EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEF 14A
April 04, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Expeditors International of Washington, Inc.
(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):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(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):
	(4)	Proposed maximum aggregate value of transaction:
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o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
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EXPEDITORS INTERNATIONAL
OF WASHINGTON, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 3, 2006

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 3, 2006, at the Company s offices located at 1015 Third Avenue, Seattle, Washington, for the following purposes:

(1) To elect seven (7) 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 2006 Stock Option Plan;

(3) To approve and ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2006;

(4) To consider a shareholder proposal to amend the existing equal opportunity policy to specifically include sexual orientation; and

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

Shareholders of record on the books of the Company at the close of business on March 10, 2006, will be entitled to notice of and to vote at the meeting and any adjournment thereof.

By Order of the Board of Directors

Jeffrey J. King
Secretary

Seattle, Washington
March 31, 2006

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, Suite 1200
Seattle, Washington 98104

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
MAY 3, 2006

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 3, 2006, at 2:00 p.m. local time, and at any adjournment or adjournments thereof. Only shareholders of record on the books of the Company at the close of business on March 10, 2006 (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 2005 Annual Report to Shareholders will be mailed to shareholders on or about March 31, 2006.

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 2006 Stock Option Plan, for approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm and against the shareholder proposal calling for an amendment to the Company s equal employment opportunity policy. 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 106,834,641 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 charter documents, if a quorum is present, the seven nominees for election to the Board of Directors who receive the greatest number of 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 have no effect on the election of directors. With respect to the proposals to approve and ratify adoption of the 2006 Stock Option Plan, the appointment of KPMG LLP as the Company s independent registered public accounting firm and the shareholder proposal calling for an amendment to the Company s equal employment opportunity policy, such proposals will be approved by a majority of the votes cast, including abstentions, by persons present at the Annual Meeting or represented by proxy and entitled to vote on the proposal. An abstention from voting on either proposal will have the effect of a vote Against. Broker non-votes on a proposal will, however, have no effect because such non-votes are not considered shares entitled to vote on the 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 National Market under the symbol EXPD. The last sale price for the Common Stock, as reported by NASDAQ on March 10, 2006, was $80.65 per share.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth information, as of March 10, 2006, 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**
Ruane, Cunniff & Goldfarb Inc.(1) 767 Fifth Avenue New York, NY 10153-4798	9,457,398	8.85 %
Delaware Management Holdings (2) 2005 Market Street Philadelphia, PA 19103	6,384,268	5.98 %
FMR Corp. (3) 82 Devonshire Street Boston, MA 02109	5,548,356	5.19 %

(1) The holding shown is as of December 31, 2005, according to Schedule 13G dated February 14, 2006 filed by Ruane, Cunniff & Goldfarb Inc. (Ruane), an investment advisor. Ruane reports that it has sole voting power with respect to 3,839,635 shares.

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(2) The holding shown is as of December 31, 2005, according to Schedule 13G dated February 8, 2006 filed by Delaware Management Holdings, a holding company, and Delaware Management Business Trust, an investment advisor. Delaware Management Holdings and Delaware Management Business Trust report that they have sole voting power with respect to 6,024,605 shares and sole dispositive power with respect to 6,194,268 shares.

(3) The holding shown is as of December 31, 2005, according to Schedule 13G dated February 14, 2006 filed by FMR Corp., a parent holding company on behalf of itself and Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and an investment adviser (Fidelity Management); Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank; and Edward C. Johnson 3d (Mr. Johnson) in his individual capacity and as a predominant shareholder of FMR Corp. Fidelity Management reports that it is the beneficial owner of 5,503,760 shares. FMR Corp. and Mr. Johnson report that they have sole dispositive power with respect to 5,503,760 shares and no sole voting power for these shares. Fidelity Management Trust Company reports that it is the beneficial owner of 23,400 shares. Mr. Johnson and FMR Corp. report that they have sole dispositive power and sole voting power over all 23,400 shares. Strategic Advisers, Inc., a wholly-owned subsidiary of FMR Corp. and an investment adviser reports that it is the beneficial owner of 1,596 shares. Fidelity International Limited, a Bermuda investment advisor owned approximately 38% by a partnership controlled by Mr. Johnson, reports that it is the beneficial owner of 19,600 shares.

PROPOSAL 1 ELECTION OF DIRECTORS

Nominees

The Company by-laws require a Board of Directors composed of not less than six nor more than nine members. A Board of Directors consisting of seven 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. The Board of Directors has unanimously approved the nominees named below. All nominees named below are members of the current Board of Directors.

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 seven 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 not accept the nomination, or otherwise 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.

The following table lists the names and ages, and the amount and nature of the beneficial ownership of Common Stock of each nominee, of each of the Named Executive Officers described in the Summary Compensation Table, and all directors and executive officers as a group at March 10, 2006. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

Name	Age	Amount and Nature of Beneficial Ownership	Percent of Class
Nominees:			
Peter J. Rose(1)	62	1,285,922	1.20 %
James L.K. Wang(2)(3)	57	573,708	*
R. Jordan Gates(4)	50	404,929	*
James J. Casey(5)	73	138,800	*
Dan P. Kourkoumelis(6)	54	166,000	*
Michael J. Malone(7)	61	100,000	*
John W. Meisenbach(7)	69	155,000	*
Additional Named Executives:			
Glenn M. Alger(8)	49	1,007,509	*
Rommel C. Saber(9)	48	343,408	*
Robert L. Villanueva(10)(11)	53	179,488	*
All directors and executive officers as a group (22 persons)(2)(12)(13)		5,781,506	5.41 %

* Less than 1%

(1) Includes 528,000 shares subject to purchase options exercisable within sixty days.

(2) Does not include 804,208 shares gifted to and held by an adult child of Mr. Wang, as to which Mr. Wang disclaims beneficial ownership.

(3) Includes 497,500 shares subject to purchase options exercisable within sixty days.

(4) Includes 279,362 shares subject to purchase options exercisable within sixty days.

(5) Includes 112,000 shares subject to purchase options exercisable within sixty days.

(6) Includes 144,000 shares subject to purchase options exercisable within sixty days.

(7) Includes 80,000 shares subject to purchase options exercisable within sixty days.

(8) Includes 294,362 shares subject to purchase options exercisable within sixty days.

(9) Includes 246,242 shares subject to purchase options exercisable within sixty days.

(10) Does not include 150 shares gifted to a child of Mr. Villanueva as to which Mr. Villanueva disclaims beneficial ownership.

(11) Includes 100,318 shares subject to purchase options exercisable within sixty days.

(12) Includes 3,288,753 shares subject to purchase options exercisable within sixty days.

(13) Does not include 450 shares gifted to children of executive officers as to which they disclaim beneficial ownership.

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All directors hold office until the next annual meeting of shareholders of the Company and until their successors are elected and qualified.

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. since September 1981 and with its successor, E.I. Freight (Taiwan), Ltd., the Company s exclusive Taiwan agent from 1991 to 2004. Mr. Wang s contract is now assigned to ECI Taiwan Co. Ltd., a wholly-owned subsidiary of the Company. In October 1988, Mr. Wang became a director and Director-Far East of the Company and in January 1996 he was elected Executive Vice President. Mr. Wang was named President-Asia in May 2000. Mr. Wang has been nominated for re-election to the Board of Directors pursuant to a contractual undertaking made by the Company in connection with the 1984 acquisition of the Company s Hong Kong, Singapore and Taiwan offices. See Executive Compensation - Employment Contracts and Certain Relationships and Related Transactions.

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. Mr. Gates was elected to the office of Executive Vice President-Chief Financial Officer in May 2000 and has served as a director since that date.

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 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 retailer of high quality recreational and sporting apparel and equipment, in various management capacities, including President-Direct Marketing.

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

Michael J. Malone became a director of the Company in August 1999. In 1971, Mr. Malone founded AEI Music Network, Inc. and served as the Chairman and Chief Executive Officer of this supplier of music services until its merger with DMX Music, Inc. 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 serves on the Board of Directors of Take-Two Interactive Software, Inc., an interactive software games company. Mr. Malone is also the owner/operator of several premium hotel properties after first acquiring

Seattle s Sorrento Hotel in 1981, and owner/operator of Erin Air, Inc., a national jet charter company, since 1985.

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.

Board and Committee Meetings

The Board of Directors of the Company held one meeting during the year ended December 31, 2005 and transacted business on eight occasions during the year by unanimous written consent.

The Board of Directors has an Audit Committee which consists of Messrs. Casey, Kourkoumelis, Malone, and Meisenbach. Mr. Casey has been elected Chairman and our Board of Directors has determined that he is an audit committee financial expert 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 National Association of Securities Dealers listing standards.

The function of the Audit Committee is set forth in the Audit Committee Charter which was published as Appendix A to the 2004 Proxy Statement dated March 31, 2004 and can also be found on the Company s website at *www.investor.expeditors.com.* In general, these responsibilities include meeting with the internal financial staff of the Company and the independent public accountants 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 public accountants 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. The Audit Committee held five meetings during 2005.

The Board of Directors has a Compensation Committee which consists of Messrs. Casey, Kourkoumelis, Malone, and Meisenbach. The function of the Compensation Committee is to consider and act upon management s recommendations to the Board of Directors on salaries, bonuses and other forms of compensation for the Company s executive officers and certain other key employees. The Compensation Committee has been appointed by the Board of Directors to administer the Company s stock option plans. The Compensation Committee held three meetings during 2005.

The Board of Directors has a Nominating Committee which consists of Messrs. Casey, Kourkoumelis, Malone, and Meisenbach. Each member meets the listing standards of the NASDAQ stock market relating to independence and any other applicable legal requirements. The Nominating Committee held one meeting during 2005.

The Nominating Committee Charter states that the Nominating Committee is to 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; and (iii) to recommend to the Board of Directors, on an annual basis, director nominees for each Board of Directors committee. The Nominating Committee Charter and the Policy Statement can be found on the Company s website at *www.investor.expeditors.com*.

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 2005, all members were in attendance.

Directors Compensation

Currently directors who are not employees of the Company are each paid an annual retainer fee of $10,000, as well as $1,000 per diem for attendance at a Board of Directors or committee meetings. Pursuant to the Amended 1993 Directors Non-Qualified Stock Option Plan (1993 Directors Plan), each director who is not an employee of the Company and who is elected to office at the annual meeting of shareholders of any year will, on the first business day of the immediately succeeding month, be automatically granted an option to purchase 16,000 shares of Common Stock at the fair market value of the stock on that date.

Communications with the Board of Directors

The Company does not have formal procedures for shareholder communication with the Board of Directors. Any matter intended for the Board of Directors, or for one or more individual members, should be directed to the Company s corporate secretary at 1015 Third Avenue, Suite 1200, Seattle, Washington 98104, with a request to forward the same to the intended recipient(s). In general, all shareholder communication delivered to the Company s corporate secretary for forwarding to the Board of Directors or specified members will be forwarded in accordance with the instructions received. However, the corporate secretary reserves the right not to forward any abusive, threatening or otherwise inappropriate materials. 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*.

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 a charter (the Audit Charter) which was adopted by action of the Board of Directors on May 3, 2000.

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, are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report 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 the management of the Company the Company s audited financial statements for the year ended December 31, 2005. The Audit Committee has discussed with KPMG LLP (KPMG), the Company s independent registered public accounting firm for 2005, the matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees). 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, 2005.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

James J. Casey, Chairman
Dan P. Kourkoumelis
Michael J. Malone
John W. Meisenbach

EXECUTIVE COMPENSATION

Compensation Committee Interlocks and Insider Participation

Messrs. Casey, Kourkoumelis, Malone and Meisenbach serve as members of the Compensation Committee. No member of the Compensation Committee is or has been an officer or employee of the Company and none had interlocking relationships with any other entities of the type that would be required to be disclosed in this Proxy Statement.

Compensation Committee Report on Executive Compensation

The Company operates in the highly competitive global logistics services industry. The Company believes that the quality of its service depends upon the quality of its officers and employees. In order to succeed, the Company believes that it must be able to attract and retain qualified executives.

The Compensation Committee of the Board of Directors was established to develop and implement compensation policies, plans and programs which seek to:

- attract and retain key executives critical to the long-term success of the Company;
- enhance the profitability of the Company, and thus shareholder value, by aligning closely the financial interests of the Company s senior managers with those of its shareholders; and
- support the short- and long-term strategic goals and objectives of the Company.

Compensation for each of the Named Executive Officers, as well as other senior executives, consists of a base salary, annual incentive bonus compensation, and long-term incentives in the form of stock options. The Compensation Committee considers the competitiveness of the entire compensation package of an executive officer relative to that paid by similar companies when determining base salaries, percentage allocation of the bonus program, and grant 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 is superior to that offered by the Company s competitors in the global logistics services industry.

Base Salary. 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 the Company. This belief is based on the general knowledge of the Compensation Committee and management of 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 elsewhere in this Proxy Statement.

Base salaries for executives are reviewed by the Compensation Committee on an annual basis as part of an overall examination of compensation. The base salary may be changed based on the Compensation Committee s decision that an individual s contribution, duties, and responsibilities to the Company have changed.

The Compensation Committee believes that the total compensation of the Chairman and Chief Executive Officer should be closely linked to operating income, and as a result, the fixed portion (represented by base salary) of the compensation package for this position has remained at the current level since June 1, 1987.

Incentive Compensation. The Company has maintained an incentive bonus program for executive officers since the inception of the Company. In January 1985, the Compensation Committee fixed the aggregate amount of bonuses available under the program at ten percent of pre-bonus operating income. Factors considered in determining the percentage to be made available for distribution included the number of executives participating in the bonus program, as well as the level of Company operations. 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 ten percent of operating income during those years.

The Compensation Committee believes that setting the aggregate executive bonus at a fixed percentage of operating income, with fluctuations in bonuses paid tied to actual changes in operating income, provides both a better incentive to the executives than discretionary bonuses or alternative targeted performance goals, and a more direct relationship between the executives 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 team.

On May 7, 1997 the shareholders approved and ratified the 1997 Executive Incentive Compensation Plan (the 1997 Compensation Plan) which brought the long-established executive incentive compensation plan into technical compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) a provision which applied to the Company for the first time in 1997. The Compensation Committee is responsible for administration of the 1997 Compensation Plan.

Except for Mr. Wang, all bonuses accrued for Named Executive Officers and selected other senior officers after the July 1, 1997 effective date were computed and paid from a pool consisting of ten percent of pre-bonus operating income established and maintained according to the terms of the 1997 Compensation Plan. From the inception of the Company to March 31, 1999, Mr. Wang s bonus was paid from a share in the Company standard bonus program for operating units in Asia under Mr. Wang s supervision. Effective April 1, 1999, Mr. Wang s bonus was computed and paid under the 1997 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 1997 Compensation Plan at the discretion of the Compensation Committee. Individual eligibility and allocation is determined quarterly. Any portion of bonus established in the 1997 Compensation Plan which is not allocated by action of the Compensation Committee may be allocated to key officers determined to be eligible in 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.

The percentage of the bonus pool allocated to the Chairman and Chief Executive Officer has changed periodically to allow increased allocations to other executives and as a result of changes in the total number of participating executives. During 2005, the portion of the executive bonus pool allocated by the

Compensation Committee to the Chairman and Chief Executive Officer decreased by eight percent as a result of a change in the relative allocation among the twenty-five participants.

The 1997 Compensation Plan as adopted by the shareholders and administered by the Compensation Committee mirrors the compensation program that has been in place in each operating office since the inception of the Company. 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. Along with the branch manager, key department managers and supervisors share in the distribution of this branch bonus pool.

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.

Long-Term Incentives. The Compensation Committee believes that stock option grants afford a desirable, long-term compensation method because they closely ally the interests of management with shareholder value. During 2005, the Compensation Committee granted stock options for 1,451,625 shares to 2,168 employees including all five Named Executive Officers. Except for options granted to the Chairman and Chief Executive Officer and seven other executive officers, including three Named Executive Officers, the Compensation Committee granted stock options based upon recommendations made by senior management. Prior to approving any stock option grants, the Compensation Committee reviews and considers factors such as the employee s current position, length of service, and any prior stock option grants.

During the 2005 stock option review process, stock option grants were granted from shares authorized under the 2005 Stock Option Plan. All options issued to employees in 2005 were granted with an exercise price equal to 100% of market value with 50% vesting three years from the date of grant, 75% vesting after four years, 100% vesting after five years and these options had an expiration date ten years from the date of grant.

Each executive officer of the Company currently holds 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.

Post Employment Personal Services Agreement. The employment contract of the Chairman and Chief Executive Officer contains a provision calling 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 comes 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 CPI or similar index. If the Chairman and Chief Executive Officer were to retire in 2006 the initial annual payment would be $110,000 and the agreement would run through March 17, 2013 unless terminated as provided below. The contract 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. 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 with cause.

The Compensation Committee recognizes the key role that continuity in personal relationships plays in the global logistics services business. This agreement calling for personal services 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.

Policy on Deductibility of Compensation. Under Section 162(m) of the Code, the Federal income tax deduction for certain types of compensation paid to the Company s Chief Executive Officer and to the four highest compensated officers whose compensation must be reported to shareholders under the Securities Exchange Act of 1934, as amended (the Exchange Act), is limited to $1,000,000 per officer per taxable year unless such compensation meets certain requirements. The Compensation Committee believes that this limitation will not apply to compensation accrued in 2005. 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 covered officers which is not fully deductible as a result of this limitation.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

James J. Casey
Dan P. Kourkoumelis
Michael J. Malone
John W. Meisenbach

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Summary Compensation Table

The following table shows compensation paid by the Company for services rendered during fiscal years 2005, 2004, and 2003 to the person who was the Chief Executive Officer at the end of fiscal 2005 and the four other most highly compensated executive officers of the Company whose salary and bonus exceeded $100,000 in 2005 (the Named Executive Officers).

				Long-Term Compensation Awards	
Name and Principal Position	**Fiscal Year**	**Annual Compensation Salary**	**Bonus (1)**	**Securities Underlying Options #**	**All Other Compensation (2)**
Peter J. Rose	2005	$ 110,000	$ 3,990,896	10,000	$ 1,500
Chairman and	2004	110,000	3,440,763	-0-	1,500
Chief Executive Officer	2003	110,000	2,857,222	25,000	1,500
James L.K. Wang	2005	100,000	3,770,452	10,000	-0-
President-Asia	2004	100,000	3,255,774	-0-	-0-
	2003	100,000	2,703,607	25,000	-0-
Glenn M. Alger	2005	100,000	3,385,815	10,000	1,500
President and	2004	100,000	2,885,798	-0 -	1,500
Chief Operating Officer	2003	100,000	2,396,379	25,000	1,500
Rommel C. Saber	2005	100,000	2,616,866	10,000	1,500
President-Europe,	2004	100,000	2,108,888	-0-	1,500
Near/Middle East,	2003	100,000	1,751,201	25,000	1,500
Africa & Indian Subcontinent					
Robert L. Villanueva	2005	100,000	2,616,866	10,000	1,500
President-The Americas	2004	100,000	2,108,888	-0-	1,500
	2003	100,000	1,751,201	25,000	1,500

(1) These amounts were paid pursuant to bonus programs in place since the inception of the Company. Since 1985, the Compensation Committee of the Board of Directors has set the aggregate amount of executive bonuses at ten percent of pre-bonus operating income. All bonuses were computed and paid according to the terms of the 1997 Compensation Plan.

(2) 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.

Option Grant Table

The following table sets forth certain information regarding options granted during 2005 to the Named Executive Officers.

	Option Grants in Last Fiscal Year(1)					
	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
Name	Number of Securities Underlying Options Granted (1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)(3)	Expira-tion Date(2)	5% ($)	10% ($)
Peter J. Rose	10,000	0.7	48.89	5/4/2015	307,500	779,200
James L.K. Wang	10,000	0.7	48.89	5/4/2015	307,500	779,200
Glenn M. Alger	10,000	0.7	48.89	5/4/2015	307,500	779,200
Rommel C. Saber	10,000	0.7	48.89	5/4/2015	307,500	779,200
Robert L. Villanueva	10,000	0.7	48.89	5/4/2015	307,500	779,200

(1) The above grants were made on May 4, 2005 pursuant to the Company s 2005 Stock Option Plan (Option Plan). All options granted in fiscal 2005 are subject to a vesting schedule. Subject to earlier vesting under the conditions set forth in the Option Plan, fifty percent of the options will be exercisable commencing three years from the date of the grant and twenty-five percent will be exercisable four and five years after the date of the grant, respectively. See Change in Control Arrangements.

(2) The options expire ten years after the date of the grant.

(3) Realizable values are reported net of the option exercise price and ignoring tax consequences. The dollar amounts under these columns are the result of calculations using the standard 5% and 10% rates set by the Securities and Exchange Commission (the SEC). Actual gains, if any, on stock option exercises are dependent on future appreciation in value of all outstanding Common Stock. The potential realizable value calculation assumes that the option holder remains employed through the vesting period and then waits until the end of the option term to exercise the option.

Option Exercises and Year-End Option Value Table

The following table sets forth certain information as of December 31, 2005, regarding options held by the Named Executive Officers.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Value

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options at December 31, 2005(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Peter J. Rose	-0-	-0-	460,750	118,250	$ 22,606,668	$ 4,257,723
James L.K. Wang	-0-	-0-	450,000	85,000	$ 23,225,300	$ 2,980,100
Glenn M. Alger	5,276	$ 157,067	246,862	85,000	$ 11,879,096	$ 2,980,100
Rommel C. Saber	132,258	$ 7,750,004	208,742	70,000	$ 10,527,696	$ 2,377,550
Robert L. Villanueva	47,210	$ 2,300,817	70,318	62,500	$ 3,144,763	$ 2,057,675

(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.

(2) This value is calculated based on the closing price of the Company s Common Stock at December 31, 2005, less the exercise price multiplied by the number of in-the-money options held. The calculation ignores tax consequences. There is no guarantee that if and when these options are exercised they will have this value.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2005, 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	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Available for Future Issuance, Other Than Securities to be Issued Upon Exercise of All Outstanding Options, Warrants and Rights
Equity Compensation Plans Approved by Security Holders	11,131,623	$29.27	206,581
Equity Compensation Plans Not Approved by Security Holders			
Total	11,131,623	$29.27	206,581

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Stock Price Performance Graph

The following graph shows a five-year comparison of cumulative returns for the Company s Common Stock, the NASDAQ Stock Market (U.S. and Foreign) and NASDAQ Trucking and Transportation Stock Index. The total cumulative return on investment (change in month-end stock price plus reinvested dividends) for each of the periods for the Company, the NASDAQ Stock Market (U.S. and Foreign) and the NASDAQ Trucking and Transportation Index is based on the stock price or index at December 31, 2000.

Employment Contracts

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

Name and Current Position	Current Base Annual Salary	Expiration Date
Peter J. Rose Chairman and Chief Executive Officer	$ 110,000	May 2006
James L.K. Wang President-Asia	$ 100,000	May 2006
Glenn M. Alger		