitable earnings growth by rewarding an increasing number of key Executives with a percentage of the Company s growing profits, which are primarily a function of year-over-year increases in operating income. Both management and the Compensation Committee are committed to keeping this non-equity incentive compensation program intact. With respect to Named Executive Officers, the Compensation Committee administers the non-equity incentive compensation program.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes all compensation decisions for the Named Executive Officers as well as base salaries for all Executive Officers and stock option grants for all Executive Officers (from the total amount of stock options approved annually by the shareholders). These decisions, other than compensation or option grant determinations of the Chief Executive Officer, are made in consultation with the Chairman and Chief Executive Officer, but implementation of all recommendations of the Chairman and Chief Executive Officer requires the formal written approval of the Compensation Committee. With respect to the non-equity incentive compensation program, the Chairman and Chief Executive Officer recommends allocation percentages for all participating Executives, which must be reviewed and approved by the Compensation Committee. One Executive Officer did not participate in the non-equity incentive compensation program. While his base salary, title and appointment are subject to approval by the Compensation Committee, his portion of non-equity incentive compensation comes from the standard bonus amounts recorded as part of field operations (25% of pre-bonus operating income, after a corporate management fee is levied). In this instance, the percentage of the bonus to which he is entitled from the standard field bonus amounts is determined by the Chief Executive Officer to whom he reports.

Base Salaries. Throughout its history, the Company has followed the policy of offering its officers and other key managers a compensation package which is weighted toward incentive-based compensation. Accordingly, the Company believes that annual base salaries of its Executive Officers are generally set well below competitive levels paid to senior executives with comparable qualifications, experience and responsibilities at other comparably-sized companies engaged in similar businesses as to that of the Company. This belief is based on the general knowledge of the Compensation Committee and management of the compensation practices in the industry and, in part, on a review of compensation disclosures in the proxy statements of such comparably-sized companies, including certain companies in the industry group index shown in the stock performance graph included in the Company s Annual Report to shareholders.

We believe that modest, below-market base salaries are a key component in the Company s compensation strategy. The primary intention of our compensation philosophy is to create a situation where the risks and returns of entrepreneurship are present at each significant level of the Company. Base salaries for each Executive not participating in the non-equity incentive compensation program are recommended by the applicable Named Executive Officer to which the Executive reports. Base salaries for all Executive Officers are reviewed and approved by the Compensation Committee, in consultation with the Chairman and Chief Executive Officer, as part of an annual overall review of compensation. The base salary may be changed as the result of the Compensation Committee s decision that an individual s contribution, duties, and responsibilities to the Company have changed. Base salaries for Named Executive Officers are typically not adjusted. The base salary of $110,000 per annum for the current Chairman and Chief Executive Officer, Mr. Peter J. Rose, for instance, has not changed since assuming that position in 1988. The base salary for all other Named Executive Officers is $100,000 per annum and has not changed in the past five years.

Base salaries for each of the Named Executive Officers for 2008 were as follows:

Name	Position	Base Salary
Peter J. Rose	Chairman and Chief Executive Officer	$ 110,000
James L.K. Wang	President-Asia	$ 100,000
R. Jordan Gates(1)	President and Chief Operating Officer	$ 100,000
Rommel C. Saber	President-Europe, Africa, Near/Middle East and Indian Subcontinent	$ 100,000
Robert L. Villanueva	President-The Americas	$ 100,000
Bradley S. Powell(2)	Chief Financial Officer	$ 100,000

(1) Mr. Gates was the Principal Financial and Accounting Officer through March 15, 2009.

(2) On October 1, 2008, Mr. Powell joined the Company as the Chief Financial Officer and assumed the role of Principal Financial and Accounting Officer effective March 15, 2009.

Equity Compensation Programs. The Company provides an equity compensation program in the form of stock option grants made to individual employees, including Executive Officers, at the discretion of the Compensation Committee. The Company believes that stock option grants afford a desirable, long-term compensation method because they closely align the interests of management with the interests of shareholders. During 2008, the Compensation Committee granted stock options for 2,088,415 shares to 2,948 employees including all of the six Named Executive Officers. All stock options granted by the Compensation Committee in 2008 were made based upon recommendations by management on the basis of the factors set forth below and endorsed by the Chairman and Chief Executive Officer. As a practice, all option grant recommendations and subsequent option grants to the Chief Executive Officer and those six Executive Officers who reported directly to the Chief Executive Officer are made at the sole initiative and discretion of the Compensation Committee. The six Named Executive Officers who received stock options in 2008 were recommended and approved to receive stock options by the Compensation Committee.

The total number of stock options available to be granted in 2008, was determined by an annual shareholder vote as has been done the previous four years. All options issued to employees in 2008 were granted with an exercise price equal to 100% of the closing market price on the grant date with 50% vesting three years from the date of grant, 75% vesting four years from the date of grant, and 100% vesting five years from the date of grant and having an expiration date of ten years from the date of grant.

The vast majority of stock option grants are made annually at the meeting of the Board of Directors immediately following the annual shareholders meeting. During 2008, 2,080,315 stock options were granted at the closing market price on the day of the 2008 Annual Meeting of the Board of Directors. An additional 8,100 stock options were granted by consent of the Compensation Committee throughout the year. These options were granted with an exercise price equal to the closing market price on the date of grant and vested on the same vesting schedule detailed in the previous paragraph. The closing market price is the price at which the Company s Common Stock was last sold on the NASDAQ Global Select Market on the date in question.

Factors that affect the amount of stock options awarded to employees, including Executive Officers, are as follows:

amount of cumulative stock option grants the employee has received;

employee performance during the past 12 months, including promotions or other noteworthy accomplishments;

time elapsed since previous stock option grants;

amount of grants relative to peers within the Company; and

tenure with the Company and tenure in most recent position.

Stock options granted to each of the Named Executive Officers in 2008 are as follows:

Name	Position	2008 Stock Option Grants
Peter J. Rose	Chairman and Chief Executive Officer	5,000
James L.K. Wang	President-Asia	5,000
R. Jordan Gates	President and Chief Operating Officer	5,000
Rommel C. Saber	President-Europe, Africa, Near/Middle East and Indian Subcontinent	5,000
Robert L. Villanueva	President-The Americas	5,000
Bradley S. Powell	Chief Financial Officer	5,000

All Executive Officers of the Company currently hold unvested stock options. The Compensation Committee believes that unvested options promote stability in the management team and provide a continuing incentive for focus on sustained long-term growth in shareholder value.

The Company s outstanding option plans and the terms of the outstanding non-qualified stock options provide that the option will terminate upon the first to occur of: (1) expiration of the option; (2) ninety days following the optionee s termination of employment, other than as a result of death or disability; or (3) six months following the optionee s death or cessation of employment by reason of disability.

The Company does not provide employee pension plans except in several isolated instances outside the United States where required to do so by law. The added element of an equity incentive compensation program serves two purposes. First, the program provides the means for funding individual long-term financial goals (such as retirement, children s education, etc.) by encouraging employees long term commitment to creating shareholder value through continued, active service. Second, the program provides a disincentive to management and employees to make short-term business decisions to obtain short-term profits at the expense of long-term corporate and shareholder interests.

Non-Equity Incentive Compensation Program. The Company has maintained a non-equity incentive compensation program for Executive Officers since its inception. In January 1985, the Compensation Committee fixed the aggregate amount of non-equity incentive compensation under the program to 10% of pre-bonus operating income. The Compensation Committee also considered the aggregate amount of discretionary bonuses paid to Executive Officers in each of the years from 1982 to 1984, which approximated 10% of operating income during those years.

The Compensation Committee believes that setting the pool at a fixed percentage of operating income, with fluctuations in amounts paid tied to actual changes in operating income, provides both a better incentive to the Executives than discretionary bonuses or targeted performance goals, and a more direct relationship between each Executive s incentive compensation and shareholders return. By placing emphasis on growth in operating income, any change in compensation is directly proportional to the profit responsibility of the Executive Officers.

On May 7, 2008, the shareholders adopted the 2008 Executive Incentive Compensation Plan (the 2008 Compensation Plan). The 2008 Compensation Plan recognizes and rewards, on an annual basis, selected Company executives for their contributions to the overall success of the Company and qualify compensation paid under this Plan as performance-based compensation as that term is defined in Section 162(m) of the Code. The 2008 Compensation Plan replaced the 1997 Executive Incentive Compensation Plan.

All officers of the Company who receive an annual base salary equal to or less than $120,000 are eligible for inclusion in the 2008 Compensation Plan at the discretion of the Compensation Committee. Individual eligibility and allocation is determined quarterly. Under the 2008 Compensation Plan, any portion of the pool which is not allocated by action of the Compensation Committee may be allocated to key employees determined to be eligible at the discretion of the Chief Executive Officer. However, allocations made by the Chief Executive Officer cannot increase the compensation of any Named Executive Officer nor can such an allocation cause any individual to become a Named Executive Officer.

Factors that contribute to how much each Executive receives of the non-equity incentive compensation pool are:

Historical role within the Company. The Executives having the two highest percentages of the pool, Peter J. Rose, Chairman and Chief Executive Officer and James L.K. Wang, President Asia were founding employees of the Company. The relatively significant portions of this pool awarded to these individuals are in partial recognition of their role as founders and their cumulative experience managing the Company. In addition, each of their shares of the pool reflects the significant influence each has played in maximizing corporate profits and thereby increasing shareholder value, since the Company became a public entity in September of 1984. It should be noted, however, that the relative percentage of the pool for each of these founding employees continues to diminish over time as additional Executives participate in the program. Since 2003, as more participants have been added to the program, the relative percentage of the pool allocated to both Mr. Rose and Mr. Wang decreased by approximately 20%. For comparison purposes, the percentages allocated to the other three Named Executive Officers also employed in 2003 have changed as follows: the relative percentages allocated to both Mr. Saber and Mr. Villanueva have diminished by approximately 8% over this same time period while the relative percentage allocated to Mr. Gates increased 11%. This increase was concurrent with Mr. Gates appointment as President and Chief Operating Officer effective January 1, 2008. The portion of the Executive Bonus Pool allocated to the President and Chief Operating Officer in 2008 was 29% less than the percentage allocated to that position in 2003.

Function and responsibility. Executives who are in charge of major geographical regions (such as the Americas and the EMAIR [Europe, Middle East, African and Indian subcontinent] regions) or major product and service functions (such as air, ocean, brokerage, product management, information technology (IT), marketing, accounting and finance) reporting directly to the Chairman and Chief Executive Officer, the President Asia, the Company s most profitable region, or the President and

Chief Operating Officer, are allotted a higher percentage of the pool than those serving in other capacities.

The length of time an Executive has been with the Company and the resulting experience of the Executive, his or her role during that time and his or her contribution to increasing corporate profits and shareholder value all contribute to the amount of compensation an Executive receives under the non-equity incentive compensation program.

Tenure with the Company and tenure in position. The longer an Executive has participated in the non-equity incentive compensation program, the more money he or she is eligible to earn as the Company s operating income grows. At the same time, the longer an Executive participates in the program (as was the case with the Named Executive Officers as discussed above), the smaller his or her percentage of the pool becomes over time as more Executives participate in the program. The Company s philosophy is to have each individual participant gradually receive a smaller percentage of a larger pool over time.

Adjustments, performance and promotion. From time to time, as older Executives retire and new Executives are added to the program, the relative percentages are adjusted. Adjustments are also made to give recognition to promotions, achievements and other noteworthy accomplishments.

Payments earned by Named Executive Officers from the non-equity incentive compensation program during 2008 and each Named Executive Officers share of the available pool as approved by the Compensation Committee are as follows:

Name	**Position**	**% of Pool**	**2008 Amount Earned**
Peter J. Rose	Chairman and Chief Executive Officer	11.06%	$ 5,815,769
James L.K. Wang	President-Asia	10.44%	$ 5,487,052
R. Jordan Gates	President and Chief Operating Officer	8.23%	$ 4,328,955
Rommel C. Saber	President-Europe, Africa, Near/Middle East and Indian Subcontinent	7.74%	$ 4,070,281
Robert L. Villanueva	President-The Americas	7.74%	$ 4,070,281
Bradley S. Powell	Chief Financial Officer	0.62%	$ 325,611

While the Company has never incurred an annual or quarterly operating loss since going public in September 1984, such a loss would result in a moratorium on any kind of compensation payments under the non-equity incentive compensation program. The participants in the program would not be entitled to, nor would they expect, any form of payments under the program. More importantly, no further non-equity incentive compensation program payments would be due or payable to participating Executives until future operating income surpassed the operating loss previously incurred. At that time, non-equity incentive compensation would only be due for the portion of cumulative profitability beyond the value of the profits offsetting the operating loss. More simply put, any operating losses must be made up by operating profits, in the aggregate, before permitting further payments under the non-equity incentive compensation program. This also applies across yearly reporting cycles. Were the Company to incur an operating loss in the fourth quarter and record operating income in the first quarter of the ensuing year, the amount of pre-bonus operating income earned in the first quarter must exceed the amount of loss in the previous quarter before any non-equity incentive compensation would be due. This would also apply to a situation where operating income, for years which have previously been audited and reported upon, is subsequently adjusted downward. In that situation, no payments under the non-equity incentive compensation program would be due until future operating income results exceed the amount of the downward adjustment. The Compensation Committee believes that this compensation structure, which emphasizes cumulative operating income, does not encourage our management to take unreasonable risks relating to the Company s business. No additional payments would ever be due if such adjustments increased previously reported fiscal year operating income.

The portion of the pool that is allocated to each Named Executive Officer, or other participating Executive Officer, is approved by the Compensation Committee at the beginning of each quarter and the corresponding quarterly distributions are made subsequent to the public release to shareholders of that quarter s earnings. Actual amounts are only paid subsequent to review by, and receipt of written approval, from the Compensation Committee.

Beginning in 2008 the payment of non-equity incentive compensation earned during the fourth quarter will be made in the ordinary course after review and approval by the Compensation Committee and after audited financial statements are filed with the Securities and Exchange Commission on the Form 10-K.

Perquisites and Other Personal Benefits

From a philosophical standpoint, the Company provides Executive Officers, named and otherwise, and senior managers with very few perquisites and personal benefits that are not available to all employees. The Company provides standard benefits packages to all employees which vary country by country based on individual country regulations. In the United States, for instance, the Company pays 100% of the medical, dental and vision insurance premiums, as well as offering a matching contribution of $.50 for each $1.00 of employee savings, up to a maximum annual Company contribution of $1,500 per qualified employee, under an employee savings plan intended to qualify under Section 401(k) of the Internal Revenue Code (the Code). The Company believes that the compensation potential available from its three main components of compensation detailed herein are sufficiently attractive that the reliance on other forms of exclusive perquisites and benefits are not necessary to enable the Company to attract and retain superior employees for key positions.

The Company does not believe that the aggregate value of any perquisites for any Named Executive Officer exceeds $10,000 per year.

Employment Agreements

The Company has entered into employment agreements with the following Named Executive Officers which provide for the base salaries indicated below:

Name and Current Position	Current Base Salary	
Peter J. Rose Chairman and Chief Executive Officer	$	110,000
James L.K. Wang President-Asia	$	100,000
R. Jordan Gates President and Chief Operating Officer	$	100,000
Rommel C. Saber President-Europe, Africa, Near/Middle East and Indian Subcontinent	$	100,000
Robert L. Villanueva President-The Americas	$	100,000
Bradley S. Powell Chief Financial Officer	$	100,000

Each of the employment agreements listed above is automatically renewable upon expiration for additional one-year periods unless either party elects otherwise.

Potential Payments upon Termination and Change in Control

The employment agreement for each Named Executive Officer, other than the Chief Executive Officer, (as well as for all Executive Officers) contains a covenant not to compete which allows the Company to extend the restriction on competition with the Company for six months following termination of the employment relationship. The extension is at the sole discretion of the Company unless the employee terminates the employment relationship by resigning during a specified period surrounding a change in control, as defined and discussed below, in which case the employee may decline any accompanying lump sum payment and thereby avoid the accompanying restriction on competition. With respect to the Chief Executive Officer, the employment agreement provides for the automatic extension of the covenant not to compete for six months except that the extension shall not be effective upon resignation or termination without cause during a specified period surrounding a change of control as discussed below.

Amendments were made to the Chief Executive Officer s employment agreement to comply with the provisions of 409A of the Internal Revenue Code. Because of the post retirement services clause in the Chief Executive Officer s agreement, these amendments resulted in revisions where nominal discretionary payments became automatic.

The Company regularly grants stock options to its employees including the Named Executive Officers. The stock options granted under the Company s stock option plans for employees vest at the rate of 50% three years from the date of grant, an additional 25% four years from the date of grant and the balance five years from the date of grant. However, these option plans all provide that outstanding options will become immediately vested and fully exercisable in connection with the occurrence of a change in control of the Company.

Change in Control means either of the following: (i) when any person (with certain exceptions) becomes the beneficial owner, directly or indirectly, of 50% of the Company s then outstanding securities or (ii) when shareholder approval is obtained for a transaction involving the sale of all, or substantially all, of the assets of the Company or a merger of the Company with or into another company.

The employment agreements have been administered in compliance with Section 409A of the Code, and to the extent that any of the agreements must be amended to reflect documentary compliance with Section 409A of the Code, such amendments were undertaken within the time frame permitted by Section 409A of the Code and applicable regulations and guidance thereunder.

The following tables illustrate the payments due to each of the Named Executive Officers in the event of termination under either for cause or without cause .

Name	For Cause(1)	For Cause with Non-Compete Agreement(1)	Without Cause(2)
Peter J. Rose(3)	$ 55,000	$ 55,000	$ 3,456,969
James L.K. Wang	$	$ 50,000	$ 2,793,526
R. Jordan Gates	$	$ 50,000	$ 2,214,478
Rommel C. Saber	$	$ 50,000	$ 2,085,141
Robert L. Villanueva	$	$ 50,000	$ 2,085,141
Bradley S. Powell	$	$ 50,000	$ 212,806

* All amounts are based upon calculations at December 31, 2008.

(1) When terminating an Executive Officer for cause, the Company may, in its sole discretion, enforce the non-compete provision contained in the employment agreements for a lump sum payment representing 50% of the Executive Officer s base salary. The term cause as defined by the employment agreement is any act of Employee, which in the reasonable judgment of the Board of Directors, constitutes dishonesty, larceny, fraud, deceit, gross negligence, a crime involving moral turpitude, willful misrepresentation of shareholders, directors or officers or material breach of the employment agreement. With respect to Mr. Rose, his employment agreement, which contains a post-retirement service clause, was amended to call for an automatic lump sum payment representing 50% of his base salary. The non-compete provision is automatically extended except in circumstances discussed above.

(2) When terminating an Executive without cause, the Company must pay the Executive Officer cash compensation in a lump sum amount equal to 50% of his or her base salary plus 50% of the amount of the preceding twelve months non-equity incentive compensation.

(3) Without cause termination compensation to Mr. Rose would also include amounts that would become due under provisions of a post employment-personal services agreement as described on page 23 of this Proxy Statement.

The following table and accompanying narrative illustrates the payments that would be due to each of the Named Executive Officers under several possible change in control scenarios.

Name	*Column 1* Accelerated Vesting of Stock Options Based on Change in Control Shares	Realized Gain(1)	*Column 2* Resign or Terminated for Cause	*Column 3* Terminated for Cause with Non-Compete Agreement	*Column 4* Terminated Without Cause
Peter J. Rose	15,000	$ 88,200	$ 55,000	$ 55,000	$ 3,456,969
James L.K. Wang	15,000	$ 88,200	$	$ 50,000	$ 2,793,526
R. Jordan Gates	20,000	$ 88,200	$	$ 50,000	$ 2,214,478
Rommel C. Saber	20,000	$ 88,200	$	$ 50,000	$ 2,085,141
Robert L. Villanueva	20,000	$ 88,200	$	$ 50,000	$ 2,085,141
Bradley S. Powell	5,000	$	$	$ 50,000	$ 212,806

(1) The realized gain was calculated based on a closing price of the Company s Common Stock of $33.27 per share at December 31, 2008, multiplied by the number of each Named Executive Officer s unvested stock options at that date, which would immediately vest in the event of a change in control as of that date, less the aggregate amount that would be required to be paid to exercise the options.

Scenario 1: ***No changes are made in management as a result of a change in control as described above.*** Named Executive Officers would receive the realized gain on acceleration of unvested stock options shown in *Column 1*.

Scenario 2: ***Named Executive Officer s employment agreements are terminated with cause subsequent to a change in control.*** Amounts due would include the realized gain on acceleration of unvested stock options under *Column 1*. No amounts are due to the Named Executive Officer under *Column 2* other than for the Chief Executive Officer. At the Company s discretion, as noted above, for a lump sum payment of half the Named Executive Officer s base salary under *Column* 3, the Company could invoke the non-compete provisions contained in the employment agreement. In a change in control situation, the Named Executive Officer also has the option to reject the lump sum payment under *Column 3* and not be bound by the non-compete provisions of the employment agreement. Mr. Rose s employment agreement, as noted above, requires lump sum payment of half of Mr. Rose s base salary under *Column 3*. The non-compete provisions are automatically extended.

Scenario 3: ***Named Executive Officer resigns subsequent to a change in control***. The Named Executive Officer would be entitled to the realized gain on the acceleration of unvested stock options under *Column 1*. Other than the Chairman and Chief Executive Officer, the named Executive Officer would not be entitled to any cash compensation. The Company could, in its sole discretion (except with respect to the Chairman and Chief Executive Officer), pay the Named Executive Officer a lump sum amount under *Column 3* in exchange for invoking the non-compete provisions in the employment agreement. In a change in control situation, the Named Executive Officer has the option to reject or to accept this lump sum payment. By rejecting the payment, the Executive will no longer be subject to the non-compete provisions of the employment agreement. Because of the post-retirement services feature in the Chairman and Chief Executive Officer s employment agreement, a lump sum payment of half of the base salary shown under *Column 3* is required. The Chairman and Chief Executive Officer would no longer be subject to the non-compete provisions of the employment agreement.

Scenario 4: ***Named Executive Officer s employment agreements are terminated without cause subsequent to the change in control***. Amounts due would include the realized gain on the acceleration of unvested stock options shown in *Column 1.* In addition, the Named Executive Officer would be entitled to receive cash compensation based on one-half of base salary plus one-half of the amount of non-equity incentive compensation program received by the Executive in the preceding twelve months under *Column 4*. Under the terms of the employment agreement, when an Executive is terminated without cause, the non-compete provisions remain in effect for six-months from the date of termination, except with respect to the Chairman and Chief Executive Officer, whose non-compete provisions will not be applicable following termination without cause subsequent to a change of control.

Post Employment Personal Services Agreement. The employment agreement of the Chairman and Chief Executive Officer contains a term providing for post-employment personal services for a minimum of sixty days per year including up to twenty days of business travel annually. Subject to earlier termination as described below, the personal services agreement will run for a period of ten years or until age seventy whichever occurs first. In exchange, the Chairman and Chief Executive Officer will receive an annual payment initially equal to the base salary received for the most recent twelve months of service. Payments after the first year will be indexed for changes to the Consumer Price Index (CPI) or similar index.

Had the Chairman and Chief Executive Officer retired on December 31, 2008, the initial annual payment under this agreement would have been $110,000. Assuming a yearly increase of 4.2% (the annual change in the 2008 CPI) for each ensuing annual payment, the Company estimates that it would pay the Chairman and Chief Executive Officer $494,084 through March 13, 2013 (the agreement s remaining term), unless earlier terminated, as provided below. The agreement also extends coverage under the Company s standard benefits package as amended from time to time. The Chairman and Chief Executive Officer is prohibited from competing with the Company during the term of the personal services agreement and for six months thereafter. The obligation of the Company for such compensation is subject to termination in the event of death, disability or willful failure to perform and would also terminate in the event that employment was terminated for cause.

The Compensation Committee recognizes the key role that continuity in personal relationships plays in the global logistics services business. This personal services agreement assures the Company of the post-retirement involvement and loyalty of the Chairman and Chief Executive Officer. In addition, this agreement anticipates and facilitates the eventual orderly transition from one Chief Executive Officer to another.

Other Retirement or Disability Payments. Other than the post employment-personal services agreement of the Chairman and Chief Executive Officer, the Company has no formal retirement obligations to make any payments to any Executive Officer upon his or her death, disability or retirement except to Executive Officers domiciled in countries where statutory regulation require that these benefits be provided to all employees.

While there is no legal or contractual obligation to do so, the Company has, on occasion, accelerated the vesting of any unvested stock options of employees who pass away.

Policy on Deductibility of Compensation. Under Section 162(m) of the Code, the Federal income tax deduction for certain types of compensation paid to certain of the Named Executive Officers, is limited to $1,000,000 per Named Executive Officer per taxable year unless such compensation meets certain requirements. The Compensation Committee believes that this limitation will not apply to compensation accrued in 2009. In making future compensation decisions, the Compensation Committee intends to take into account and mitigate to the extent feasible the effect of Section 162(m) as it discharges its responsibilities, although in certain cases the

Compensation Committee may award compensation to Named Executive Officers which are not fully deductible as a result of this limitation. (Please refer to page 36 for further discussion concerning the deductibility of compensation relating to the proposed 2009 Stock Option Plan)

Accounting for Stock-Based Compensation. The Company accounts for stock-based payments including its Stock Option Plans, Restricted Stock Program and Employee Stock Purchase Plan in accordance with the requirements of Statement of Financial Accounting Standard 123R (SFAS 123R).

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

James J. Casey
Mark A. Emmert
Dan P. Kourkoumelis
Michael J. Malone
John W. Meisenbach
Robert R. Wright

SUMMARY COMPENSATION TABLE FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

The table below summarizes the total compensation paid or earned by each of the Named Executive Officers for the fiscal year ended December 31, 2008. The Company has entered into employment agreements with all of the Named Executive Officers.

The Named Executive Officers were not entitled to receive payments which would be characterized as Bonus payments for the fiscal year ended December 31, 2008. Amounts listed under column (e), Non-Equity Incentive Plan Compensation , were determined based on percentages of the pool that were allocated to each Named Executive Officer by the Compensation Committee based on the factors described in the Compensation Discussion and Analysis contained herein.

Based on the stock based compensation expensed for the Named Executive Officers in 2008 and their base salary, Salary accounted for approximately 2% and Option Awards and Non-Equity Incentive Plan Compensation accounted for approximately 98% of the total compensation of the Named Executive Officers. Benefits accounted for less than .1% of the total compensation of Named Executive Officers.

The following table sets out the type and amount of compensation paid to each Named Executive Officer for the year ended December 31, 2008:

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Position	**Year**	**Salary(1)**	**Option Awards(2)**	**Non-Equity Incentive Plan Compensation**	**All Other Compensation(3)**	**Total**
Peter J. Rose	2008	$ 110,000	$ 96,590	$ 5,815,769	$ 1,500	$ 6,023,859
	2007	$ 110,000	$ 237,552	$ 5,203,255	$ 1,500	$ 5,552,307
Chairman and Chief Executive Officer	2006	$ 110,000	$ 500,670	$ 4,608,619	$ 1,500	$ 5,220,789
James L.K. Wang(1)	2008	$ 100,000	$ 96,590	$ 5,487,052	$	$ 5,683,642
President-Asia	2007	$ 100,000	$ 199,848	$ 4,909,158	$	$ 5,209,006
	2006	$ 105,879	$ 375,428	$ 4,348,131	$	$ 4,829,438
R. Jordan Gates	2008	$ 100,000	$ 118,140	$ 4,328,955	$ 1,500	$ 4,548,595
	2007	$ 100,000	$ 195,363	$ 3,420,575	$ 1,500	$ 3,717,438
President and Chief Operating Officer	2006	$ 100,000	$ 321,678	$ 2,882,530	$ 1,500	$ 3,305,708
Rommel C. Saber(4)	2008	$ 100,000	$ 118,140	$ 4,070,281	$ 1,500	$ 4,289,921
President-Europe, Africa,	2007	$ 100,000	$ 195,363	$ 3,641,599	$ 1,500	$ 3,938,462
Near/Middle East and						
Indian Subcontinent						
Robert L. Villanueva	2008	$ 100,000	$ 166,059	$ 4,070,281	$ 1,500	$ 4,337,840
President-The Americas	2007	$ 100,000	$ 243,151	$ 3,641,599	$ 1,500	$ 3,986,250
	2006	$ 100,000	$ 309,193	$ 3,225,432	$ 1,500	$ 3,636,125
Bradley S. Powell	2008	$ 25,000	$ 3,855	$ 325,611	$	$ 354,466
Chief Financial Officer(5)						

(1) Mr. Wang is a resident of Taiwan and a substantial portion of his base salary is paid in an estimated equivalent of New Taiwan Dollars. Because of currency fluctuations, Mr. Wang s 2006 base salary, when

converted back to US Dollars for reporting purposes, was slightly higher than the US $100,000 contained in his employment agreement. In 2007, the amount by which the exchange fluctuations exceeded his $100,000 base salary ($8,050) was subtracted from his final payment due under the Non-Equity Incentive Compensation Plan.

(2) This column represents the amount recognized for financial reporting purposes with respect to the 2008 fiscal year for the fair value of options granted in 2008, as well as prior fiscal years, in accordance with SFAS 123R. Pursuant to rules of the Securities and Exchange Commission, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting. All assumptions used to determine the grant date fair value of the option awards are included in Note 4 to the Company s consolidated financial statements on Form 10-K as filed on February 27, 2009.

(3) These amounts include the Company s matching contributions of $.50 for each $1.00 of employee savings, up to a maximum annual Company contribution of $1,500 per qualified employee, under an employee savings plan intended to qualify under Section 401(k) of the Code.

(4) Mr. Saber became a Named Executive Officer in 2007 upon the retirement of Mr. Alger, former President and Chief Operating Officer of the Company.

(5) On October 1, 2008, Mr. Powell joined the Company as the Chief Financial Officer and assumed the role of Principal Financial and Accounting Officer effective March 15, 2009.

DIRECTOR COMPENSATION

Historically, the Company has used a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. On June 1, 2007, all remaining stock options authorized under the 1993 Directors Stock Option Plan were granted to the outside independent members of the Company s Board of Directors. On May 7, 2008, the shareholders approved the 2008 Directors Restricted Stock Plan. In setting director compensation, the Company considers the amount of time that Directors expend in fulfilling their duties to the Company as well as the skill-level required as members of the Board.

Cash Compensation Paid to Board Members

For the fiscal year ended December 31, 2008, members of the Board who are not employees of the Company are entitled to receive an annual cash retainer of $10,000 and an attendance fee for Board or unscheduled committee meetings of $1,000 per meeting.

2008 Directors Restricted Stock Plan

The 2008 Directors Restricted Stock Plan is only for the benefit of the outside independent directors. Each outside independent director receives $200,000 worth of Expeditors restricted stock on June 1st of each year. The stock vests ratably over 12 months and dividends are forfeited until all shares for that grant year have been fully vested. On June 1, 2008, each independent director received 4,248 shares with a fair value of $47.08 per share. The taxation ramifications for the issuance of these shares are the sole responsibility of each outside director.

Stock Option Program

Prior to 2008, on June 1st of each year, each non-employee director received a stock option grant of 32,000 shares at the closing market price on the date of grant. Until an option is exercised, shares subject to options cannot be voted and do not receive dividends or dividend equivalents.

Director Summary Compensation Table for the Fiscal Year Ended December 31, 2008

The table below summarizes the compensation paid by the Company to non-employee Directors for the fiscal year ended December 31, 2008.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
James J. Casey (3)	$ 20,000	$ 117,258	$ 310,367	$	$	$ 447,625
Mark A. Emmert (4)	$ 20,000	$ 117,258	$	$	$	$ 137,258
Dan P. Kourkoumelis (5)	$ 20,000	$ 117,258	$ 310,367	$	$	$ 447,625
Michael J. Malone (6)	$ 20,000	$ 117,258	$ 310,367	$	$	$ 447,625
John W. Meisenbach (7)	$ 20,000	$ 117,258	$ 310,367	$	$	$ 447,625
Robert R. Wright (8)	$ 20,000	$ 117,258	$	$	$	$ 137,258

(1) This column represents the amount recognized for financial reporting purposes with respect to the year ended December 31, 2008 for the fair value of restricted stock granted in 2008, in accordance with SFAS

123R. The fair value of restricted stock awards is based on the fair market value of the Company s shares of common stock on the date of grant.

(2) This column represents the amount recognized for financial reporting purposes with respect to the year ended December 31, 2008 for the fair value of options granted in 2007, in accordance with SFAS 123R. All assumptions used to determine the grant date fair value of the option awards are included in Note 4 to the Company s consolidated financial statements included in our annual report on Form 10-K as filed on February 27, 2009.

(3) As of December 31, 2008 there were 96,000 option awards and 1,771 unvested restricted shares held by Mr. Casey.

(4) As of December 31, 2008 there were 1,771 unvested restricted shares held by Dr. Emmert.

(5) As of December 31, 2008 there were 224,000 option awards and 1,771 unvested restricted shares held by Mr. Kourkoumelis.

(6) As of December 31, 2008 there were 224,000 option awards and 1,771 unvested restricted shares held by Mr. Malone.

(7) As of December 31, 2008 there were 224,000 option awards and 1,771 unvested restricted shares held by Mr. Meisenbach.

(8) As of December 31, 2008 there were 1,771 unvested restricted shares held by Mr. Wright.

GRANTS OF PLAN-BASED AWARDS TABLE

The following table sets forth certain information regarding awards granted during 2008 to the Named Executive Officers.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Option Awards: Number of Securities	Exercise or Base Price	Grant Date Fair Value
Name	**Grant Date**	**Threshold**	**Target**	**Maximum**	**Underlying Options(2)**	**of Option Awards(3)**	**of Option Awards(4)**
Peter J. Rose	05/7/08	$	5,815,769		5,000	$ 46.94	$ 102,846
James L.K. Wang	05/7/08	$	5,487,052		5,000	$ 46.94	$ 102,846
R. Jordan Gates	05/7/08	$	4,328,955		5,000	$ 46.94	$ 102,846
Rommel C. Saber	05/7/08	$	4,070,281		5,000	$ 46.94	$ 102,846
Robert L. Villanueva	05/7/08	$	4,070,281		5,000	$ 46.94	$ 102,846
Bradley S. Powell	10/1/08	$	325,611		5,000	$ 35.80	$ 76,548

(1) The total amount available to officers participating in the non-equity incentive compensation program, including all Named Executive Officers, is limited to 10% of pre-bonus operating income. Individual amounts earned under this plan are determined by participation percentages approved by the Compensation Committee. The Company does not use thresholds or targets or maximums in determining levels of compensation.

(2) The above grants were made pursuant to the Company s 2008 Stock Option Plan (Option Plan). All options granted in fiscal 2008 are subject to a vesting schedule. Subject to earlier vesting under certain conditions set forth in the Option Plan, 50% of the options will be exercisable commencing three years from the date of the grant and 25% will be exercisable four and five years from the date of the grant, respectively. (See Potential Payments upon Termination and Change in Control). The options expire ten years from the date of the grant.

(3) The exercise price is the market closing price of the underlying security on the grant date.

(4) The grant date fair value of option awards was determined in accordance with the provisions of SFAS 123R. All assumptions used to determine the grant date fair value of the option awards are included in Note 4 to the Company s consolidated financial statements included in our annual report on Form 10-K as filed on February 27, 2009.

OPTION EXERCISES AND YEAR-END OPTION VALUE TABLES

The following tables set forth certain information regarding options held by the Named Executive Officers.

Options exercised during the year ended December 31, 2008