

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

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))**

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)

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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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](http://www.envisionreports.com/expd) and to the Company's beneficial holders at [www.edocumentview.com/expd](http://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) 100 E. Pratt Street Baltimore, MD 21202	14,506,643	6.8%
Morgan Stanley(2) 1585 Broadway New York, NY 10036	12,939,446	6.1%

(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
<b>Nominees:</b>			
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	*
<b>Additional Director and Named Executives:</b>			
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		*
<b>All Directors and Executive Officers as a group (22 persons)(12)</b>		<b>7,459,031</b>	<b>3.51%</b>

\* 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)

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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. Kourkouvelis became a director of the Company in March 1993. From 1967 through 1998, Mr. Kourkouvelis 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. Kourkouvelis 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](http://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](http://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](http://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](http://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](http://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](http://www.investor.expeditors.com).

#### **Compensation Committee Interlocks and Insider Participation**

The Board of Directors has a Compensation Committee which consists of Messrs. Casey, Kourkouvelis, 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](http://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](http://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	7.74%	\$ 4,070,281
	and Indian Subcontinent		
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	\$ 110,000
Chairman and Chief Executive Officer	
James L.K. Wang	\$ 100,000
President-Asia	
R. Jordan Gates	\$ 100,000
President and Chief Operating Officer	
Rommel C. Saber	\$ 100,000
President-Europe, Africa, Near/Middle East and Indian Subcontinent	
Robert L. Villanueva	\$ 100,000
President-The Americas	
Bradley S. Powell	\$ 100,000
Chief Financial Officer	

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		Column 2 Resign or Terminated for Cause	Column 3 Terminated for Cause with Non-Compete Agreement	Column 4 Terminated Without Cause
	Shares	Realized Gain(1)			
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. Kourkouvelis  
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 Chairman and Chief Executive Officer	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
James L.K. Wang(1) President-Asia	2006	\$ 110,000	\$ 500,670	\$ 4,608,619	\$	\$ 5,220,789
	2008	\$ 100,000	\$ 96,590	\$ 5,487,052	\$	\$ 5,683,642
R. Jordan Gates President and Chief Operating Officer	2007	\$ 100,000	\$ 199,848	\$ 4,909,158	\$	\$ 5,209,006
	2006	\$ 105,879	\$ 375,428	\$ 4,348,131	\$	\$ 4,829,438
Rommel C. Saber(4) President-Europe, Africa, Near/Middle East and Indian Subcontinent	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
Robert L. Villanueva President-The Americas	2006	\$ 100,000	\$ 321,678	\$ 2,882,530	\$ 1,500	\$ 3,305,708
	2008	\$ 100,000	\$ 118,140	\$ 4,070,281	\$ 1,500	\$ 4,289,921
Bradley S. Powell Chief Financial Officer(5)	2007	\$ 100,000	\$ 195,363	\$ 3,641,599	\$ 1,500	\$ 3,938,462
	2008	\$ 25,000	\$ 3,855	\$ 325,611	\$	\$ 354,466

- (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			Non-Equity Incentive Plan Compensation	All Other Compensation	Total
	Cash	Stock Awards(1)	Option Awards(2)			
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.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Option Awards: Number of Securities Underlying Options(2)	Exercise or Base Price of Option Awards(3)	Grant Date Fair Value of Option Awards(4)
		Threshold	Target	Maximum			
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:

Name	Option Exercises	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)
Peter J. Rose	192,000	\$ 7,809,619
James L.K. Wang		\$
R. Jordan Gates	36,748	\$ 1,576,857
Rommel C. Saber	1,772	\$ 62,498
Robert L. Villanueva		\$
Bradley S. Powell		\$

- (1) Represents the difference between the closing price of the Company's Common Stock on the date of exercise and the exercise price of the options, multiplied by the number of options exercised.

Outstanding option awards at December 31, 2008:

Name	Year of Grant	Option Awards		Unearned Options	Exercise or Base Price	Expiration Date
		Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options			
Peter J. Rose	2008		5,000		\$ 46.94	5/7/2018
	2007				\$	
	2006				\$	
	2005	10,000	10,000		\$ 24.45	5/4/2015
	2004				\$	
	2003	50,000			\$ 18.30	5/7/2013
	2002	200,000			\$ 14.29	5/8/2012
	2001	200,000			\$ 12.43	5/9/2011
	2000	160,000			\$ 9.48	5/3/2010
	1999	320,000			\$ 8.02	5/5/2009
James L.K. Wang	2008		5,000		\$ 46.94	5/7/2018
	2007				\$	
	2006				\$	
	2005	10,000	10,000		\$ 24.45	5/4/2015
	2004				\$	
	2003	50,000			\$ 18.30	5/7/2013
	2002	120,000			\$ 14.29	5/8/2012
	2001	160,000			\$ 12.43	5/9/2011
	2000	160,000			\$ 9.48	5/3/2010
	1999	160,000			\$ 8.02	5/5/2009
R. Jordan Gates	2008		5,000		\$ 46.94	5/7/2018
	2007		5,000		\$ 42.90	5/2/2017
	2006				\$	
	2005	10,000	10,000		\$ 24.45	5/4/2015
	2004				\$	
	2003	50,000			\$ 18.30	5/7/2013
	2002	80,000			\$ 14.29	5/8/2012
	2001	160,000			\$ 12.43	5/9/2011
	2000	149,448			\$ 9.48	5/3/2010
	1999	107,528			\$ 8.02	5/5/2009

Name	Year of Grant	Option Awards		Unearned Options	Exercise or Base Price	Expiration Date
		Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised			
Rommel C. Saber	2008		5,000		\$ 46.94	5/7/2018
	2007		5,000		\$ 42.90	5/2/2017
	2006				\$	
	2005	10,000	10,000		\$ 24.45	5/4/2015
	2004				\$	
	2003	50,000			\$ 18.30	5/7/2013
	2002	73,004			\$ 14.29	5/8/2012
	2001	111,956			\$ 12.43	5/9/2011
	2000	109,448			\$ 9.48	5/3/2010
1999	56,264			\$ 8.02	5/5/2009	
Robert L. Villanueva	2008		5,000		\$ 46.94	5/7/2018
	2007		5,000		\$ 42.90	5/2/2017
	2006		10,000		\$ 43.88	5/3/2016
	2005	10,000	10,000		\$ 24.45	5/4/2015
	2004				\$	
	2003	50,000			\$ 18.30	5/7/2013
2002	73,004			\$ 14.29	5/8/2012	
Bradley S. Powell	2008		5,000		\$ 35.80	10/1/2018

- (1) Unexercisable options granted in 2006 and in subsequent years will vest 50% three years from the date of the grant and 25% will be vesting four and five years from the date of the grant, respectively. Unexercisable options granted in 2005 will vest 50% in 2009 and 50% in 2010 on the anniversary day of the date of grant.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2008 regarding compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)	Number of Securities Available for Future Issuance, Other Than Securities to be Issued Upon Exercise of All Outstanding Options, Warrants and Rights(3)
Equity Compensation Plans Approved by Security Holders	18,834,726	\$ 26.44	5,905,616
Equity Compensation Plans Not Approved by Security Holders			
<b>Total</b>	<b>18,834,726</b>	<b>\$ 26.44</b>	<b>5,905,616</b>

- (1) Does not include 25,488 for restricted stock awards that were not fully vested as of December 31, 2008.
- (2) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding stock awards which have no exercise price.
- (3) Includes 4,812,607 available for issuance under the employee stock purchase plans, 918,497 available for future grants of stock options and 174,512 shares available for issuance of restricted stock awards. These Plans consist of the Company's 1985 and 2008 Stock Option Plans, 1988 and 2002 Employee Stock Purchase Plans and the 2008 Directors' Restricted Stock Plan.

#### ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to information under the captions "Proposal 1 Election of Directors", "Executive Compensation" and "Certain Transactions" in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 6, 2009.

#### ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to information under the caption "Relationship with Independent Public Accountants" in the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 6, 2009.

## BENEFIT PLANS

The following summarizes the Company's benefit plans subject to shareholder action at the 2009 Annual Meeting.

### SUMMARY OF THE 2009 STOCK OPTION PLAN

The following summary of the Company's 2009 Stock Option Plan (the "2009 Option Plan") is qualified in its entirety by reference to the full text of the 2009 Option Plan, a copy of which is included as Appendix A to this Proxy Statement.

The 2009 Option Plan provides for the grant of two types of options: (1) Incentive Stock Options, which are options that meet the requirements of Section 422 of the Code, and (2) Non-Qualified Stock Options. Shareholder approval will make available a total of 3,000,000 shares of the Company's authorized but unissued Common Stock for purchase upon exercise of options granted under the 2009 Option Plan. The term of the 2009 Option Plan is one year. No options may be granted under the 2009 Option Plan after midnight April 30, 2010. In addition, no options may be granted under the 2009 Option Plan if there are no shares available for issuance. No reload options may be granted under the 2009 Option Plan.

Incentive Stock Options may be granted to employees of the Company or a related corporation. Non-Qualified Stock Options may be granted to employees of the Company, a related corporation, or affiliated companies. In any fiscal year, no employee may receive options to purchase more than 100,000 shares of Common Stock and no option may be granted at a price less than the fair market value measured on the date of the grant.

The 2009 Option Plan will be administered by a committee of the Board of Directors consisting exclusively of members that are both non-employee directors and outside directors as those terms are defined. The Committee will have authority to construe, amend or terminate the 2009 Option Plan. The Committee is prohibited from repricing options to account for market price declines under the 2009 Option Plan. A written agreement will evidence each option and determine whether the option is an Incentive Stock Option or Non-Qualified Stock Option. The 2009 Option Plan and the 2009 Stock Option Agreement can be viewed in its entirety in Appendix A and Appendix B, respectively, to this Proxy Statement.

Options will expire no later than ten years from the date of grant; provided, that no Incentive Stock Option granted to a greater-than-ten-percent shareholder will expire later than five years from the date of grant. Vested options generally will terminate upon the first to occur of: (1) expiration of the option; (2) three months 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.

Options granted under the 2009 Option Plan will be 50% vested from three years, 75% vested from four years and fully vested five years from the date of grant. The Committee may accelerate vesting. Upon a change in control, all options outstanding at the date thereof will become fully vested and exercisable. The purchase price of option shares must be paid by wire transfer, except to the extent another method is permitted by the Committee.

The 2009 Option Plan will only be effective upon approval by the shareholders. No options have been granted under the 2009 Option Plan and no determination has been made as to who will receive an option grant if



the 2009 Option Plan is approved by the shareholders. The closing price of a share of the Company's Common Stock, as reported on the NASDAQ Global Select Market on March 9, 2009, was \$24.02.

The Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Code Section 401(a).

#### **FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE 2009 OPTION PLAN**

The following description of Federal income tax consequences addresses the tax consequences for both Incentive Stock Options as defined in Section 422 of the Code and Non-Qualified Options and is intended merely to provide basic information with respect to the tax treatment applicable to the 2009 Option Plan. Although the Company believes the following statements are correct, the statements are based upon legislative, administrative, and judicial authority that is subject to revision and differing interpretations. Each participant in the Company's 2009 Option Plan should consult his or her own tax advisor concerning the tax consequences of grant, exercise, or surrender of an option and the sale or other disposition of any stock acquired pursuant to the exercise of an option. Individual financial and Federal tax situations may vary, and state and local tax considerations may be significant.

#### **Non-Qualified Stock Options**

Any option that does not meet with all the requirements of Section 422 of the Code is commonly referred to as a non-qualified stock option. The grant of a non-qualified stock option does not have income tax consequences for either the Company or the recipient. Upon exercise of the option, the optionee must recognize ordinary taxable income in an amount equal to the difference between the fair market value of the shares acquired upon exercise and the amount paid to exercise the option. The optionee exercising a non-qualified stock option will have a tax liability subject to withholding even though the shares giving rise to the liability may not have been sold and converted to cash on the date of exercise. The optionee receives a tax basis in the shares equal to the amount of income reported plus the amount of cash or basis of other property exchanged in the exercise.

The Company should be entitled to an income tax deduction at time of exercise, and in the same amount, as the optionee recognizes ordinary taxable income.

Stock acquired through the exercise of a non-qualified stock option is a capital asset in the hands of the optionee. When the stock is sold, the holder will recognize a capital gain or loss in an amount equal to the difference between the amount realized upon the sale and the adjusted basis of the stock sold. The sale of stock has no tax impact on the Company.

#### **Incentive Stock Options**

An incentive stock option must meet all the requirements of Section 422 of the Code. Optionees do not recognize regular taxable income upon the grant or upon the exercise of an incentive stock option. However, the difference between the exercise price and the fair market value of such shares as of the date of exercise will be an adjustment for the purpose of calculating alternative minimum taxable income. The alternative minimum tax is payable only to the extent that it exceeds the regular income tax. If the alternative minimum tax applies, it may be possible to recover some, if not all, of the alternative minimum tax paid through a credit carried forward to a tax year where regular tax liability exceeds the alternative minimum tax.

So long as the stock acquired through an incentive stock option is held for at least one year from the date of exercise and two years from the date of the grant, the sale of the shares is not considered to be a disqualifying disposition. Any gain or loss, measured by the difference between the amount realized upon sale and the adjusted basis will be treated as proceeds from the sale of a long-term capital asset. In general, the adjusted basis will be the cash or adjusted basis of other property exchanged to exercise the option. The Company will not receive an income tax deduction for qualifying dispositions.

Shares which are sold in a disqualifying disposition (anything that is not a qualifying disposition) in situations other than in an insolvency proceeding require the seller to recognize ordinary income at the time of the disposition in an amount equal to the lesser of (1) the difference between the exercise price and the fair market value of the shares at the time the option was exercised or (2) the difference between the exercise price and the amount realized upon disposition of the shares, and the seller is required to recognize long-term or short-term capital gain or loss (depending on whether the seller has held the shares for more than 12 months or for 12 months or less) in an amount equal to the difference between the sale price of the shares and the fair market value of the shares on the date the seller exercised the option. The Company receives an income tax deduction on the amount recognized as ordinary income.

**Special Rules.** Special rules may apply in the case of individuals subject to Section 16(b) of the Exchange Act. In particular, unless a special election is made pursuant to Section 83(b) of the Code, shares of Company Common Stock received pursuant to the exercise of an option may be treated as restricted as to transferability and subject to a substantial risk of forfeiture for a period of up to six months after the date of exercise. Accordingly, the amount of any ordinary income recognized, and the amount of the Company's tax deduction, may be determined as of the end of such period.

**Deductibility of Executive Compensation Under Code Section 162(m).** Section 162(m) of the Code generally limits to \$1,000,000 the amount that a publicly-held corporation is allowed each year to deduct for the compensation paid to the Company's Principal Executive Officer and the Company's three most highly paid Executive Officers other than the Principal Executive Officer. However, qualified performance-based compensation is not subject to the \$1,000,000 deduction limit.

The 2009 Option Plan has been designed to permit grants of options issued under the plan to qualify under the performance-based compensation rules so that income attributable to the exercise of a non-qualified stock option may be exempt from the \$1,000,000 deduction limit. The 2009 Option Plan's provisions are consistent in form with the performance-based compensation rules, so that if the committee that grants options consists exclusively of members of the Board of Directors of the Company who qualify as outside directors, and the exercise price is not less than the fair market value of the shares of Common Stock to which such grants relate, the compensation income arising on exercise of those options should qualify as performance-based compensation which is deductible even if that income would be in excess of the otherwise applicable limits on deductible compensation income under Code Section 162(m).

**PROPOSAL 2 APPROVAL AND RATIFICATION OF THE****2009 STOCK OPTION PLAN**

As described in the Compensation Discussion and Analysis portion of this Proxy Statement, a broad-based equity compensation program has historically been an important component of the Company's overall compensation philosophy. We encourage our shareholders to review the Company's particular reasons for requesting continued shareholder support for its equity incentive compensation programs as described on page 15 of this Proxy Statement. The Company recognizes that due to some rather notorious past abuses by other companies, a sentiment of caution surrounding the practice of granting stock options might exist in the minds of some shareholders. However, the Company also firmly believes that when used in a broad-based format, employee stock options provide a powerful means to align the interests of the Company's employees with those of its shareholders. To address any possible shareholder reservations, in 2005, the Company instituted what it considers to be a very pro-shareholder policy of seeking annual shareholder approval of its proposed stock option grants. All grants made subsequent to these annual authorizations must be made by the 30<sup>th</sup> of April in the ensuing year.

As in prior years, the primary beneficiaries of the proposed 2009 Stock Option Plan will be the non-executive officers of the Company. Over the last three years, in the aggregate, the Executive Officers have received the following percentages of total stock options granted:

2006	02.38%
2007	03.72%
2008	04.26%

Management and the Board of Directors feel strongly that broad-based stock option grants need to be a continuing component of the Company's overall compensation program. Particularly since the Company does not have a general policy of providing employee pension plans. If the 2009 Stock Option Plan is not approved, the Company will be unable to grant stock options to new or existing employees until such time as the shareholders approve a stock option plan in the future. Accordingly, Management and the Board of Directors believe that a vote against the Company's proposed 2009 stock option program could harm the Company's ability to attract and retain the long-term services of its greatest asset which the Company relies upon to grow its business—its people.

At the Annual Meeting, the shareholders of the Company will be asked to approve and ratify the Company's 2009 Stock Option Plan, which, if approved, will make available 3,000,000 shares of the Company's authorized but unissued Common Stock for purchase upon exercise of options granted under the 2009 Option Plan. A summary of the 2009 Option Plan is described under the caption "Benefit Plans" in this Proxy Statement and can be viewed in its entirety in Appendix A of this Proxy Statement. In addition, the proposed 2009 Stock Option Agreement can be viewed in its entirety in Appendix B of this Proxy Statement.

At March 9, 2009, the following options to purchase shares of Common Stock were outstanding by plan:

<b>Option Plan</b>	<b>Number of Shares Outstanding</b>
1985 Stock Option Plan	800,000
1997 Stock Option Plan	7,930,049
2005 Stock Option Plan	2,284,350
2006 Stock Option Plan	2,615,310
2007 Stock Option Plan	1,640,335
2008 Stock Option Plan	2,010,740
1993 Directors Plan	768,000
 Total (1)	 18,048,784

(1) The weighted average exercise price of these options was \$27.07 and the weighted average remaining contractual life was 5.3 years. If Proposal 2 is approved on May 6, 2009, 3,000,000 shares of Common Stock will be available for grant pursuant to the 2009 Option Plan, 6,912 shares of Common Stock will be available for grant pursuant to the 1985 Option Plan and there are no further shares of Common Stock available for grant pursuant to other plans.

The Board of Directors has approved a non-discretionary stock repurchase plan which currently authorizes the repurchase of up to 40,000,000 shares of Common Stock with the proceeds received from the exercise of stock options outstanding under the plans noted above and the 2009 Option Plan if approved. As of March 9, 2009, the Company had repurchased and retired 18,209,568 shares of Common Stock under this non-discretionary repurchase plan. In addition, the Board of Directors has authorized a discretionary stock repurchase plan which allows for the repurchase of such shares as may be necessary to reduce the total shares outstanding to 200,000,000. It is the present sense of the Board of Directors, that management make use of this discretionary authority to eliminate any further growth in the number of issued and outstanding shares as a result of option exercises. As of March 9, 2009, the Company had repurchased and retired 15,651,882 shares of Common Stock under this discretionary repurchase plan.

Adoption of the 2009 Option Plan will enable the Company to continue to provide key employees with long-term compensation that will closely align the interests of these employees with positive changes in shareholder value. Approximately 12,600 individuals would be eligible to receive options under the 2009 Option Plan as of March 9, 2009. The 2009 Option Plan includes an annual limitation on the maximum number of shares that may be granted to any individual to meet the Section 162(m) exception for deductibility of performance-based compensation.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR PROPOSAL 2 APPROVAL AND RATIFICATION OF THE 2009 STOCK OPTION PLAN.**

**PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF  
KPMG LLP AS THE COMPANY S INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM  
FOR THE YEAR ENDING DECEMBER 31, 2009**

The Board of Directors, acting upon the recommendation of the Audit Committee, has appointed KPMG LLP to be the Company s independent registered public accounting firm for the year ending December 31, 2009. In response to the passage of the 2005 shareholder proposal concerning ratification of this action, the Board of Directors has determined that it would be desirable to request ratification of its appointment at the Annual Meeting. If the shareholders do not ratify the appointment of KPMG LLP, the appointment of independent registered public accountants will be reconsidered by the Audit Committee and the Board of Directors. Representatives of KPMG LLP are expected to be present at the Annual Meeting and have the opportunity to make a statement, if they so desire, and to respond to appropriate questions.

Information relating to the aggregate KPMG LLP fees for professional services rendered for the fiscal years ended December 31, 2008 and 2007 can be found under the heading Relationship With Independent Public Accountants on page 40 of this Proxy Statement.

In 2008, the Audit Committee updated a policy which prohibits the Company from retaining its principal independent registered public accounting firm for any engagements other than those that could be described above as audit, audit related, or other services pre-approved by the Audit Committee.

In all cases, the Audit Committee has approved the kinds of services provided in advance and has determined that the provision of any of these services is compatible with KPMG LLP maintaining its independence.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2009.**

### RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS

The Company has selected KPMG LLP to continue as its principal independent registered public accounting firm for the current year. Representatives of KPMG LLP are expected to be present at the Annual Meeting and have the opportunity to make a statement, if they so desire, and to respond to appropriate questions.

Set forth below is information relating to the aggregate KPMG LLP fees for professional services rendered for the fiscal years ended December 31, 2008 and 2007, including affiliated member firms of the KPMG International network.

Description of Professional Service	2008	2007
Audit Fees(1)	\$ 2,433,000	\$ 2,421,000
Audit Related Fees	\$	\$
Tax Fees(2)	\$ 53,000	\$ 36,000
All Other Fees	\$	\$

(1) Includes fees associated with the annual audit, the reviews of the Company's quarterly reports on Form 10-Q, and statutory audits required internationally.

(2) Includes the fees for tax advice and compliance. No fees were paid to KPMG LLP in either year for tax planning.

In 2008, the Audit Committee updated a policy which prohibits the Company from retaining its principal independent registered public accounting firm for any engagements other than those that could be described above as audit, audit related, or other services pre-approved by the Audit Committee.

In all cases, the Audit Committee has approved the services provided in advance and has determined that the provision of any of these services is compatible with KPMG LLP maintaining its independence.

### OTHER BUSINESS

As of the date of this Proxy Statement, management knows of no other business which will be presented for action at the meeting. If any other business requiring a vote of the shareholders should come before the meeting, the persons designated as your proxies will vote or refrain from voting in accordance with their best judgment.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following section describes, for the year ended December 31, 2008, (i) transactions in which the Company or any of its subsidiaries was a party, in which the amount involved exceeded \$120,000 and in which a director, a director nominee, an Executive Officer, any immediate family member of a director, director nominee or executive officer, a security holder known to own more than five percent of the Company's common stock or any immediate family member of the security holder had, or will have, a direct or indirect material interest or (ii) certain business relationships that existed between the Company and directors or director nominees, or between the Company and entities affiliated with such directors or director nominees. Our policy and procedures with respect to any related person transaction between the Company and any related person requiring disclosure under Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934, is that such transaction is consummated only if the Compensation Committee approves or ratifies such transaction (or the disinterested members of the Board of Directors approves or ratifies such transaction).

Brian Coughlin, the brother of Philip M. Coughlin, Executive Vice President North America, was employed as District Manager of the Company's Cincinnati office at a base salary of \$48,000 and was paid incentive compensation based on branch profitability in the amount of \$338,172 in addition to standard benefits. An additional \$60,797 was recognized as compensation expense for financial reporting purposes with the 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. On May 7, 2008, Mr. Coughlin was granted a 3,000 share stock option at fair market value. The fair value of these options of \$52,766 will be expensed on a straight-line basis over their five year vesting period in accordance with SFAS 123R.

Jeffrey S. Musser, the son-in-law of Peter J. Rose, Chairman and Chief Executive Officer, was employed as Senior Vice President Chief Information Officer and an Executive Officer of the Company at a base salary of \$100,000 and was paid incentive compensation based on Company profitability in the amount of \$3,037,855 in addition to standard benefits. An additional \$142,576 was recognized as compensation expense for financial reporting purposes with the 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. On May 7, 2008, Mr. Musser was granted a 3,000 share stock option at fair market value. The fair value of these options of \$61,707 will be expensed on a straight-line basis over their five year vesting period in accordance with SFAS 123R.

Rachel Mancuso, the daughter of Jean-Claude Carcaillet, Senior Vice President Australasia, was employed as District Manager of the Company's Sydney office at a base salary of \$46,422 (AUD 54,446) and was paid incentive compensation based on branch profitability in the amount of \$823,644 (AUD 966,018) in addition to standard benefits. An additional \$44,356 was recognized as compensation expense for financial reporting purposes with the 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. On May 7, 2008, Ms. Mancuso was granted a 3,000 share stock option at fair market value. The fair value of these options of \$52,766 will be expensed on a straight-line basis over their five year vesting period in accordance with SFAS 123R.

Allen J.L. Wang, the son of James L.K. Wang, President Asia and Director, was employed as General Manager Accounting Support at a base salary of \$66,061 (CNY 457,072) and was paid incentive compensation based on the profitability of Asia offices in the amount of \$813,739 (HKD 3,568,500 and CNY 2,456,961) in addition to standard benefits. An additional \$54,071 was recognized as compensation expense for financial reporting purposes with the 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. On May 7, 2008, Mr. Wang was granted a 2,000 share stock option at fair market value. The fair value of these options of \$35,177 will be expensed on a straight-line basis over their five year vesting period in accordance with SFAS 123R.

In connection with the acquisition of the assets of certain Asia affiliates (including Taiwan) effective January 1, 1984, the Company agreed to use its best efforts, so long as James L.K. Wang remains a shareholder of the Company and is employed by the Company or any of its affiliates or exclusive agents, to cause one person nominated by Mr. Wang to be elected to the Company's Board of Directors. In addition, the Company agreed that it will make no appointment of a manager for any Asia office without prior consultation with Mr. Wang so long as he remains a shareholder of the Company and is employed by the Company or one of its affiliates or exclusive agents. Pursuant to this agreement, Mr. Wang has been nominated for re-election to the Company's Board of Directors.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act of 1934, as amended, requires that the Company's directors, certain of its officers, and persons who own more than ten percent of a registered class of the Company's equity securities, file reports of ownership on Form 3 and changes of ownership on Form 4 or 5 with the SEC and the National Association of Securities Dealers. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all such forms they file.

Based solely on its review of the copies of such forms received by the Company, and on written representations by the Company's officers and directors regarding their compliance with the filing requirements, the Company believes that all reports required from its officers, directors and greater than 10% beneficial owners were filed on a timely basis during 2008.



**DEADLINES FOR SHAREHOLDER PROPOSALS FOR THE  
2010 ANNUAL MEETING OF SHAREHOLDERS**

Pursuant to Rule 14a-8 under the Exchange Act, certain shareholder proposals may be eligible for inclusion in the Company's proxy materials for the 2010 Annual Meeting of Shareholders. In order to be eligible for inclusion, such proposals must be received by the Secretary at the Company's principal executive offices no later than November 20, 2009. Such proposals also must comply with SEC regulations regarding the inclusion of shareholder proposals in company-sponsored materials.

The Company's bylaws provide a formal procedure for bringing business before the Annual Meeting of Shareholders. A shareholder proposing to present a matter (other than a proposal brought pursuant to Rule 14a-8 under the Exchange Act) before the 2010 Annual Meeting of Shareholders or nominate a candidate for election to the Board of Directors at the 2010 Annual Meeting of Shareholders must deliver notice of the proposal or nomination to the Secretary at the Company's principal executive offices between January 13, 2010 and February 12, 2010. In the event that the date of the Annual Meeting of Shareholders is more than 30 days before or more than 60 days after May 12, 2010, notice of the proposal or nomination must be delivered to the Secretary at the Company's principal executive offices not earlier than the 120th day prior to the date of the annual meeting and not later than the later of the 90th day prior to the date of the annual meeting or, if the first public announcement of the date of the annual meeting is less than 100 days prior to the date of the annual meeting, the 10th day following the day on which the Company first makes a public announcement of the date of the meeting. The shareholder's notice must include the specified information concerning the proposal or nominee as described in the Company's bylaws. The Company will not consider any proposal or nomination that does not meet the Company's bylaw requirements or SEC requirements for submitting a proposal or nomination. Pursuant to Rule 14a-4(c)(1) under the Exchange Act, the proxies designated by the Company for the 2010 Annual Meeting of Shareholders will have discretionary authority to vote with respect to any matter presented at the meeting if the Company has not received notice of the matter by the dates required under the Company's bylaws, as described above, and in certain other instances specified in that rule.

**SOLICITATION OF PROXIES**

The proxy accompanying this Proxy Statement is solicited by the Board of Directors of the Company. Proxies may be solicited by officers, directors and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. In addition, the Company has agreed to pay the firm of Advantage Proxy a fee of \$10,000 plus reasonable expenses for proxy solicitation services. Solicitations of proxies may be made personally, or by mail, telephone, telegraph, facsimile or messenger.

The Company, if requested, will pay persons holding shares of Common Stock in their names or in the names of nominees, but not owning such shares beneficially, such as brokerage houses, banks and other fiduciaries, for the expense of forwarding soliciting materials to their principals. All such costs of solicitation of proxies will be paid by the Company.

By Order of the Board of Directors  
/s/ Amy J. Tangeman  
Amy J. Tangeman  
Secretary

Seattle, Washington

March 20, 2009

**EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.****2009 STOCK OPTION PLAN**

This 2009 Stock Option Plan (the "2009 Option Plan") provides for the grant of options to acquire shares of common stock, \$.01 par value (the "Common Stock"), of EXPEDITORS INTERNATIONAL OF WASHINGTON, INC., a Washington corporation (the "Company"). Stock options granted under this 2009 Option Plan that qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), are referred to in this 2009 Option Plan as "Incentive Stock Options." Incentive Stock Options and stock options that do not qualify under Section 422 of the Code ("Non-Qualified Stock Options") granted under this 2009 Option Plan are referred to as "Options."

**1. PURPOSES.**

The purposes of this 2009 Option Plan are to retain the services of valued key employees of the Company, its subsidiaries and such other affiliates as the Plan Administrator shall select in accordance with Section 3 below; to encourage such persons to acquire a greater proprietary interest in the Company, thereby strengthening their incentive to achieve the objectives of the shareholders of the Company; and to serve as an aid and inducement in the hiring of new employees.

**2. ADMINISTRATION.**

This 2009 Option Plan shall be administered by the Board of Directors of the Company (the "Board") if each director is an "outside director" (as defined below). If all directors are not outside directors, the 2009 Option Plan shall be administered by a committee designated by the Board and composed of two (2) or more members of the Board that are "non-employee directors" and "outside directors" (as defined below), which committee (the "Committee") may be the compensation committee or a separate committee especially created for this purpose. The term "non-employee director" shall have the meaning assigned to it under Rule 16b-3 (as amended from time to time) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule or regulatory requirement. The term "outside director" shall have the meaning assigned under Section 162(m) of the Code (as amended from time to time) and the regulations (or any successor regulations) promulgated thereunder ("Section 162(m) of the Code"). The Committee shall have the powers and authority vested in the Board hereunder (including the power and authority to interpret any provision of this 2009 Option Plan or of any Option). The members of any such Committee shall serve at the pleasure of the Board. A majority of the members of the Committee shall constitute a quorum, and all actions of the Committee shall be taken by a majority of the members present. Any action may be taken by a written instrument signed by all of the members of the Committee and any action so taken shall be fully effective as if it had been taken at a meeting. The Board, or any committee thereof appointed to administer the 2009 Option Plan, is referred to herein as the "Plan Administrator."

Subject to the provisions of this 2009 Option Plan, and with a view to effecting its purpose, the Plan Administrator shall have sole authority, in its absolute discretion, to (a) construe and interpret this 2009 Option Plan; (b) define the terms used in this 2009 Option Plan; (c) prescribe, amend and rescind rules and regulations relating to this 2009 Option Plan; (d) correct any defect, supply any omission or reconcile any inconsistency in this 2009 Option Plan; (e) grant Options under this 2009 Option Plan; (f) determine the individuals to whom Options shall be granted under this 2009 Option Plan and whether the Option is an Incentive Stock Option or a Non-Qualified Stock Option; (g) determine the time or times at which Options shall be granted under this 2009 Option Plan; (h) determine the number of shares of Common Stock subject to each Option, the exercise price of each Option, the duration of each Option and the times at which each Option shall become exercisable;

(i) determine all other terms and conditions of Options; and (j) make all other determinations necessary or advisable for the administration of this 2009 Option Plan. All decisions, determinations and interpretations made by the Plan Administrator shall be binding and conclusive on all participants in this 2009 Option Plan and on their legal representatives, heirs and beneficiaries.

The Board or the Committee may delegate to one or more executive officers of the Company the authority to grant Options under this 2009 Option Plan to employees of the Company who, on the Date of Grant, are not subject to Section 16(b) of the Exchange Act with respect to the Common Stock ( Non-Insiders ), and are not covered employees as such term is defined for purposes of Section 162(m) of the Code ( Non-Covered Employees ), and in connection therewith the authority to determine: (a) the number of shares of Common Stock subject to such Option; (b) the duration of the Option; (c) the vesting schedule for determining the times at which such Option shall become exercisable; and (d) all other terms and conditions of such Options. The exercise price for any Option granted by action of an executive officer or officers pursuant to such delegation of authority shall not be less than the fair market value per share of the Common Stock on the Date of Grant. Such delegation of authority shall not include the authority to accelerate the vesting, extend the period for exercise or otherwise alter the terms of outstanding Options. The term Plan Administrator when used in any provision of this 2009 Option Plan other than Sections 2, 5(m), 5(n) and 12 shall be deemed to refer to the Board or the Committee, as the case may be, and an executive officer who has been authorized to grant Options pursuant thereto, insofar as such provisions may be applied to persons that are Non-Insiders and Non-Covered Employees and Options granted to such persons.

### 3. ELIGIBILITY.

Incentive Stock Options may be granted to any individual who, at the time the Option is granted, is an employee of the Company or any Related Corporation (as defined below), including employees who are directors of the Company ( Employees ). Non-Qualified Stock Options may be granted to Employees and to such other persons who are employed by affiliated companies, other than directors who are not Employees, as the Plan Administrator shall select. Options may be granted in substitution for outstanding Options of another corporation in connection with the merger, share exchange, acquisition of property or stock or other reorganization between such other corporation and the Company or any subsidiary of the Company. Any person to whom an Option is granted under this 2009 Option Plan is referred to as an Optionee. Any person who is the owner of an Option is referred to as a Holder.

As used in this 2009 Option Plan, the term Related Corporation shall mean any corporation (other than the Company) that is a Parent Corporation of the Company or Subsidiary Corporation of the Company, as those terms are defined in Sections 424(e) and 424(f) respectively, of the Code (or any successor provisions), and the regulations thereunder (as amended from time to time).

### 4. STOCK.

The Plan Administrator is authorized to grant Options to acquire up to a total of 3,000,000 shares of the Company's authorized but unissued Common Stock during the period beginning with the Effective Date as provided for in Section 7 and ending on April 30, 2009 ( Option Grant Period ). The number of shares with respect to which Options may be granted hereunder is subject to adjustment as set forth in Subsection 5(m) hereof. In the event that any outstanding Option expires or is terminated for any reason, the shares of Common Stock allocable to the unexercised portion of such Option may again be subject to an Option to the same Optionee or to a different person eligible under Section 3 of this 2009 Option Plan so long as the grant is made within the Option Grant Period; *provided however*, that any canceled Options will be counted against the

maximum number of shares with respect to which Options may be granted to any particular person as set forth in Section 6 hereof.

5. TERMS AND CONDITIONS OF OPTIONS.

Each Option granted under this 2009 Option Plan shall be evidenced by a written or online agreement approved by the Plan Administrator (the Agreement ). Agreements may contain such provisions, not inconsistent with this 2009 Option Plan, as the Plan Administrator in its discretion may deem advisable. All Options also shall comply with the following requirements:

(a) *Number of Shares and Type of Option.*

Each Agreement, in itself or by reference to a service provider's stock option website, shall state the number of shares of Common Stock to which it pertains and whether the Option is intended to be an Incentive Stock Option or a Non-Qualified Stock Option. In the absence of action to the contrary by the Plan Administrator in connection with the grant of an Option, all Options shall be Non-Qualified Stock Options. The aggregate fair market value (determined at the Date of Grant, as defined below) of the stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year shall not exceed \$100,000, or such other limit as may be prescribed by the Code as it may be amended from time to time. Any portion of an Option which exceeds the annual limit shall not be void, but rather shall be a Non-Qualified Stock Option.

(b) *Date of Grant.*

Each Agreement, in itself or by reference to a service provider's stock option website, shall state the date within the Option Grant Period that the Plan Administrator has deemed to be the effective date of the Option for purposes of this 2009 Option Plan (the Date of Grant ).

(c) *Option Price.*

Each Agreement, in itself or by reference to a service provider's stock option website, shall state the price per share of Common Stock at which it is exercisable. The exercise price shall be fixed by the Plan Administrator at whatever price the Plan Administrator may determine in the exercise of its sole discretion; *provided* that the per share exercise price for any Option granted shall not be less than the fair market value per share of the Common Stock at the Date of Grant as determined by the Plan Administrator in good faith; *provided further*, that with respect to Incentive Stock Options granted to greater-than-10 percent (> 10%) shareholders of the Company (as determined with reference to Section 424(d) of the Code), the exercise price per share shall not be less than 110 percent (110%) of the fair market value per share of the Common Stock at the Date of Grant as determined by the Plan Administrator in good faith; and, *provided further*, that Options granted in substitution for outstanding options of another corporation in connection with the merger, share exchange, acquisition of property or stock or other reorganization involving such other corporation and the Company or any subsidiary of the Company may be granted with an exercise price equal to the exercise price for the substituted option of the other corporation, subject to any adjustment consistent with the terms of the transaction pursuant to which the substitution is to occur.

(d) *Duration of Options.*

At the time of the grant of the Option, the Plan Administrator shall designate, subject to Subsection 5(g) below, the expiration date of the Option, which date shall not be later than ten (10) years from the Date of Grant; *provided*, that the expiration date of any Incentive Stock Option granted to a greater-than-10 percent (>10%) shareholder of the Company (as determined with reference to Section 424(d) of the Code) shall not be later than five (5) years from the Date of Grant. In the absence of action to the contrary by the

Plan Administrator in connection with the grant of a particular Option, and except in the case of Incentive Stock Options as described above, all Options granted under this Section 5 shall expire ten (10) years from the Date of Grant.

(e) *Vesting Schedule.*

No Option shall be exercisable until it has vested. The vesting schedule for each Option shall be fifty percent (50%) vested three (3) years from the Date of Grant, seventy-five percent (75%) vested four (4) years from the Date of Grant and one hundred percent (100%) vested five (5) years from the Date of Grant.

(f) *Acceleration of Vesting.*

The vesting of one or more outstanding Options may be accelerated by the Plan Administrator at such times and in such amounts as it shall determine in its sole discretion. The vesting of Options also shall be accelerated under the circumstances described in Subsection 5(n) below.

(g) *Term of Option.*

Vested Options shall terminate, to the extent not previously exercised, upon the occurrence of the first of the following events: (i) the expiration of the Option, as designated by the Plan Administrator in accordance with Subsection 5(d) above; (ii) the expiration of three (3) months following the date of an Optionee's termination of employment with the Company, any Related Corporation or any affiliated company, as the case may be, other than as a result of death or Disability; or (iii) the expiration of six (6) months following (A) the date of death of the Optionee or (B) cessation of an Optionee's employment by reason of Disability (as defined below). If an Optionee's employment or contractual relationship is terminated by death, any Option held by the Optionee shall be exercisable only by the person or persons to whom such Optionee's rights under such Option shall pass by the Optionee's will or by the laws of descent and distribution of the state or country of the Optionee's domicile at the time of death. For purposes of the 2009 Option Plan, Disability shall mean that the Optionee is unable engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months. This definition of Disability is intended to comply with, and will be interpreted consistently with, sections 22(e)(3) and 422(c)(6) of the Code. Upon making a determination of Disability, the Plan Administrator shall, for purposes of the 2009 Option Plan, determine the date of an Optionee's termination of employment.

Unless accelerated in accordance with Subsection 5(f) above, unvested Options shall terminate immediately upon termination of employment of the Optionee by the Company or by the Optionee for any reason whatsoever, including death or Disability. For purposes of this 2009 Option Plan, transfer of employment between or among the Company and/or any Related Corporation or affiliated company shall not be deemed to constitute a termination of employment with the Company or any Related Corporation or affiliated company. For purposes of this Subsection with respect to Incentive Stock Options, employment shall be deemed to continue while the Optionee is on military leave, sick leave or other bona fide leave of absence (as determined by the Plan Administrator). The foregoing notwithstanding, employment shall not be deemed to continue beyond the first ninety (90) days of such leave, unless the Optionee's re-employment rights are guaranteed by statute or by contract.

(h) *Exercise of Options.*

Options shall be exercisable, in full or in part, at any time after vesting, until their termination. If less than all of the shares included in the vested portion of any Option are purchased, the remainder may be

purchased at any subsequent time prior to the expiration of the Option term. No portion of any Option for less than ten (10) shares (as adjusted pursuant to Subsection 5(m) below) may be exercised; *provided*, that if the vested portion of any Option is less than ten (10) shares, it may be exercised with respect to all shares for which it is vested. Only whole shares may be issued pursuant to an Option, and to the extent that an Option covers less than one (1) share, it is unexercisable.

Options or portions thereof may be exercised by giving written notice to the Company, which notice shall specify the number of shares to be purchased, and be accompanied by payment in the amount of the aggregate exercise price for the Common Stock so purchased, which payment shall be in the form specified in Subsection 5(i) below. The Company shall not be obligated to issue, transfer or deliver a certificate of Common Stock to the Holder of any Option, until provision has been made by the Holder, to the satisfaction of the Company, for the payment of the aggregate exercise price for all shares for which the Option shall have been exercised and for satisfaction of any tax withholding obligations associated with such exercise. During the lifetime of an Optionee, Options are exercisable only by the Optionee or a transferee who takes title to the Option in the manner permitted by Subsection 5(k) hereof.

(i) *Payment upon Exercise of Option.*

Upon the exercise of any Option, the aggregate exercise price shall be paid to the Company by wire transfer, or, if permitted by the Plan Administrator, in cash, by cashier's check or any other method approved by the Plan Administrator. In addition, the Holder may pay for all or any portion of the aggregate exercise price by delivering to the Company shares of Common Stock previously held by such Holder which shall be valued at fair market value as of the date of exercise (as determined by the Plan Administrator).

(j) *Rights as a Shareholder.*

A Holder shall have no rights as a shareholder with respect to any shares covered by an Option until such Holder becomes a record holder of such shares, irrespective of whether such Holder has given notice of exercise. Subject to the provisions of Subsections 5(m) and 5(n) hereof, no rights shall accrue to a Holder and no adjustments shall be made on account of dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights declared on, or created in, the Common Stock for which the record date is prior to the date the Holder becomes a record holder of the shares of Common Stock covered by the Option, irrespective of whether such Holder has given notice of exercise.

(k) *Transfer of Option.*

Options granted under this 2009 Option Plan and the rights and privileges conferred by this 2009 Option Plan may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will, by applicable laws of descent and distribution, and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any Option or of any right or privilege conferred by this 2009 Option Plan contrary to the provisions hereof, or upon the sale, levy or any attachment or similar process upon the rights and privileges conferred by this 2009 Option Plan, such Option shall thereupon terminate and become null and void.

(l) *Securities Regulation and Tax Withholding.*

(1) Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant provisions of law, including, without limitation, Section 162(m) of the Code, any applicable state securities laws, the Securities Act

of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any stock exchange or automated inter-dealer quotation system of a registered national securities association upon which such shares may then be listed, and such issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any shares under this 2009 Option Plan, or the unavailability of an exemption from registration for the issuance and sale of any shares under this 2009 Option Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such shares.

As a condition to the exercise of an Option, the Plan Administrator may require the Holder to represent and warrant in writing at the time of such exercise that the shares are being purchased only for investment and without any then-present intention to sell or distribute such shares. At the option of the Plan Administrator, a stop-transfer order against such shares may be placed on the stock books and records of the Company, and a legend indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such shares in order to assure an exemption from registration. The Plan Administrator also may require such other documentation as may from time to time be necessary to comply with Federal and state securities laws.

(2) The Holder shall pay to the Company by certified or cashier's check, unless another method is permitted by the Plan Administrator, promptly upon exercise of an Option or, if later, the date that the amount of such obligations becomes determinable, all applicable Federal, state, local and foreign withholding taxes that the Plan Administrator, in its discretion, determines to result upon exercise of an Option or from a transfer or other disposition of shares of Common Stock acquired upon exercise of an Option or otherwise related to an Option or shares of Common Stock acquired in connection with an Option.

(3) The issuance, transfer or delivery of certificates of Common Stock pursuant to the exercise of Options may be delayed, at the discretion of the Plan Administrator, until the Plan Administrator is satisfied that the applicable requirements of the Federal and state securities laws and the withholding provisions of the Code have been met.

(m) *Stock Dividend or Reorganization.*

(1) If (i) the Company shall at any time be involved in a transaction described in Section 424(a) of the Code (or any successor provision) or any corporate transaction described in the regulations thereunder; (ii) the Company shall declare a dividend payable in, or shall subdivide or combine, its Common Stock or (iii) any other event with substantially the same effect shall occur, the Plan Administrator shall, subject to applicable law, with respect to each outstanding Option, proportionately adjust the number of shares of Common Stock subject to such Option and/or the exercise price per share so as to preserve the rights of the Holder substantially proportionate to the rights of the Holder prior to such event, and to the extent that such action shall include an increase or decrease in the number of shares of Common Stock subject to outstanding Options, the number of shares available under Section 4 of this 2009 Option Plan shall automatically be increased or decreased, as the case may be, proportionately, without further action on the part of the Plan Administrator, the Company, the Company's shareholders, or any Holder.

(2) In the event that the presently authorized capital stock of the Company is changed into the same number of shares with a different par value, or without par value, the stock resulting from any such change shall be deemed to be Common Stock within the meaning of the 2009 Option Plan, and



each Option shall apply to the same number of shares of such new stock as it applied to old shares immediately prior to such change.

(3) The foregoing adjustments in the shares subject to Options shall be made by the Plan Administrator, or by any successor administrator of this 2009 Option Plan, or by the applicable terms of any assumption or substitution document.

(4) The grant of an Option shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge, consolidate or dissolve, to liquidate or to sell or transfer all or any part of its business or assets.

(n) *Change in Control.*

(1) If at any time there is a Change in Control (as defined below) of the Company, all Options outstanding at the date thereof shall accelerate and become fully vested and exercisable in full for the duration of the Option term as of the later of the date of the Change in Control or six months after the Date of Grant of the Option. For purposes of this Subsection, Change in Control shall mean either one of the following:

(i) when any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act as amended (other than the Company, a subsidiary thereof or a Company employee benefit plan, including any trustee of such plan acting as trustee) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; or (ii) the occurrence of a transaction requiring shareholder approval, and involving the sale of all or substantially all of the assets of the Company or the merger of the Company with or into another corporation.

(2) Except as provided in this Section 5, no Optionee or Holder shall have rights by reason of any subdivision or consolidation of shares of stock of any class including Common Stock or the payment of any stock dividend on shares of Common Stock, or any other increase or decrease in the number of shares of Common Stock, or by reason of any liquidation, dissolution, corporate combination or division; and any issuance by the Company of shares of stock of any class including Common Stock, or securities convertible into shares of stock of any class including Common Stock, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to any Option.

#### 6. LIMITATION ON INDIVIDUAL OPTION GRANTS.

Except as otherwise provided in this Section 6, no person shall be eligible to receive Options to purchase more than 100,000 shares of Common Stock.

#### 7. EFFECTIVE DATE; TERM.

The date on which this 2009 Option Plan is adopted (the Effective Date) shall be the date of ratification by the shareholders. No Option shall be granted by the Plan Administrator prior to the approval of this 2009 Option Plan by a vote of the shareholders of the Company. For purposes of granting Options, the 2009 Option Plan shall terminate at midnight on April 30, 2009, unless terminated before then by the Plan Administrator and for other purposes the 2009 Option Plan shall remain in effect as long as any Options are outstanding. In any event, the 2009 Option Plan shall finally terminate no later than May 7, 2019.

8. NO OBLIGATIONS TO EXERCISE OPTION.

The grant of an Option shall impose no obligation upon the Optionee to exercise such Option.

9. NO RIGHT TO OPTIONS OR TO EMPLOYMENT.

Whether or not any Options are to be granted under this 2009 Option Plan shall be exclusively within the discretion of the Plan Administrator, and nothing contained in this 2009 Option Plan shall be construed as giving any person any right to participate under this 2009 Option Plan. The grant of an Option shall in no way constitute any form of agreement or understanding binding on the Company, any Related Company or any affiliate, express or implied, that the Company, any Related Company or any affiliate will employ or contract with an Optionee for any length of time, nor shall it interfere in any way with the Company's or, where applicable, a Related Company's or affiliate's right to terminate Optionee's employment at any time, which right is hereby reserved.

10. APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Common Stock issued upon the exercise of Options shall be used to purchase and retire Common Stock pursuant to Rule 10b-18 to the extent such transactions have been authorized by the Board and in other cases for general corporate purposes, unless otherwise directed by the Board.

11. INDEMNIFICATION OF PLAN ADMINISTRATOR.

In addition to all other rights of indemnification they may have as members of the Board, members of the Plan Administrator shall be indemnified by the Company for all reasonable expenses and liabilities of any type or nature, including attorneys' fees, incurred in connection with any action, suit or proceeding to which they or any of them are a party by reason of, or in connection with, this 2009 Option Plan or any Option granted under this 2009 Option Plan, and against all amounts paid by them in settlement thereof (*provided* that such settlement is approved by independent legal counsel selected by the Company), except to the extent that such expenses relate to matters for which it is adjudged that such Plan Administrator member is liable for willful misconduct; *provided*, that within fifteen (15) days after the institution of any such action, suit or proceeding, the Plan Administrator member involved therein shall, in writing, notify the Company of such action, suit or proceeding, so that the Company may have the opportunity to make appropriate arrangements to prosecute or defend the same.

12. AMENDMENT OF 2009 OPTION PLAN.

The Plan Administrator may, at any time, modify, amend or terminate this 2009 Option Plan or modify or amend Options granted under this 2009 Option Plan, including, without limitation, such modifications or amendments as are necessary to maintain compliance with applicable statutes, rules or regulations; *provided however*, no amendment with respect to an outstanding Option which has the effect of reducing the benefits afforded to the Holder thereof shall be made over the objection of such Holder, *provided further*, that the Plan Administrator is prohibited from any downward modification of the Option Price established under Section 5(c) not specifically authorized in the 2009 Option Plan. The Plan Administrator may condition the effectiveness of any such amendment on the receipt of shareholder approval at such time and in such manner as the Plan Administrator may consider necessary for the Company to comply with or to avail the Company and/or the Optionees of the benefits of any securities, tax, market listing or other administrative or regulatory requirement.

The Effective Date of this 2009 Option Plan was established by vote of the shareholders of the Company held on May 6, 2009.

## EXPEDITORS INTERNATIONAL OF WASHINGTON, INC.

## 2009 STOCK OPTION PLAN

STOCK OPTION AGREEMENT

THIS AGREEMENT is entered into as of , 2009 (the Date of Grant ) between Expeditors International of Washington, Inc., a Washington corporation (the Company ), and the option grant recipient (the Optionee ).

WHEREAS, the Company has approved and adopted the 2009 Stock Option Plan (the Plan ), pursuant to which the Board of Directors is authorized to grant to employees of the Company and its subsidiaries and affiliates stock options to purchase common stock, \$.01 par value, of the Company (the Common Stock );

WHEREAS, the Plan provides for the granting of stock options that either (i) are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code ), or (ii) do not qualify under Section 422 of the Code ( Non-Qualified Stock Options );

WHEREAS, on , 2009 (the Date of Grant ), the Company authorized the grant to the Optionee of an [an Incentive Stock Option][a Non-Qualified Stock Option] to purchase shares of Common Stock (the Option );

NOW, THEREFORE, the Company hereby grants to Optionee the option to purchase, upon the terms and conditions set forth herein and in the Plan, shares of Common Stock, as stated in the initial grant notice and/or Optionee s account at a service provider s stock option website. (At the time of this grant, Optionee views and accepts the Option at the self-service website of Transcentive, a Computershare company: <https://admin01.transcentive.com>.)

1. Type of Option. This option is intended to be [an Incentive Stock Option][a Non-Qualified Stock Option].
2. Date of Grant. This option was granted on , 2009.
3. Exercise Price. The exercise price for the Option shall be \$ per share.
4. Limitation on the Number of Shares. The tax treatment set forth in Section 422 of the Code is subject to certain limitations. These limitations, which are described in Section 5(a) of the Plan and are based upon the Code, generally limit the number of shares that will qualify under Section 422 in any given calendar year. Under Section 5(a) any portion of an Option that exceeds the annual limit shall be a Non-Qualified Stock Option. The Company can make no representation that any of this Option will actually qualify under Section 422 when exercised.
5. Vesting Schedule.

Vesting Date	Portion of Total Option Which Will Be Exercisable
, 2012	50%
, 2013	75%
, 2014	100%

Upon any Change in Control of the Company, as defined in the Plan, the Option shall accelerate and become fully vested and exercisable in accordance with Section 5(n) of the Plan.

6. Option Not Transferable. This Option may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the laws of descent and

distribution, and shall not be subject to execution, attachment or similar process. Should any of the foregoing occur, Section 4 of the Plan provides that this Option shall terminate and become null and void.

7. Investment Intent. By accepting this Option, Optionee represents and agrees for himself, and all persons who acquire rights in this Option in accordance with the Plan through Optionee, that none of the shares of Common Stock purchased upon exercise of this Option will be distributed in violation of applicable federal and state laws and regulations, and Optionee shall furnish evidence satisfactory to the Company (including a written and signed representation letter and a consent to be bound by all transfer restrictions imposed by applicable law, legend condition, or otherwise) to that effect, prior to delivery of the purchased shares of Common Stock.

8. Termination of Option. A vested Option shall terminate, to the extent not previously exercised, upon the occurrence of the first of the following events:

- (i) ten years from the Date of Grant;
- (ii) the expiration of three (3) months following the date of an Optionee's termination of employment with the Company for any reason other than death or Disability; or
- (iii) the expiration of six (6) months following the date of death of the Optionee or the cessation of employment of the Optionee by reason of Disability.

In the event of death of the Optionee, the Option shall be exercisable only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or by the laws of descent and distribution of the state or county of the Optionee's domicile at the time of death. Each unvested Option granted pursuant hereto shall terminate upon the Optionee's termination of employment for any reason whatsoever, including death or Disability. For Incentive Stock Option purposes, Disability shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months. This definition of Disability is intended to comply with, and will be interpreted consistently with, Sections 22(e)(3) and 422(c)(6) of the Code.

9. Stock. In the case of any stock split, stock dividend or like change in the nature of shares granted by this Agreement, the number of shares and option price shall be proportionately adjusted as set forth in Section 5(m) of the Plan.

10. Exercise of Option. Each exercise of this Option shall be by means of written notice delivered to the Company at its principal executive office in Seattle, Washington, specifying the number of shares of Common Stock to be purchased. Upon each exercise of this Option, the full exercise price for the Common Stock to be purchased together with the amount necessary for the Company to satisfy its withholding obligation imposed by the Internal Revenue Code of 1986, if any, shall be paid to the Company by wire transfer, except to the extent another method of payment is permitted by the Plan Administrator. Alternatively, the Optionee may pay for all or any portion of the exercise price by delivery of previously acquired shares of Common Stock with a fair market value equal to or greater than the full exercise price or by complying with any other payment mechanism which the Plan Administrator may approve at the time of exercise. The exercise date of this Option shall be the date of the Company's receipt of the full exercise price for the Common Stock to be purchased.

11. Holding Period for Incentive Stock Options. In order to obtain the favorable tax treatment currently provided by Section 422 of the Code, the shares of Common Stock must be sold, if at all, after a date which is the later of two (2) years from the date of grant of the Incentive Stock Option or one (1) year from the date upon which the Option is exercised. The Optionee agrees to report sales of such shares prior to the above determined date within one (1) business day after such sale is concluded.

12. Optionee Acknowledgments. Optionee acknowledges that he has read and understands the terms of this Agreement and that:

(a) The issuance of shares of Common Stock pursuant to the exercise of this Option, the issuance of any securities with respect to such Common Stock by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or reorganization, and any resale of any such shares of Common Stock, may only be effected in compliance with applicable state and federal laws and regulations, including the Securities Act of 1933, as amended (the Securities Act );

(b) By acceptance of the Option, he agrees to defend, indemnify and hold the Company harmless from and against loss or liability arising from the transfer of the Option or any Common Stock issued pursuant thereto or any interest therein in violation of the provisions of the Securities Act or of this Option Agreement;

(c) He agrees that prior to any exercise of the Option, he will seek access to all information relating to the merits and risks of acquiring Common Stock necessary to make an informed decision;

(d) He is not entitled to any rights as a shareholder with respect to any shares of Common Stock issuable hereunder until he becomes a shareholder of record;

(e) The shares of Common Stock subject hereto may be adjusted in the event of certain organic changes in the capital structure of the Company or for any other reason permitted by the Plan; and

(f) This Agreement does not constitute an employment agreement nor does it entitle Optionee to any specific employment or to employment for a period of time, and Optionee's continued employment, if any, with the Company shall be at will and is subject to termination in accordance with the Company's prevailing policies and any other agreement between Optionee and the Company.

13. Professional Advice. The acceptance and exercise of the Option and the sale of Common Stock issued pursuant to exercise of the Option may have consequences under federal and state tax and securities laws which may vary depending on the individual circumstances of the Optionee. Accordingly, the Optionee acknowledges that he has been advised to consult his personal legal and tax advisor in connection with this Agreement and his dealings with respect to the Option or the Common Stock.

14. Notices. Any notice required or permitted to be made or given hereunder shall be hand delivered or mailed by certified or registered mail to the Company's address set forth below, or to the Optionee's address on file at the Company's Stock Administration department or as changed from time to time by written notice to the other.

Notices shall be deemed received and effective upon the earlier of (i) hand delivery to the recipient, (ii) five days after the date of postmark by the United States Postal Service or its successor or (iii) posting on the service provider's stock option website.

Company:

Expeditors International

of Washington, Inc.  
Attention: Stock Administration  
1015 Third Avenue, 12<sup>th</sup> Floor  
Seattle, Washington 98104

15. Agreement Subject to Plan. This Option and this Agreement evidencing and confirming the same are subject to the terms and conditions set forth in the Plan and in any amendments to the Plan existing now or in the future, which terms and conditions are incorporated herein by reference. A copy will be made available upon request. Should any conflict exist between the provisions of the Plan and those of this Agreement, those of the Plan shall govern and control. This Agreement and the Plan set forth the entire understanding between the Company and the Optionee with respect to the Option and shall be construed and enforced under the laws of the State of Washington.

Dated as of the    day of    , 2009.

EXPEDITORS INTERNATIONAL

OF WASHINGTON, INC.

By  
Chairman and C.E.O.

























