

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEF 14A
March 29, 2018

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 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):

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:

(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:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

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.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 29, 2018

To Our Shareholders

Last year we saw significant growth in many areas, including record volumes, net revenue, and earnings per share, and we increased our dividend for the 24th year in a row. We also created our strategic planning group, made significant enhancements to our CEO compensation package to improve alignment with shareholder interests, and continued the refreshment of our Board. The source of the financial results that we achieved in 2017 trace back to the evolution and changes that we made to our executive team in 2014. Those changes were significant and each of the members of the new team — many of them longstanding employees — has contributed to a revitalization of the culture and drive that have differentiated Expeditors since its inception. The recent achievements of our Company are a direct result of their leadership and the efforts of our more than 16,500 employees.

In last year's proxy, we proposed significant enhancements to Expeditors' executive compensation programs. Those enhancements were the culmination of extensive, ongoing dialogue with our largest shareholders to align with current best practices, while being particularly careful not to disrupt Expeditors' distinctive compensation structure. This structure has been in place since the founding of the Company nearly 40 years ago, and we continue to value it as a critical driver of our profitable growth. As a result of that hard work, our shareholders voted 94% in favor of the executive compensation changes we implemented in 2017.

One other particularly notable facet to the compensation changes was the award of PSU (performance share units) to the CEO and a replacement of stock options with RSU (restricted stock units) across the entire Company. The Board believes that these equity awards align employees with long-term shareholders, and that RSU are particularly effective in attracting and retaining talent in the years ahead, particularly in and around cities that are all competing for the best and the brightest.

As our Board work has evolved, so has the composition of the Board and its committees. Since 2013, we have added seven new Directors, increasing our independent Director composition from 70% to 82% of the Board, added another female Director, and decreased the average tenure from 15 years to 5 years. We believe these changes make us an even stronger resource to management. Our committee work continues to grow, along with the full Board's increased dedication to deeper and more regular engagement with the executive team on strategy, cybersecurity, shareholder communication, and succession planning — ingredients critical to the sustainability of a great organization.

We say thank you to our departing Board member Dan Kourkoumelis. He has provided us with sound business wisdom and acumen over the past 25 years. As a highly dedicated Director and as a fine individual, he will be missed.

At this year's meeting, you will be asked to vote FOR three proposals put forth by the Board, and to vote AGAINST two shareholder proposals. Our Board makes the recommendations in this proxy only after careful deliberation of the best interests of our Company, shareholders and employees and prior voting results.

On behalf of the entire Board of Directors and the more than 16,500 global employees of Expeditors, we want to thank you for your continued support and investment in our business.

Sincerely,

/s/ Robert R. Wright

Robert R. Wright
Chairman of the Board

TABLE OF CONTENTS

To Our Shareholders

<u>Notice of Annual Meeting of Shareholders</u>	1
<u>Proxy Summary</u>	2
<u>Proposal No. 1: Election of Directors</u>	4
<u>Corporate Governance</u>	10
- <u>Director Compensation</u>	12
<u>Shareholder Engagement & Stock Ownership Information</u>	13
- <u>Five Percent Owners of Company Stock</u>	14
<u>Nominating & Corporate Governance Committee Report</u>	17
<u>Proposal No. 2: Advisory Vote to Approve Named Executive Officer Compensation</u>	20
<u>Compensation Discussion & Analysis</u>	22
- <u>Compensation Committee Report</u>	29
- <u>Summary Compensation Table</u>	30
<u>Proposal No. 3: Ratification of Independent Registered Public Accounting Firm</u>	36
<u>Audit Committee Report</u>	37
<u>Shareholder Proposal No. 4: Link Executive Compensation to Sustainability Performance</u>	38
<u>Shareholder Proposal No. 5: Enhanced Shareholder Proxy Access</u>	40
<u>Other Information</u>	41
- <u>2017 CEO Pay Ratio Disclosure</u>	41

NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS

TUESDAY •Election of Directors

May 8, 2018 •Approve (advisory) Executive Officer Compensation

@ 9:00 A.M. Pacific Time •Ratification of Independent Registered Public Accounting Firm

•Vote on Shareholder Proposal No. 4, if presented at meeting

Expeditors International •Vote on Shareholder Proposal No. 5, if presented at meeting

1015 Third Ave
Seattle, WA 98104 Record Date: Close of business on March 13, 2018

Important Notice of Internet Availability of Proxy Materials

This notice of Annual Meeting of Shareholders and related proxy materials are being distributed or made available to shareholders beginning on or about March 29, 2018. This includes instructions on how to access these materials (including our Proxy Statement and 2017 Annual Report to shareholders) online.

Please vote your shares

We encourage shareholders to vote promptly, as this will save the expense of additional proxy solicitation. You may vote in the following ways:

By Order of the Board of Directors,
Expeditors International of Washington, Inc.

/s/Benjamin G. Clark

Benjamin G. Clark
Corporate Secretary
Seattle, Washington
March 29, 2018

1 | Expeditors International of Washington, Inc.

PROXY SUMMARY

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,” “Expeditors,” “we,” “us,” “our”) for use at the Annual Meeting of Shareholders (the “Annual Meeting”). This proxy summary is intended to provide a broad overview of the items that you will find elsewhere in this Proxy Statement. As this is only a summary, we encourage you to read the entire Proxy Statement for more information about these topics prior to voting.

Meeting Agenda & Voting Recommendations

Proposal	Board's Voting Recommendation	Page
No. 1: Election of Directors	ü FOR (each nominee)	pg. 4
No. 2: Advisory Vote to Approve Named Executive Officer Compensation	ü FOR	pg. 20
No. 3: Ratification of Independent Registered Public Accounting Firm	ü FOR	pg. 36
No. 4: Shareholder Proposal: Link Executive Compensation to Sustainability Performance	XAGAINST	pg. 38
No. 5: Shareholder Proposal: Enhanced Shareholder Proxy Access Responding to Shareholders	XAGAINST	pg. 40

We value our shareholders’ view on compensation and note that 94% of shareholders supported our Say on Pay proposal in 2017. We continue to regularly engage with shareholders representing most of the outstanding shares of the Company to understand their perspectives on our pay programs. Partly as a result of these conversations in 2016 and 2017, the Compensation Committee adopted certain changes to the compensation program that are intended to balance our existing compensation philosophy with evolving pay practices, shareholders’ perspectives and shareholder alignment.

After much discussion and analysis, we implemented four substantial changes to CEO compensation in 2017:

1. Shifted a greater portion of CEO compensation to long-term equity incentives in order to further enhance shareholder alignment and multi-year performance;
2. Adopted performance metrics in the form of PSU that will vest only if 3-year performance goals are achieved for Net Revenue (a non-GAAP measure defined and reconciled to revenues in Note 10 of the Company's consolidated financial statements on Form 10-K as filed on February 23, 2018) and EPS;
3. Reduced the CEO's allocation of the Executive Incentive Compensation Pool by 6% to help fund expansion of the Company's strategic growth initiatives;
4. Added a minimum 5% operating income growth requirement for our CEO to realize full quarterly payout under the Executive Incentive Compensation Plan.

The table above shows the relationship between changes in operating income growth and CEO incentive compensation pool payout by quarter. Total 2017 operating income increased 4.5% year-over-year, while CEO payout declined 4.0%. The decline in CEO payout is a result of (i) the 6% decrease in the allocation of the Executive Incentive Compensation Pool to help fund the expansion of the Company's strategic growth initiatives; (ii) changes in operating income each quarter; and (iii) the penalty for not achieving 5% operating income growth in Q1 and Q2 of 2017.

Substantive Changes to 2017 Compensation

We believe the following changes in 2017 further demonstrate our responsiveness to shareholders, while also recognizing the competitive advantage we believe our current compensation program brings to our Company and shareholders:

<p>Shifted a greater portion of CEO pay to equity</p>	<ul style="list-style-type: none"> • Increases CEO alignment with long-term interest of shareholders • Increases the CEO's portion of total pay to 40% in 2017 from 24% in 2016 • Supports focus on long-term performance by requiring 3-year performance goals to be met before any vesting occurs
<p>Adopted a PSU program for the CEO that will vest only if 3-year performance goals are achieved for Net Revenue and EPS</p>	<ul style="list-style-type: none"> • Aligns CEO with shareholders through share ownership (provided PSU are earned) • Aligns with prevalent market practices
<p>Reduced the senior executives' allocation of the Executive Incentive Compensation Pool by 6% to fully fund the Company's strategic growth initiatives</p>	<ul style="list-style-type: none"> • Aligns senior executives with focus on strategic growth initiatives and funds those investments
<p>Added a performance requirement to CEO's executive incentive compensation, requiring 5% year-over-year operating income growth to earn unreduced payout</p>	<ul style="list-style-type: none"> • Establishes performance expectation for continuous profit growth such that if year-over-year operating income growth is less than 5%, the CEO receives a 5% reduction in his payout • Establishes minimum level of operating income performance • Increases shareholder alignment of senior executives • Provides retention of key employees in competitive market for talent
<p>Replaced stock options with RSU for all executives</p>	<ul style="list-style-type: none"> • Aligns executives with long-term interests of shareholders • Aligns with emerging market practices and shareholder preferences
<p>Adopted a "hold until met" policy that requires executives to hold 75% of the net after-tax shares received upon vesting of PSU and RSU until their respective stock ownership guidelines are met</p>	<ul style="list-style-type: none"> • Aligns with emerging market practices and shareholder preferences
<p>Adopted "double trigger" vesting upon a change-in-control for all new equity incentive awards</p>	<ul style="list-style-type: none"> • Aligns with emerging market practices and shareholder preferences

Continuing Our Focus on Sustainability

We take sustainability seriously and our Nominating and Corporate Governance Committee oversees these efforts. In 2017, we continued our focus on sustainability through our efforts related to the environment, social responsibility, and good governance. Our performance against our sustainability initiatives is more fully described in our updated Sustainability Report, available at <https://www.expeditors.com/sustainability>.

PROPOSAL NO. 1:
ELECTION OF DIRECTORS

The Company's Bylaws require a Board of Directors composed of not less than 6 nor more than 11 members. Expeditors' Directors are elected at each Annual Meeting to hold office until the next Annual Meeting or until the election or qualification of his or her successor. Any vacancy resulting from the non-election of a Director may be filled by the Board of Directors. Since Mr. Kourkomelis has not been nominated for reelection, the size of the board will be reduced from eleven to ten members, effective immediately after the Annual Meeting. The ten nominees are named below. Proxies cannot be voted for a greater number of persons than the number of nominees named in this proposal.

Nominees for Election

This year's nominees consist of eight independent Directors and two non-independent 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 10 nominees of the Board of Directors named below. Although the Board 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 or the seat will remain open until the Board of Directors identifies a nominee.

The following persons are nominated to serve as Directors until the Company's 2019 Annual Meeting of Shareholders:

Robert R. Wright

Robert R. Wright became a Director in May 2008, served as Lead Director beginning May 2010 and was appointed Chairman of the Board in May 2014. 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 a Regional Managing Partner of Tax for Arthur Andersen.

He currently serves on the Board of Directors for two privately held companies, Matthew G. Norton Co. and Stimson Lumber Company.

Specific Qualifications, Attributes, Skills & Experience

- Over 20 years of senior leadership and management in private industry and the public accounting environment.
- Expertise in tax, finance and real estate, succession planning and business operations.
- Member of audit, nominating and compensation committees of various company boards.

Glenn M. Alger

Glenn M. Alger became a Director in May 2017. He is one of the founders of Expeditors and served in various management and senior executive positions over a 25-year period, culminating as President and Chief Operating Officer from September 1999 - May 2007. Prior roles included leading business and operational development in the Americas region and management and evolution of the Company's global products and services. Since his retirement from the Company in 2007, Mr. Alger has been principally engaged as an active investor and manager of his family trust and charitable activities. In 2015 and 2016, Mr. Alger provided consulting services to the Company. As a founder, former senior executive of the Company and a long-term shareholder, Mr. Alger brings a deep understanding of both Company operations specifically and the logistics industry generally.

Specific Qualifications, Attributes, Skills & Experience

- More than 30 years of entrepreneurial, business development, management and senior leadership in global logistics.
- Direct experience building a business from a startup to a global industry leader.

• Industry expertise in customer markets, strategy, competition, organization, technology and finance.
• Over 20 years of governance and oversight experience as a senior executive of a public company.

Notice of Annual Meeting & Proxy Statement | 4

James M. DuBois

James “Jim” DuBois became a Director in May 2016. He was Corporate Vice President and Chief Information Officer (“CIO”) at Microsoft Corporation. As CIO, he was responsible for the company’s global security, infrastructure, collaboration systems, and business applications. Mr. DuBois was appointed CIO in January 2014 after serving as interim CIO since May 2013. Mr. DuBois served in various other roles at Microsoft, mostly in IT, after joining the company in 1993. These roles include leading IT and product teams for application development, infrastructure and service management. He also served as Microsoft’s Chief Information Security Officer and spent several years working from Asia and then Europe, learning the Microsoft field business while running the respective regional IT teams. Before joining Microsoft, Mr. DuBois worked for the company now called Accenture, focusing on financial and distribution systems. He has degrees in computer science and business (accounting). Since leaving Microsoft in September 2017, Mr. DuBois has authored a book on modern IT and currently speaks on this topic, and also serves on the technical advisory boards of several startups. Mr. DuBois is on the Board of Directors of TraqIQ, Inc., a publicly held, fully reporting company offering products for the Industrial Internet of Things market and IT and data analytics consulting services.

Specific Qualifications, Attributes, Skills & Experience

- Extensive information technology experience.
- Experience overseeing investments in technology to support business objectives.
- Expertise in cybersecurity.
- Experience leading global IT teams.

Mark A. Emmert

Mark A. Emmert became a Director in May 2008. Since 2010 he has been President of the National Collegiate Athletic Association. From 2004 to 2010, Dr. Emmert served as the President of the University of Washington (“UW”), a \$5 billion per year organization with more than 30,000 employees, and is now President Emeritus. Prior to the UW, he 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 is a Life Member of the Council on Foreign Relations, a Fellow of the National Academy for Public Administration, and a former Fulbright Fellow. Dr. Emmert is currently on the Board of Directors of the Weyerhaeuser Company.

Specific Qualifications, Attributes, Skills & Experience

- 30 years of experience in executive leadership and administration of educational, healthcare and athletics enterprises.
- Expertise in public policy, governmental affairs, and personnel development programs.
- Expertise in the leadership and management of complex operations with rigid public oversight requirements.
- Expertise in international affairs.
- Extensive experience with governance of public and private organizations.

Diane H. Gulyas

Diane H. Gulyas became a Director in November 2015. Ms. Gulyas worked for DuPont from 1978 until her retirement as President of their \$4 billion global Performance Polymers business in September of 2014. During her 36-year career at DuPont, Ms. Gulyas served also as Chief Marketing and Sales Officer, President of Electronic and Communication Technologies Platform, and President of the Advanced Fibers divisions. Ms. Gulyas’ qualifications to serve on the Company’s Board of Directors include over 36 years of senior leadership and global business expertise. Since before retiring from DuPont, Ms. Gulyas has served as a public company director and is currently on the Board of Directors of Mallinckrodt PLC and W.R. Grace & Company.

Specific Qualifications, Attributes, Skills & Experience

- More than 35 years of senior leadership and global business expertise.

Substantial and varied management experience and strong skills in engineering, manufacturing (domestic and international), marketing and sales and distribution.

Governance and oversight experience from service as a senior executive of a public company and prior service on a public company board.

5 | Expeditors International of Washington, Inc.

Richard B. McCune

Richard B. McCune became a Director in August 2014. Prior to that, Mr. McCune was a Partner at KPMG LLP from 2002 to May 2009 and Partner at Arthur Andersen LLP from 1983 to 2002. Mr. McCune served on the Board of the Fred Hutch Cancer Research Center from 2009 to 2016, and is the current Board Chair of the Seattle Cancer Care Alliance.

Specific Qualifications, Attributes, Skills & Experience

- More than 30 years of senior leadership and management experience.
- Extensive audit and accounting experience.
- Served as Lead Audit Partner on many publicly-traded companies.
- International experience as KPMG's U.S. Accounting Expert in Amsterdam from 2003 to 2006.

Alain Monié

Alain Monié became a Director in May 2017. He has served as Chief Executive Officer of Ingram Micro Inc., a large technology products distributor, since January 2012. He rejoined the company as President and Chief Operating Officer in 2011, after a year as chief executive officer of APRIL Management Pte., a multinational industrial company based in Singapore. Prior to his role at APRIL Management Pte., Mr. Monié served as President and Chief Operating Officer of Ingram Micro from 2007 to 2010. He joined Ingram Micro in February 2003 as executive vice president, and served in that role and as president of Ingram Micro Asia-Pacific from January 2004 to August 2007. He spent more than two years as president of the Latin American Division of Honeywell International. He joined Honeywell through the corporation's merger with Allied Signal Inc., where he built a 17-year career on three continents, progressing from a regional sales manager to head of Asia-Pacific operations from October 1997 to December 1999. Mr. Monié was elected to the Board of Directors of Ingram Micro in November 2011 and to the Board of Directors of The AES Corporation in August 2017. He was also a member of the Board of Directors of Amazon.com, Inc. from 2008-2016, and was a member of the Board of Directors of Jones Lang LaSalle from October 2005 to May 2009.

Specific Qualifications, Attributes, Skills & Experience

- Extensive operational and leadership experience at a large public company.
- Broad international experience.
- Expertise in business operations and strategy, succession planning, enterprise risk management, compensation, and sound corporate governance practices.

Jeffrey S. Musser

Jeffrey S. Musser became a Director in March 2014. He joined the Company in February 1983 and was promoted to District Manager in October 1989. Mr. Musser became Regional Vice President in September 1999, Senior Vice President-Chief Information Officer in January 2005 and to Executive Vice President and Chief Information Officer in May 2009. Mr. Musser was appointed President and Chief Executive Officer in March 2014.

Specific Qualifications, Attributes, Skills & Experience

- Over 35 years of experience in the international transportation industry.
- Many years of corporate leadership responsibilities.
- Background in the information technology discipline.

Liane J. Pelletier

Liane J. Pelletier became a Director in May 2013. Ms. Pelletier is the former Chairwoman, Chief Executive Officer and President of Alaska Communications Systems, an Alaska-based telecommunications and information technology services provider, leading the firm from October 2003 to April 2011. Since April 2011, she has served on a number of

public company boards. From November 1986 to October 2003, Ms. Pelletier held a number of executive positions at Sprint Corporation, a telecommunications company. Ms. Pelletier is a member of the Board of Directors of ATN International. She is also Chairwoman of the Northwest Chapter of the National Association of Corporate Directors (NACD) and also is credentialed as a NACD Board Leadership Fellow. In 2017, she earned a professional certificate in cybersecurity from Carnegie Mellon's Software Engineering Institute.

Specific Qualifications, Attributes, Skills & Experience

• Experience as a public company CEO and more than 25 years of senior leadership and management experience in the telecommunications industry.

• Past and current positions as chair, lead independent Director, and member of audit, risk, nominating and compensation committees of various company boards.

• Experienced in corporate board governance and engages in continuous education on information technology and security as well as leading governance practices.

• Corporate career and board service spans firms where there is material focus on regulation, information technology and security, foreign operations and customer service.

Tay Yoshitani

Tay Yoshitani became a Director in August 2012. From March of 2007 to December 2014 he was the Chief Executive Officer of the Port of Seattle, which owns and operates both the Seattle Seaport and SeaTac International Airport. From 2004 to 2007, he served as the Senior Advisor to the National Association of Waterfront Employers and from 2001 to 2004, was the Executive Director of the Port of Oakland overseeing both the Seaport and Oakland International Airport. Prior to that he was the Executive Director for the Port of Baltimore and the Chief Deputy at the Port of Los Angeles. He has been an active Board member of the American Association of Port Authorities and served as the Chairman during 2014. He also currently serves on the Board of the Eno Center for Transportation and is past Chairman of the Board of the Japan America Society of Washington state.

Specific Qualifications, Attributes, Skills & Experience

• More than 20 years of senior leadership and management experience in the ocean transportation industry.

• More than 10 years of experience in airport operations.

The Board of Directors unanimously recommends a vote FOR the election of each of the Director Nominees

ü The Board of Directors recommends a vote FOR the election of each of the Director Nominees.

7 | Expeditors International of Washington, Inc.

Director Identification & Nomination Process

The Policy on Director Nominations, which can be found on the Company's website at <https://investor.expeditors.com>, describes the process by which Director nominees are selected by the Nominating and Corporate Governance Committee, and includes the criteria the Committee will consider in determining the qualifications of any candidate for Director. In reviewing candidates for the Board, the Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing Directors for re-election, the individual's contributions to the Board are also considered.

The Committee annually reviews its nomination procedures to assess the effectiveness of the Policy on Director Nominations. The Committee considers candidates for Director who are recommended by its members, by management, and by search firms retained by the Committee. In addition, per the Policy on Director Nominations, the Committee will also consider any candidate proposed by a shareholder satisfying certain notice provisions, and will take into account the size and duration of the recommending shareholder's ownership.

All candidates for Director who, after evaluation, are then recommended by the 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, any shareholder or group of up to 20 shareholders that has continuously beneficially owned at least 3% of the Company's Common Stock for at least three years, and who satisfies certain notice, information and consent provisions, may nominate up to 20% of the Directors standing for election and include such nominees on the Company's proxy statement pursuant to the Company's proxy access rights. Lastly, a shareholder may nominate a Director candidate for election outside of the Company's proxy statement if the shareholder complies with the notice, information and consent provisions of Article II of the Company's Bylaws, which can be found on our website at <https://investor.expeditors.com>.

Our Bylaws require any notice for Director nominees for shareholder consideration be submitted by certain deadlines, which are explained in detail under the heading "Deadlines for Shareholder Proposals for the 2019 Annual Meeting of Shareholders."

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 that 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 of the votes cast will not be elected. 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 position 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.

The Board may fill any vacancy resulting from the non-election of a Director as provided in the Company's Bylaws. The Nominating and Corporate Governance Committee will consider promptly whether to fill the position of a nominee who fails to receive a majority vote in an uncontested election and may make a recommendation to the Board of Directors about filling the position. The Board will act on the Committee's recommendation and, within 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 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 positions with the same Director(s) who will continue in office until their successors are elected.

CORPORATE GOVERNANCE

Board Operations

The Board of Directors has policies and procedures to ensure effective operations and governance. Our corporate governance materials, including our Corporate Governance Principles, the Charters of each of the Board's Committees and our Code of Business Conduct, can be found on our website at

<https://investor.expeditors.com/corporate-governance/governance-documents>. In 2017, the Board was composed of nine independent Directors and two non-independent Directors. Mr. Wright serves as the independent Chair of the Board of Directors. The primary functions of Expeditors' Board of Directors include:

- Ensuring that the long-term interests of shareholders are being served;
- Assuring that Board discussions focus on forward-looking strategies, approving such strategies and monitoring related performance;
- Overseeing the conduct of our business and monitoring significant enterprise risks;
- Overseeing our processes for maintaining the integrity of our financial statements and other public disclosures, and compliance with laws and ethical conduct;
- Evaluating CEO and senior management performance and determining executive compensation;
 - Planning CEO succession and monitoring management's succession planning for other key executive officers;
- Establishing tone at the top, effective governance structure, including appropriate Board evaluation, composition and planning for Board succession; and
- Ensuring the Company's commitment to maintain proper sustainability/ESG standards.

The Board of Directors has determined that all current Directors except Messrs. Musser and Alger are independent under the applicable independence standards set forth in the rules promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act") and the rules of the NASDAQ Stock Market. The Board has designated that only independent Directors can serve as Committee members.

The Board currently has the following Committees: Nominating and Corporate Governance, Compensation, and Audit. Each Committee operates under a written charter, all of which are available on our website <https://investor.expeditors.com/corporate-governance/governance-documents>.

Board Practices & Procedures

The Board's Committees analyze and review the Company's activities in key areas such as financial reporting, internal controls over financial reporting, compliance with Company policies, corporate governance, significant risks, succession planning and executive compensation.

The Board and its Committee Chairs review the agendas and matters to be considered in advance of each meeting. Each Board and Committee member is free to raise matters that are not on the agenda at any meeting and to suggest items for inclusion on future agendas.

Each Director is provided in advance with materials to be considered at every meeting of the Board and Committees and has the opportunity to provide comments and suggestions.

The Board and its Committees provide feedback to management and management answers questions raised by the Directors during Board and Committee meetings.

Independent Board and Committee members meet separately at each Board and Committee meeting and as otherwise needed.

Independent Directors regularly hold executive sessions without management.

Board Attendance

The Board met five times in 2017 and all Directors attended at least 75% of the total number of Board of Directors meetings and Committee meetings on which they served. While the Company has no established policy requiring Directors to attend the Annual Meeting, all but two members attended the 2017 Annual Meeting.

Director Retirement Policy

In 2015, the Board established a guideline, whereby an individual Director typically will not be nominated to stand for election to the Board of Directors at the next Annual Meeting if the Director has reached an age of 72 years, absent a waiver of such guideline by the Board. Given recent changes to the Company's financial reporting systems and the change in U.S. tax laws and revenue recognition reporting requirements, the Board has waived this guideline and asked Richard B. McCune, 72, to stand for election for one additional year of service on the Board and the Audit Committee as Chair.

After 25 years of service, Dan P. Kourkoumelis will not stand for re-election to the Board of Directors in May 2018.

Board's Role in Risk Oversight

Senior management is responsible for the assessment and day-to-day management of risk and brings to the attention of the Board the material risks to the Company. The Board provides oversight and guidance to management regarding material, enterprise risks. Oversight responsibilities for certain areas of risk are assigned to the Board's three standing Committees and others are assigned to the full Board. The Board and its Committees regularly discuss with management the Company's strategies, operations, compliance, policies and inherent associated risks in order to assess appropriate levels of risk taking and steps taken to monitor, mitigate and control such exposures. The Board believes the Company's risk management processes are appropriate and that the active oversight role played by the Board and its Committees provides the appropriate level of oversight for the Company.

Director Compensation Program

The Board uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board. In setting Director compensation, the Compensation Committee considers the amount of time that Directors expend in fulfilling their duties as well as the skill level required as members of the Board and its Committees.

In 2014, the shareholders approved the 2014 Directors' Restricted Stock Plan, which authorized 250,000 shares of stock for issuance to eligible Directors. Under this Plan, each eligible Director annually receives \$200,000 worth of Expeditors restricted stock and such shares vest immediately upon grant. As of December 31, 2017, there are 106,250 shares remaining for issuance under this plan.

Board of Directors' Annual Compensation & Stock Ownership Requirements

Board Retainer \$65,000 in cash.

An additional \$175,000 retainer for the Chair of the Board.

An additional \$25,000 retainer for the Chair of the Audit Committee.

Chair Retainers

An additional \$20,000 retainer for the Chair of each of the Compensation Committee and the Nominating and Corporate Governance Committee.

Stock Ownership Policy Each independent director is required to accumulate a minimum of 15,000 shares of the Company's Common Stock over a six-year period from the date first elected to the Board or the policy adoption date.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee Directors for the fiscal year ended December 31, 2017:

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Robert R. Wright	\$240,000	\$199,975	—	—	—	\$439,975
Glenn M. Alger	\$65,000	\$199,975	—	—	—	\$264,975
James M. DuBois	\$65,000	\$199,975	—	—	—	\$264,975
Mark A. Emmert	\$85,000	\$199,975	—	—	—	\$284,975
Diane H. Gulyas	\$65,000	\$199,975	—	—	—	\$264,975
Dan P. Kourkoumelis	\$65,000	\$199,975	—	—	—	\$264,975
Richard B. McCune	\$90,000	\$199,975	—	—	—	\$289,975
Alain Monié	\$65,000	\$199,975	—	—	—	\$264,975
Liane J. Pelletier	\$85,000	\$199,975	—	—	—	\$284,975
Tay Yoshitani	\$65,000	\$199,975	—	—	—	\$264,975

1. This column represents the aggregate fair value of restricted shares issued in 2017. 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 award. These restricted shares vested immediately upon award.

SHAREHOLDER ENGAGEMENT & STOCK OWNERSHIP INFORMATION

Shareholder Engagement

We seek our shareholders' views on governance and compensation matters throughout the year. Management provides regular updates concerning shareholder feedback to the Board, which considers shareholder perspectives along with the interests of all stakeholders when overseeing company strategy, formulating governance practices, and designing compensation programs.

In 2017, we contacted shareholders representing approximately 56% of our shares outstanding to discuss matters related to our strategies, compensation programs, governance and/or operations.

Management welcomes the opportunity to engage with our investors who express a desire to visit our corporate offices during the period after quarterly earnings releases when we are not in a quiet period. These visits will be scheduled around our meetings with customers, service providers and visiting district operations and employees.

Shareholder Feedback: What We Heard & How We Responded

We implemented significant changes to compensation as a result of meaningful dialogue with holders of more than half of the outstanding shares in each of the past two years. Partly as a result of these conversations, we made changes intended to balance our longstanding compensation philosophy with evolving pay practices, shareholders' perspectives and shareholder alignment.

CEO Compensation

The most significant changes to compensation are with regard to the CEO. In 2017 we:

1. Shifted a greater portion of CEO compensation to long-term equity incentives in order to further enhance shareholder alignment and multi-year performance;
2. Adopted performance metrics in the form of PSU that will vest only if 3-year performance goals are achieved for Net Revenue and EPS;
3. Reduced the CEO's allocation of the Executive Incentive Compensation Pool by 6% to help fund expansion of the Company's strategic growth initiatives;
4. Added a minimum 5% operating income growth requirement for our CEO to realize full quarterly payout under the Executive Incentive Compensation Plan.

Replaced Stock Options with RSU

One of the significant changes in compensation for executives was that we replaced stock options with RSU (restricted stock units) across the entire company. We believe that RSU are a better type of award to continue to attract and retain the best talent in the current, highly competitive marketplace for talent. In addition, awarding RSU aligns with the long-term interests of all shareholders. In adopting RSU in place of stock options, we also adopted a "hold until met" policy, requiring executives to hold 75% of their RSU until they meet stock ownership guidelines, in further alignment with all shareholders.

Communicating 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 <https://investor.expeditors.com>. Any matter intended for the Board of Directors, or for one or more individual members, should be directed to the Corporate Secretary of the Company at 1015 Third Avenue, Seattle, Washington 98104, with a request to forward the same to the intended recipient(s). All shareholder communications delivered to the Corporate Secretary of the Company for forwarding to the Board of Directors or specified members will be forwarded in accordance with the instructions received.

Information regarding the submission of comments or complaints relating to the Company's accounting, internal accounting controls or auditing matters can be found in the Company's Code of Business Conduct on the Company's website at <https://investor.expeditors.com>.

Information Requests

We ask that all requests for corporate information concerning Expeditors' operations be submitted in writing. This policy applies equally to securities analysts and current and potential shareholders. Requests can be made to Expeditors International of Washington, Inc., 1015 Third Avenue, Seattle, Washington 98104 Attention: Chief Financial Officer, or by email to investor@expeditors.com.

Written responses to selected inquiries will be released to the public by a posting on our website at <https://investor.expeditors.com> and by simultaneous filing with the Securities and Exchange Commission ("SEC") under Item 7.01 on Form 8-K.

Fair Disclosure

Any other analyst or investor contact, whether by telephone or in person, will be conducted with the understanding that questions directed at ongoing operations will not be discussed. Management will limit responses to discussions of previously disclosed information, including informational discussions directed to the history and operating philosophy of the Company and an understanding of the global logistics industry and its competitive environment. Expeditors will, of course, make public disclosures at other times as required by law or commercial necessity.

Five Percent Owners of Company Stock

The following table sets forth information, as of December 31, 2017, with respect to all shareholders known by the Company to be beneficial owners of more than 5% of its outstanding Common Stock. Except as noted below, each entity has sole voting and dispositive powers with respect to the shares shown.

Name & Complete Mailing Address	Number of Shares		Percent of Common Stock Outstanding
The Vanguard Group 100 Vanguard Boulevard, Malvern, PA 19355	19,898,740	(1)	11.19%
Loomis Sayles & Co., L.P. One Financial Center, Boston, MA 02111	16,396,110	(2)	9.23%
BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	14,440,405	(3)	8.10%
State Street Corporation State Street Financial Center One Lincoln Street, Boston, MA 02111	10,175,730	(4)	5.73%

1. The holding shown is as of December 31, 2017, according to Schedule 13G/A dated February 9, 2018 filed by The Vanguard Group, an investment adviser. With respect to Expeditors' Common Stock, The Vanguard Group reports that it has the following: sole voting power over 250,579 shares; shared voting power over 50,451 shares; sole dispositive power over 19,602,592 shares; and shared dispositive power over 296,148 shares.

2. The holding shown is as of December 31, 2017, according to Schedule 13G/A dated February 14, 2018 filed by Loomis Sayles & Co., L.P. Loomis Sayles reports that it has sole voting power with respect to 11,629,110 shares.

3. The holding shown is as of December 31, 2017, according to Schedule 13G/A dated February 8, 2018 filed by BlackRock, Inc., a parent holding company. BlackRock, Inc. With respect to Expeditors' Common Stock, Blackrock reports that it has the following: sole voting power over 12,650,668 shares.

4. The holding shown is as of December 31, 2017, according to Schedule 13G dated February 14, 2018 filed by State Street Corporation. State Street Corporation reports that it has shared voting and shared dispositive power with respect to 10,175,730 shares of Common Stock.

Security Ownership of Directors & Executive Officers

The following table lists the names and the amount and nature of the beneficial ownership of Common Stock of each Director and nominee, of each of the NEO described in the Summary Compensation Table, and all Directors and Executive Officers as a group at March 13, 2018. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

DIRECTORS	Amount & Nature of Beneficial Ownership	Percent of Class
Robert R. Wright	20,437	*
Glenn M. Alger ⁽¹⁾	509,617	*
James M. Dubois	7,920	*
Mark A. Emmert	17,769	*
Diane H. Gulyas ⁽²⁾	7,920	*
Dan P. Kourkoumelis	59,750	*
Richard B. McCune	12,151	*
Alain Monié ⁽³⁾	3,791	*
Jeffrey S. Musser ⁽⁴⁾	316,383	*
Liane J. Pelletier	21,661	*
Tay Yoshitani	21,661	*
ADDITIONAL NAMED EXECUTIVES OFFICERS		
Eugene K. Alger ⁽⁵⁾	104,260	*
Daniel R. Wall ⁽⁶⁾	113,824	*
Richard H. Rostan ⁽⁷⁾	123,085	*
Bradley S. Powell ⁽⁸⁾	124,813	*
All Directors & Executive Officers as a Group (18 persons) ⁽⁹⁾	1,741,482	*

* Less than 1%

(1) All shares are held in two trusts for which Mr. Alger and his family maintain voting and dispositive authority.

(2) All shares are held in trust for which Ms. Gulyas maintains voting and dispositive authority.

(3) All shares are held in trust for which Mr. Monié maintains voting and dispositive authority.

Includes 142,513 shares held in trust for which Mr. Musser maintains voting and dispositive authority, 158,000

(4) shares subject to stock options exercisable within sixty days, and 7,817 shares subject to RSU vesting within sixty days.

Includes 25,613 shares held in trust for which Eugene Alger maintains voting and dispositive authority, 72,000

(5) shares subject to stock options exercisable within sixty days, and 3,160 shares subject to RSU vesting within sixty days.

(6) Includes 78,000 shares subject to stock options exercisable within sixty days and 3,160 shares subject to RSU vesting within sixty days.

(7) Includes 68,500 shares subject to stock options exercisable within sixty days and 2,795 shares subject to RSU vesting within sixty days.

(8) Includes 116,000 shares subject to stock options exercisable within sixty days and 3,160 shares subject to RSU vesting within sixty days.

(9) Includes 664,450 shares subject to stock options exercisable within sixty days and 26,593 shares subject to RSU vesting within sixty days. No Director or Executive Officer has pledged Company stock.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that the Company's Directors, certain of its officers, and persons who own more than 10% 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 NASDAQ. Officers, Directors and greater than 10% shareholders are required by the 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 certain of its officers, Directors and greater than 10% beneficial owners were filed on a timely basis during 2017.

SEC Filings & Reports

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website at <https://investor.expeditors.com> under the heading "Investor Relations" (see "SEC Filings") immediately after they are filed with or furnished to the SEC.

Notice of Annual Meeting & Proxy Statement | 16

**NOMINATING & CORPORATE
GOVERNANCE COMMITTEE REPORT**

The Nominating and Corporate Governance Committee is committed to strong corporate governance policies and procedures designed to make the Board and its Committees more effective in exercising their oversight roles. The Nominating and Corporate Governance Committee Charter and Corporate Governance Guidelines are available on our website <https://investor.expeditors.com>.

Nominating & Corporate Governance Committee

All members are independent under Exchange Act and NASDAQ rules.

Key Responsibilities:

- Determine the criteria for Board membership
- Lead the search for qualified individuals to become Board members
- Recommend the composition of the Board and its Committees
- Monitor and evaluate changes in Board members' professional status
- Conduct evaluations of Board and Committee effectiveness
- Maintain a set of Corporate Governance Principles
- Maintain the Company's Code of Business Conduct and oversee its compliance
- Assist in evaluating governance-related inquiries, commentary and proposals
- Analyze current and emerging governance trends for impact on the Company
- Oversee enterprise risks assigned to Committee by the Board
- Monitor Directors' compliance with stock ownership guidelines

Proceeds from sale of property, plant and equipment	11		
Additions to property, plant and equipment	(1,056)	(1,454
Net cash used in investing activities	(1,045)	(1,454
Cash used in financing activities:			
Shares repurchased	(353)	(152
Net cash used in financing activities	(353)	(152
Net increase (decrease) in cash and cash equivalents	11,822		(3,531
Cash and cash equivalents at beginning of period	1,180		5,855
Cash and cash equivalents at end of period	\$	13,002	\$
Cash paid for income taxes	\$	0	\$
			26

See accompanying notes to consolidated condensed financial statements.

Item 1. e.

BRIDGFORD FOODS CORPORATION**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)**

(in thousands, except share and per share amounts)

Note 1 - The Company and Summary of Significant Accounting Policies:

The unaudited consolidated condensed financial statements of Bridgford Foods Corporation (the Company) for the twelve and thirty-six weeks ended July 13, 2007 and July 7, 2006 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006 (the Annual Report) and include all adjustments considered necessary by management for a fair statement of the interim periods. Such adjustments consist only of normal recurring items. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results to be expected for the full year. New accounting pronouncements and their affect on the Company are included in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

Note 2 - Trading Securities:

At July 13, 2007 the Company held no auction rate securities. The Company elected to sell all auction rate securities during the second quarter of fiscal 2007 and invest in 90-day treasury bills which are classified as cash and cash equivalents on the accompanying consolidated condensed balance sheet.

At November 3, 2006 the Company held \$12,200 of auction rate securities, which are shown as a separately stated current asset in the accompanying consolidated condensed balance sheet in accordance with SFAS 115, Accounting for Certain Debt and Equity Securities. The auction rate securities as of November 3, 2006 have been reclassified from that which was originally presented in the Company's Annual Report on Form 10-K. Auction rate securities are variable-rate bonds tied to short-term interest rates with maturities on the face of the securities in excess of 90 days. The Company's investments in these auction rate securities are classified as trading securities under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities. The securities are recorded at cost, which approximates fair market value because of their variable interest rates, which typically resets every 7 to 35 days. Despite the long-term nature of their stated contractual maturities, the Company has the intent and ability to quickly liquidate these securities; therefore, the Company has no cumulative gross unrealized holding gains or losses, or gross unrealized gains or losses from these investments. All income generated from these investments was recorded as interest income.

The consolidated condensed statement of cash flows for the thirty-six weeks ended July 7, 2006 has been reclassified to give effect to auction rate securities activity classified as trading securities.

Note 3 - Inventories:

Inventories are comprised as follows at the respective periods:

	July 13 2007	November 3 2006
Meat, ingredients and supplies	\$ 5,126	\$ 3,748
Work in progress	2,029	2,228
Finished goods	11,643	13,568
	\$ 18,798	\$ 19,544

Inventories are valued at the lower of cost (at standard cost, which approximates actual cost on a first-in, first-out basis) or market. Costs

related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company regularly reviews inventory quantities on hand and writes down any excess or obsolete inventories to net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or can be sold at reduced prices and could result in additional reserve provisions.

6

Note 4 - Basic and diluted earnings per share:

The Company had 250,000 employee stock options outstanding during the thirty-six week periods ended July 13, 2007 and July 7, 2006. The effect of the employee stock options outstanding for the thirty-six weeks ended July 13, 2007 and July 7, 2006 was not included in the calculation of diluted shares and diluted earnings per share as to do so would be anti-dilutive. No options were granted during the first thirty-six weeks of the fiscal year ending November 2, 2007.

Note 5 - Retirement and Other Benefit Plans:

The Company has noncontributory-trusted defined benefit retirement plans for sales, administrative, supervisory and certain other employees. The benefits under these plans are primarily based on years of service and compensation levels. The Company's funding policy is to contribute annually the maximum amount deductible for federal income tax purposes, without regard to the plans' unfunded current liability. The measurement date for the plans is the Company's fiscal year end.

Net pension cost consisted of the following:

	36 weeks ended July 13 2007	36 weeks ended July 7 2006
Service cost	\$ 119	\$ 1,082
Interest cost	1,297	1,355
Expected return on plan assets	(1,355)	(1,064)
Amortization of net loss from earlier periods		191
Amortization of unrecognized prior service cost	1	22
Curtailement cost	47	8
Net pension cost	\$ 109	\$ 1,594

The expected Company contribution to the plans in fiscal year 2007 is \$3,476. The Company has funded the plans in the amount of \$2,333 through the third quarter of fiscal 2007.

In the third quarter of fiscal 2006, the Company froze the defined benefit pension plan accrued benefits for members employed by the Company with administration, sales or supervisory job classification or within a non-bargaining class. This action was defined as a curtailment under SFAS No. 88 Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits and, therefore, the Company recognized a curtailment loss of approximately \$8.

In the fourth quarter of fiscal 2006, the Company froze the defined pension benefits for employees classified in the Dallas Union Group effective January 1, 2007. This action is defined as a curtailment under SFAS No. 88 and, therefore, the Company recognized a curtailment loss of approximately \$47. As a result of these actions, net pension costs will be reduced in future periods.

Note 6 - Commitments:

The Company leases certain transportation and computer equipment under operating leases. The terms of the transportation leases provide for annual renewal options and contingent rental payments based upon mileage and adjustments of rental payments based on the Consumer Price Index. No material changes have been made to these contracts during the first thirty-six weeks of fiscal 2007.

Note 7 - Segment Information:

The Company has two reportable operating segments, Frozen Food Products (the processing and distribution of frozen products) and Refrigerated and Snack Food Products (the processing and distribution of refrigerated meat and other convenience foods).

The Company evaluates each segment's performance based on revenues and operating income. Selling, general and administrative expenses include corporate accounting, information systems, human resource management and marketing, which are managed at the corporate level. These activities are allocated to each operating segment based on revenues and/or actual usage.

7

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

The following segment information is presented for the twelve and thirty-six week periods ended July 13, 2007 and July 7, 2006.

Twelve Weeks Ended July 13, 2007	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 9,903	\$ 16,783	\$	\$	\$ 26,686
Intersegment sales		741		741	
Net sales	9,903	17,524		741	26,686
Cost of products sold, excluding depreciation	6,159	11,536		741	16,954
Selling, general and administrative expenses	3,146	5,790			8,936
Depreciation	203	418	96		717
	9,508	17,744	96	741	26,607
Income (loss) before taxes	395	(220)	(96)		79
Income tax provision (benefit)	145	(99)			46
Net income (loss)	\$ 250	\$ (121)	\$ (96)	\$	\$ 33
Total assets	\$ 10,124	\$ 28,307	\$ 30,386	\$	\$ 68,817
Additions to property, plant and equipment	\$ 22	\$ 162	\$ 37	\$	\$ 221

Twelve Weeks Ended July 7, 2006	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 10,183	\$ 17,986	\$	\$	\$ 28,169
Intersegment sales		596		596	
Net sales	10,183	18,582		596	28,169
Cost of products sold, excluding depreciation	6,065	11,555		596	17,024
Selling, general and administrative expenses	3,139	6,880			10,019
Depreciation	290	504	98		892
Gain on sale of equity securities	9,494	18,939	98	596	27,935
Income (loss) before taxes	689	(357)	(98)		234
Income tax provision (benefit)	224	(214)			10
Net income (loss)	\$ 465	\$ (143)	\$ (98)	\$	\$ 224
Total assets	\$ 11,133	\$ 28,626	\$ 31,872	\$	\$ 71,631
Additions to property, plant and equipment	\$ (94)	\$ 505	\$ 28	\$	\$ 439

Thirty-Six Weeks Ended July 13, 2007	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 33,327	\$ 53,566	\$	\$	\$ 86,893
Intersegment sales		1,316		1,316	
Net sales	33,327	54,882		1,316	86,893
Cost of products sold, excluding depreciation	20,576	37,194		1,316	56,454
Selling, general and administrative expenses	10,174	18,206			28,380
Depreciation	609	1,384	287		2,280
	31,359	56,784	287	1,316	87,114
Income (loss) before taxes	1,968	(1,902)	(287)		(221)
Income tax provision (benefit)	732	(754)			(22)
Net income (loss)	\$ 1,236	\$ (1,148)	\$ (287)	\$	\$ (199)

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Total assets	\$ 10,124	\$ 28,307	\$ 30,386	\$	\$ 68,817
Additions to property, plant and equipment	\$ 159	\$ 850	\$ 47	\$	\$ 1,056

Thirty-Six Weeks Ended July 7, 2006	Frozen Food Products	Refrigerated and Snack Food Products	Other	Elimination	Totals
Sales from external customers	\$ 34,281	\$ 56,768	\$	\$	\$ 91,049
Intersegment sales		1,797		1,797	
Net sales	34,281	58,565		1,797	91,049
Cost of products sold, excluding depreciation	20,265	39,619		1,797	58,087
Selling, general and administrative expenses	10,009	20,221			30,230
Depreciation	871	1,509	296		2,676
Gain on sale of equity securities		(106)			(106)
	31,145	61,243	296	1,797	90,887
Income (loss) before taxes	3,136	(2,678)	(296)		162
Income tax provision (benefit)	1,136	(1,132)			4
Net income (loss)	\$ 2,000	\$ (1,546)	\$ (296)	\$	\$ 158
Total assets	\$ 11,133	\$ 28,626	\$ 31,872	\$	\$ 71,631
Additions to property, plant and equipment	\$ 156	\$ 1,197	\$ 101	\$	\$ 1,454

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q under Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. In addition, the Company may from time to time make oral forward-looking statements. Words such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, potential or contribute or similar words are intended to identify forward-looking statements, although all forward-looking statements contain these words. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 3. Quantitative and Qualitative Disclosures Regarding Market Risk General Business Risks of this Quarterly Report on Form 10-Q as well as the risk factors references in the Company's Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006.

Critical Accounting Policies and Management Estimates

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the respective reporting periods. Actual results could differ from those estimates. Amounts estimated related to liabilities for pension costs, self-insured workers' compensation and employee healthcare are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts not originally estimated. An actuary updates the pension and post-retirement healthcare data on a quarterly basis. Management believes its current estimates are reasonable and based on the best information available at the time.

The provision for doubtful accounts receivable is based on historical trends and current collectibility risk. The Company has significant amounts receivable with a few large, well-known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. The Company monitors these customers closely to minimize the risk of loss. Wal-Mart® comprised 15.0% of revenues for the first thirty-six weeks of fiscal year 2007 and 17.0% of accounts receivable at the end of the third quarter of fiscal year 2007. Wal-Mart® comprised 14.5% of revenues for the first thirty-six weeks of fiscal year 2006 and 18.8% of accounts receivable at the end of the third quarter of fiscal year 2006.

Revenues are recognized upon passage of title to the customer upon product pick-up, shipment or delivery to customers as determined by applicable contracts. Products are delivered to customers through the Company's own fleet, common carrier or through a Company-owned direct store delivery system.

Inventories are valued at the lower of cost (at standard cost, which approximates actual cost on a first-in, first-out basis) or market. Costs related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of raw materials, labor and manufacturing overhead. The Company regularly reviews inventory quantities on hand and writes down any excess or obsolete inventories to net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or can be sold at reduced prices and could result in additional reserve provisions.

The Company records the cash surrender or contract value for life insurance policies as an adjustment of premiums paid in determining the expense or income to be recognized under the contract for the period.

The above listing is not intended to be a comprehensive list of all the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

Executive Level Overview of Business Segments

The Company operates in two business segments – the processing and distribution of frozen products and the processing and distribution of refrigerated and snack food products. For information regarding the separate financial performance of the business segments refer to Note 7 of the Notes to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q. Although the Company has recently introduced several new products, most of these products have not contributed significantly to the Company's revenue growth for the fiscal year with the exception of Bridgford Monkey Bread, included in the Frozen Food Products segment, originally introduced in 2005.

Frozen Food Products Segment

The products manufactured and distributed by the Company in the Frozen Food Products Segment consist of an extensive line of food products, including biscuits, bread dough items, roll dough items and sandwiches. All items within this segment are considered similar products and have been aggregated at this level. The Company's frozen food division serves both food service and retail customers. The Company sells approximately 200 unique frozen food products through wholesalers, cooperatives and distributors to approximately 21,000 retail outlets and 22,000 restaurants and institutions.

Frozen Food Products – Food Service Customers

The food service industry is composed of establishments that serve food outside the home and includes restaurants, the food operations of health care providers, schools, hotels, resorts, corporations, and other traditional and non-traditional food service outlets. Growth in this industry has been driven by the increase in away-from-home meal preparation, which has accompanied the expanding number of both dual income and single-parent households. Another trend within the food service industry is the growth in the number of non-traditional food service outlets such as convenience stores, retail stores and supermarkets. These non-traditional locations often lack extensive cooking, storage or preparation facilities, resulting in a need for pre-cooked and prepared foods similar to those provided by the Company. The expansion in the food service industry has also been accompanied by the continued consolidation and growth of broad line and specialty food service distributors, many of which are long-standing customers of the Company.

The Company supplies its food service customers generally through distributors that take title to the product and resell it. Among the Company's customers are many of the country's largest broad line and specialty food service distributors. For these and other large end purchasers, the Company's products occasionally go through extensive qualification procedures and its manufacturing capabilities are subjected to thorough review by the end purchasers prior to the Company's approval as a vendor. Large end purchasers typically select suppliers that can consistently meet increased volume requirements on a national basis during peak promotional periods. The Company believes that its manufacturing flexibility, national presence and long-standing customer relationships should pose barriers to entry for other manufacturers seeking to provide similar products to the Company's current large food service end purchasers, although no assurances can be given.

Frozen Food Products – Retail Customers

The majority of the Company's existing and targeted retail customers are involved in the resale of branded and private label packaged foods. The same trends which have contributed to the increase in away-from-home meal preparation have also fueled the growth in easy to prepare, microwaveable frozen and refrigerated convenience foods. Among the fastest growing segments is the frozen and refrigerated hand-held foods market. This growth has been driven by improved product quality and variety and the increasing need for inexpensive and healthy food items that require minimal preparation. Despite rapid growth, many categories of frozen and refrigerated hand-held foods have achieved minimal household penetration. The Company believes it has been successful in establishing and maintaining supply relationships with certain selected leading retailers in this market.

Frozen Food Products Sales and Marketing

The Company's frozen food business covers the United States and Canada. In addition to regional sales managers, the Company maintains a network of independent food service and retail brokers covering most of the states as well as Canada. Brokers are compensated on a commission basis. The Company believes that its broker relationships, in close cooperation with the regional sales managers, are a valuable asset providing significant new product and customer opportunities. The regional sales managers perform several significant functions for the Company, including identifying and developing new business opportunities and providing customer service and support to the Company's distributors and end purchasers through the effective use of the Company's broker network.

The Company's annual advertising expenditures are directed towards retail and institutional customers. These customers participate in various special promotional and marketing programs and direct advertising allowances sponsored by the Company. The Company also invests in general consumer advertising in various newspapers and periodicals. The Company directs advertising at food service customers with campaigns in major industry publications and through Company participation in trade shows throughout the United States.

Refrigerated and Snack Food Segment

The products distributed by the Company in the Refrigerated and Snack Food Products segment consist of both products manufactured by the Company and product manufactured or processed by third parties. Approximately 46% of this segment's products were manufactured by third parties. All items within this segment are considered similar products and have been aggregated at this level. The dry sausage division includes products such as jerky, meat snacks, sausage, summer sausage and pepperoni products. The deli division includes products such as ham, sandwiches, cheese, Mexican food, pastries and other delicatessen type food products.

Refrigerated and Snack Food Segment Customers

The Company's refrigerated and snack food products division sells approximately 270 different items through a direct store delivery network serving approximately 36,000 supermarkets, mass merchandise and convenience retail stores located in 49 states and Canada.

These customers are comprised of large retail chains and smaller independent operators. This part of the Company's business is highly competitive. Proper placement of the Company's product lines is critical to selling success since most items could be considered impulse items which are often consumed shortly after purchase. The Company's ability to sell successfully to this distribution channel depends on aggressive marketing and maintaining relationships with key buyers.

Refrigerated and Snack Food Segment Sales and Marketing

The Company's direct store delivery network consists of two separate divisions, refrigerated and non-refrigerated snack food products. Refrigerated snack food products are distributed through five different regions located in the southwest, primarily operating in California, Arizona and Nevada. Non-refrigerated snack food products are distributed in seventeen geographic regions across the United States and Canada, each managed by regional sales managers. The regional sales managers perform several significant functions for the Company including identifying and developing new business opportunities and providing customer service and support to the Company's customers. The Company also utilizes the services of brokers where appropriate to support efficient product distribution and customer satisfaction.

Results of Operations for the Twelve Weeks ended July 13, 2007 and

Twelve Weeks ended July 7, 2006.

Net Sales-Consolidated

Net sales decreased by \$1,483,000 (5.3%) to \$26,686,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreased approximately 7.4% offset by unit price increases of 3.5%. Promotional allowances increased by approximately 2.0% as a percent of sales also contributing to the net sales decrease compared to the same twelve-week period last year. Product return levels were slightly higher against the comparative prior period.

Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly sales decreased \$101,000 (4.3%). The decrease primarily relates to 10.6% lower unit sales volume off-set by unit price increases of 5.8% during the third twelve weeks of the 2007 fiscal year compared to the previous twelve-week period. The decline in unit sales resulted from normal seasonal factors.

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by \$280,000 (2.7%) to \$9,903,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreases of 3.9% were offset by unit price increases. Promotional allowances were higher compared to the same twelve-week period last year causing the net sales decline.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products segment decreased by \$1,058,000 (5.7%) to \$17,524,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period last year. Unit volume decreased by 9.5%. An increase in unit selling prices partially off-set the impact of the unit volume decreases.

Cost of Products Sold-Consolidated

Cost of products sold decreased by \$70,000 (0.4%) to \$16,954,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. The gross margin before depreciation decreased from 39.6% to 36.5% primarily due to higher commodity costs when compared to the same twelve-week period in fiscal 2006. Higher promotional allowances also reduced net selling prices contributing to the gross margin decline.

Compared to the prior twelve-week period ended April 20, 2007 (not shown), the average weekly cost of products sold decreased \$82,000 (5.5%) for the third twelve weeks of fiscal year 2007. This decrease is consistent with the sales decrease and normal seasonal trends.

Cost of Products Sold Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$94,000 (1.5%) to \$6,159,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. An increase in flour commodity costs was the primary contributing factor in this increase. Unit production volumes were also lower than the comparative twelve-week period.

Cost of Products Sold Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products segment decreased by \$19,000 (0.2%) to \$11,536,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal 2006. Unit volume declines were partially off-set by rising commodity costs in the 12 week period.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses decreased by \$1,083,000 (10.8%) to \$8,936,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. The change in this category for the twelve-week period ended July 13, 2007 did not directly correspond to the sales decrease. Favorable trends were experienced in employee pensions, healthcare expenses, workers compensation, cash surrender value gains and bad debt recoveries compared to the same twelve week period in the prior year.

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly selling, general and administrative expenses decreased by \$49,000 (6.2%). The decrease was primarily caused by a decrease in average weekly sales and lower cost trends related to healthcare and workers compensation expenses.

12

Selling, General and Administrative Expenses-Frozen Food Products Segment

Selling, general and administrative expenses in the Frozen Food Products segment increased by \$7,000 (0.2%) to \$3,146,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. Higher advertising costs were off-set by lower healthcare and workers compensation costs when compared to the same twelve-week period in fiscal 2006.

Selling, General and Administrative Expenses-Refrigerated and Snack Food Segment

Selling, general and administrative expenses in the Refrigerated and Snack Food Products segment decreased by \$1,090,000 (15.8%) to \$5,790,000 in the third twelve weeks of fiscal year 2007 compared to the same twelve-week period in the prior fiscal year. Lower healthcare, workers compensation and pension expenses and a significant bad debt recovery were the most significant contributors to the decrease in selling, general and administrative expenses when compared to the same twelve-week period in fiscal 2006.

Depreciation Expense-Consolidated

Depreciation expense decreased by \$175,000 (19.6%) to \$717,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006. The decrease in depreciation expense reflects lower capital expenditure levels in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year. Compared to the prior twelve-week period ended April 20, 2007 (not shown), average weekly depreciation decreased by \$5,000 due to the reasons mentioned previously.

Depreciation Expense-Frozen Food Products and Refrigerated and Snack Food Segments

Depreciation expense in the Frozen Food Products segment decreased by \$87,000 (30.0%) to \$203,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006.

Depreciation expense in the Refrigerated and Snack Food Products segment decreased by \$86,000 (17.1%) to \$418,000 in the third twelve weeks of the 2007 fiscal year compared to the same twelve-week period in fiscal year 2006. The decrease in depreciation expense in both segments was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Income Taxes-Consolidated

The Company recorded an income tax provision based on an estimated annual effective tax rate of 58.2% in the third twelve weeks of fiscal 2007 as compared to 4.3% in the prior fiscal year and 23.3% for the prior twelve-week period. The change in the effective income tax rate relates to significant non-taxable gains on life insurance policies and revisions to the Company's projected tax rates related to updated income estimates.

Net Income (Loss)-Consolidated

Net income in the twelve weeks ended July 13, 2007 included non-taxable gains on life insurance policies in the amount of \$212,000. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may not produce gains of equal magnitude or may produce losses. Taxable investment income also decreased on a comparative basis during the third twelve weeks of fiscal 2007 in the amount of \$41,000 due to lower cash balances and lower short-term interest rates.

After considering the effect of these transactions, the Company's results were as follows:

	12 Weeks Ended July 13, 2007	12 Weeks Ended July 7, 2006
Net income (loss) before taxes, life insurance gain and investment income	\$ (290,000)	\$ 89,000
Life insurance gain and investment income	369,000	145,000
Income before taxes	79,000	234,000
Income tax provision	46,000	10,000
Net income	\$ 33,000	\$ 224,000

The Company presents net income or loss before taxes, life insurance gain or loss and investment income because the Company believes it is an important measure for investors to use in understanding the Company's underlying operations.

Results of Operations for the Thirty-Six Weeks ended July 13, 2007 and

Thirty-Six Weeks ended July 7, 2006.

Net Sales-Consolidated

Net sales decreased by \$4,156,000 (4.6%) to \$86,893,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. The primary reason for the sales decline was a 4.0% decrease in unit volume. Promotional allowances, as a percent of sales, increased 1.8% compared to the same 36 week period last year. Unit selling prices increased approximately 0.8% offsetting the sales decline.

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment decreased by \$954,000 (2.8%) to \$33,327,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. The primary reason for the decline was an increase in promotional allowances compared to the same thirty-six week period last year. Unit prices, before promotions and allowances, increased 4.5% offset by unit volume decrease of approximately 3.4%.

Net Sales-Refrigerated and Snack Food Segment

Net sales in the Refrigerated and Snack Food Products segment decreased by \$3,683,000 (6.3%) to \$54,882,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period last year. Unit volumes were approximately 4.1% lower than the comparative thirty-six week period. Average unit selling prices were also lower than the prior thirty-six week period.

Cost of Products Sold-Consolidated

Cost of products sold decreased by \$1,633,000 (2.8%) to \$56,454,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal 2006. The decrease in cost of products sold on a comparative basis was due primarily to lower unit sales volume. The slight decrease in gross margin before depreciation from 36.2% to 35.0% was due to higher commodity costs when compared to the same thirty-six-week period in fiscal year 2006. Higher promotional allowances also reduced the effective net selling price contributing to the gross margin decline.

Cost of Products Sold Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by \$311,000 (1.5%) to \$20,576,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal 2006. Higher flour commodity costs contributed to the increase in costs of products sold. Higher promotional allowances also reduced the effective net selling price contributing to a decline in the gross margin.

Cost of Products Sold Refrigerated and Snack Food Segment

Cost of products sold in the Refrigerated and Snack Food Products segment decreased by \$2,425,000 (6.1%) to \$37,194,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six-week period in fiscal 2006. Lower unit volumes levels were slightly off-set by higher meat and cheese commodity costs.

Selling, General and Administrative Expenses-Consolidated

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Selling, general and administrative expenses decreased by \$1,850,000 (6.1%) to \$28,380,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. The change in this category for the thirty-six week period ended July 13, 2007 did not directly correspond to the sales decrease. Significant reductions in employee healthcare, pension expenses and workers compensation expenses in addition to cash surrender value gains on life insurance policies, bad debt recoveries and higher interest income helped offset expenses in this category. These favorable trends were somewhat off-set by higher costs for advertising programs.

Selling, General and Administrative Expenses-Frozen Food Products Segment

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Selling, general and administrative expenses in the Frozen Food Products segment increased by \$165,000 (1.6%) to \$10,174,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. Significant reductions in employee healthcare, pension expenses helped off-set higher advertising expenses in this category.

Selling, General and Administrative Expenses-Refrigerated and Snack Food Segment

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Selling, general and administrative expenses in the Refrigerated and Snack Food Products segment decreased by \$2,015,000 (10.0%) to \$18,206,000 in the first thirty-six weeks of fiscal year 2007 compared to the same thirty-six week period in the prior fiscal year. Lower sales trends reduced the expenses in this category. In addition, significant reductions in employee healthcare, pension expenses and workers compensation expenses, in addition to higher bad debt recoveries, helped reduce expenses in this category.

Depreciation Expense-Consolidated

Depreciation expense decreased by \$396,000 (14.8%) to \$2,280,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. The decrease in depreciation expense was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Depreciation Expense-Frozen Food Products and Refrigerated and Snack Food Segments

Depreciation expense in the Frozen Food Products segment decreased by \$262,000 (30.1%) to \$609,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. Depreciation expense in the Refrigerated and Snack Food Products segment decreased by \$125,000 (8.3%) to \$1,384,000 in the first thirty-six weeks of the 2007 fiscal year compared to the same thirty-six week period in fiscal year 2006. The decrease in depreciation expense in both segments was due to lower capital expenditures in recent years and certain significant assets becoming fully depreciated in the 2007 fiscal year.

Income Taxes-Consolidated

The Company recorded an income tax provision based on an estimated annual effective tax rate of 10.0% in the first thirty-six weeks of fiscal 2007 as compared to 2.5% in the prior fiscal year. The change in the effective income tax rate relates to significant non-taxable gains on life insurance policies and revisions to the Company's projected tax rates related to updated estimates and the recognition of research and development tax credits.

Net Income (Loss)-Consolidated

Net loss in the thirty-six weeks ended July 13, 2007 included non-taxable gains on life insurance policies in the amount of \$572,000. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities and future results may not produce gains of equal magnitude or may produce losses. Taxable investment income also increased on a comparative basis during the first thirty-six weeks of fiscal 2007 in the amount of \$120,000 due to higher cash balances and an increase in short-term interest rates. After considering the effect of these transactions, the Company's results were as follows:

	36 Weeks Ended July 13, 2007	36 Weeks Ended July 7, 2006
Net loss before taxes, life insurance gain and investment income	\$ (1,302,000)	\$ (636,000)
Gain on sale of equity securities		106,000
Life insurance gain and investment income	1,081,000	692,000
Income (loss) before taxes	(221,000)	162,000
Income tax provision (benefit)	(22,000)	4,000
Net income (loss)	\$ (199,000)	\$ 158,000

The Company presents net income or loss before taxes, life insurance gain or loss and investment income because the Company believes it is an important measure for investors to use in understanding the Company's underlying operations.

Liquidity and Capital Resources-Consolidated

Net cash from operating activities was \$13,220,000 for the first thirty-six weeks of the 2007 fiscal year. Operating cash was generated principally by reductions in trading securities and accounts receivable. The substantial reduction in accounts receivable in the first thirty-six weeks of fiscal 2007 is consistent with normal seasonal trends. The Company sold \$12,200,000 in auction rate securities in the first thirty-six weeks of the 2007 fiscal year and currently has no investments in these instruments. The Company utilized cash flow for additions to property, plant and equipment and share repurchases. The net effect of these transactions resulted in a cash and cash equivalents increase during the first thirty-six weeks of fiscal 2007 of \$11,822,000 to \$13,002,000. The additions to property, plant and equipment reflect the Company's continued investment in processing, transportation and information technology equipment.

The Company's refrigerated and snack food products segment has continued development of a new major production line that was originally scheduled for completion in the fourth quarter of fiscal year 2005. The line has been producing product for analysis purposes for approximately nine months. The oven and processing parameters are being fine-tuned. A total capital expenditure of \$1,879,000 has been invested in this new production line through July 13, 2007. No significant additional investments are anticipated at this time. The Company expects regular production to begin no later than the last quarter of fiscal year 2007.

No cash dividends were paid during the first thirty-six weeks of the 2007 fiscal year, as was the case during the first thirty-six weeks of the 2006 fiscal year, as the Board of Directors suspended the quarterly cash dividend at its May 2004 meeting in recognition of lower profitability levels in recent quarters.

The Company remained free of interest bearing debt during the first thirty-six weeks of fiscal year 2007. The Company's revolving line of credit with Bank of America expires on April 30, 2008 and provides for borrowings up to \$2,000,000. The Company has not borrowed under this line for more than twenty consecutive years.

The impact of inflation on the Company's financial position and results of operations has not been significant. Management is of the opinion that the Company's financial position and its capital resources are sufficient to provide for its near term operating needs and capital expenditures.

Recently Issued Accounting Pronouncements and Interpretations

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). This Statement addresses uncertainty in tax positions recognized in a company's financial statements and stipulates a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 will apply to the Company's fiscal year beginning November 3, 2007, with earlier adoption permitted. The Company does not expect this interpretation will have a material impact on the Company's results of operations or financial position.

In September 2006, the FASB issued Statement of Accounting Standards No. 157, Fair Value Measurements (FAS No. 157). This Statement defines fair value, provides a framework for measuring fair value, and expands the disclosures required for fair value measurements. FAS No. 157 applies to other accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. FAS No. 157 is effective for financial statements for fiscal years beginning after November 15, 2007, the Company's first quarter of the 2009 fiscal year, and interim periods within those years. The Company does not expect this statement will have a material impact on the Company's results of operations or financial position.

In September 2006, the Financial Accounting Standards Board issued FAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158) an amendment of FASB Statements No. 87, 88, 106, and 132(R) . FAS 158 requires employers to recognize the over- or under-funded status of defined benefit plans and other postretirement plans in the statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. In addition, FAS 158 requires employers to measure the funded status of plans as of the date of the year-end statement of financial position. The recognition and disclosure provisions of FAS 158 are effective for fiscal years ending after December 15, 2006 (effective for the Company's fiscal year ending November 2, 2007), while the requirement to measure plan assets and benefit obligations as of a company's year-end date is effective for fiscal years ending after December 15, 2008 (effective for the Company's fiscal year ending October 30, 2009). Based on recent preliminary analysis, the Company does not expect that the adoption of this statement will materially affect other comprehensive income, long-term liabilities and shareholders equity.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 expands opportunities to use fair value measurement in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective for fiscal years beginning after November 15, 2007, or the Company's fiscal year ending October 30, 2009. The Company does not expect this statement will have a material impact on its results of operations or financial position.

Off-Balance Sheet Arrangements

The Company is not engaged in any off-balance sheet arrangements within the meaning of Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

General Business Risks

General risk factors include, among others, the following: general economic and business conditions; the impact of competitive products and pricing; success of operating initiatives; development and operating costs; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; and other factors referenced in this Quarterly Report on Form 10-Q and in Bridgford Foods' Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006. Because of these and other factors that may affect the Company's operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. The Company expressly disclaims any intent or obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

17

There can be no assurances that the Company's growth objectives will be met or that product lines will be profitable. Anticipated and unanticipated declines in customer demand or taste, sales softness or aggressive competition may have a material adverse effect on the Company's results of operations. The business is also exposed to the risk of negative publicity, whether or not based in fact, which affects consumer perceptions about the health, safety or quality of food and inputs of food products.

The Company's operating results are heavily dependent upon the prices paid for raw materials. Other significant factors that influence operating results include transportation and energy costs. The marketing of the Company's value-added products does not lend itself to instantaneous changes in selling prices. Changes in selling prices are relatively infrequent and do not compare with the volatility of commodity markets, transportation costs and energy prices.

Financial Instrument Risk

The Company's financial instruments generally consist of cash and cash equivalents and life insurance policies. At July 13, 2007, the carrying value of the Company's financial instruments approximated their fair market values based on current market prices and rates. It is not the Company's policy to enter into derivative financial instruments.

Foreign Currency Risk

The Company did not have significant foreign currency exposure at July 13, 2007.

Concentration of Credit Risk

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

The Company's credit risk is diversified across a broad range of customers and geographic regions. Losses due to credit risk have recently been immaterial although losses in fiscal year 2002 were significant. The provision for doubtful accounts receivable is based on historical trends and current collectibility risk. The Company has significant amounts receivable with a few large, well known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. The Company monitors these customers closely to minimize the risk of loss.

Fixed Price Contracts Risk

The Company purchases bulk flour under short-term fixed price contracts during the normal course of business. Under these arrangements, the Company is obligated to purchase specific quantities at fixed prices, within the specified contract period. These contracts provide for automatic price increases if agreed quantities are not purchased within the specified contract period. No significant contracts remained unfulfilled at July 13, 2007.

Item 4. Controls and Procedures

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Management of the Company, with the participation and under the supervision of the Company's Chairman and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, the Chairman and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report to provide reasonable assurance that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. There has been no change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

18

The Company's management, including its Chairman and Chief Financial Officer, does not expect that the Company's disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Section 404 Sarbanes-Oxley Act of 2002

The Securities and Exchange Commission, on December 15, 2006, adopted new measures to grant relief to smaller public companies by extending the date of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the Act). Under these new measures, the Company will be required to comply with the Act in two phases. The first phase will be effective for the Company's fiscal year ending October 31, 2008 and will require the Company to furnish a management report on internal control over financial reporting. The second phase will require the Company to provide an auditor's attestation report on internal control over financial reporting beginning with the Company's fiscal year ending October 30, 2009.

In order to comply with the Act, the Company is in the process of centralizing most accounting and many administrative functions at its corporate headquarters in an effort to control the cost of maintaining its control systems. On July 11, 2006, The Committee of Sponsoring Organizations (COSO) issued guidance on how small companies should implement an effective internal control framework over financial reporting and other risks. This guidance is considered a key tool to help smaller public companies to confront the challenges of the Act. As a result, the Company may incur substantial additional expenses and diversion of management's time. During the course of these activities, the Company may identify certain internal control issues which management believes should be improved. These improvements, if necessary, will likely include further formalization of policies and procedures, improved segregation of duties, additional information technology system controls and additional monitoring controls. Although management does not believe that any of these matters will result in material weaknesses being identified in the Company's internal controls as defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, no assurances can be given regarding the outcome of these efforts. Additionally, control weaknesses may not be identified in a timely enough manner to allow remediation prior to the issuance of the auditor's report on internal controls over financial reporting. Any failure to adequately comply could result in sanctions or investigations by regulatory authorities, which could harm the Company's business or investors' confidence in the Company.

On May 23, 2007, the Securities and Exchange Commission unanimously approved interpretive guidance to assist public companies to reinforce their internal control over financial reporting with a focus on smaller companies. The Securities and Exchange Commission approved rules that allow a company to satisfy the annual evaluation requirement by Exchange Act Rules 13a-15 and 15d-15 through the evaluation of internal control in accordance with interpretive guidance. The term "material weakness" was modified by the Securities and Exchange Commission as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The effective date for these changes was August 27, 2007.

The auditor's attestation report will now opine directly on the internal controls over financial reporting. The Public Company Accounting Oversight Board voted on May 24, 2007 to adopt Auditing Standard No. 5, "An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements", to replace its previous internal control auditing standard, Auditing Standard No. 2. The new standard removes unnecessary audit requirements while maintaining adequate internal control, provides direction on how to scale the audit for smaller and less complex companies, and reduces and simplifies the text of the standard. Another revision included changes to the required auditor's attestation report on the effectiveness of internal controls over financial reporting which now excludes the auditor's evaluation of management's evaluation process. The Securities and Exchange Commission approved the Public Company Accounting Oversight Board's Auditing Standard No. 5 on July 25, 2007, replacing Auditing Standard No. 2.

Part II. Other Information**Item 1A. Risk Factors**

The risk factors listed in Part I Item 1A. Risk Factors in the Annual Report on Form 10-K/A for the fiscal year ended November 3, 2006, should be considered with the information provided elsewhere in this Quarterly Report on Form 10-Q, which could materially adversely affect the business, financial condition or results of operations. There have been no material changes to the risk factors as previously disclosed in such Annual Report on Form 10-K/A.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company has not sold any equity securities during the period covered by this Report.

The following table provides information regarding repurchases by the Company of its common stock, for each of the three four-week periods included in the interim twelve-week period ended July 13, 2007.

ISSUER PURCHASES OF EQUITY SECURITIES

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 21, 2007 – May 18, 2007	1,978	\$ 7.43	1,978	562,373
May 19, 2007 – June 15, 2007	16,949	\$ 7.59	16,949	545,424
June 16, 2007 – July 13, 2007	4,439	\$ 7.64	4,439	540,985
Total	23,366	\$ 7.59	23,366	

(1) Period information is presented by reference to the Company's fiscal period ends during the twelve-week period ended July 13, 2007.

(2) All repurchases reflected in the foregoing table were made on the open market. The Company's stock repurchase program was approved by the Board of Directors in November 1999 and was expanded in June 2005. Under the stock repurchase program, the Company is authorized, at the discretion of management and the Board of Directors, to purchase up to an aggregate of 2,000,000 shares of the Company's common stock on the open market. The stock repurchase program expires annually and is renewable each September. On September 15, 2006, the Company entered into a Rule 10b5-1 Stock Purchase Plan with Citigroup Global Markets Inc. for the purchase of shares of common stock previously issued by the Company that complies with the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (Exchange Act). The purchase period covers each trading day commencing October 2, 2006 through and including September 15, 2007. The daily purchase quantity is defined as a number of shares up to, but not to exceed, each day's applicable SEC Rule 10b-18 maximum volume limit (i.e. 25% of the prior four calendar weeks' average daily trading volume); however, once per week a block of stock may be purchased that exceeds the SEC Rule 10b-18 25% average daily trading volume condition, provided that no other Plan purchases are made on any day on which such a block is purchased. The total maximum number of shares that may be purchased under the plan is 594,000 at a total maximum dollar amount (exclusive of commission) of \$5,940,000.

Item 6.

Exhibits

Edgar Filing: EXPEDITORS INTERNATIONAL OF WASHINGTON INC - Form DEF 14A

Exhibit No.	Description
31.1	Certification of Chairman (Principal Executive Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chairman (Principal Executive Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer (Principal Financial Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.

21

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIDGFORD FOODS CORPORATION

(Registrant)

August 27, 2007
Date

By: /s/ Raymond F. Lancy
Raymond F. Lancy
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

22
