

KMG CHEMICALS INC
 Form 4
 October 30, 2008

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Butler J Neal

(Last) (First) (Middle)
 10611 HARWIN STE 402
 (Street)

HOUSTON 77036-1534

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 KMG CHEMICALS INC [KMGB]

3. Date of Earliest Transaction
 (Month/Day/Year)
 10/17/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 CEO & President

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Price | | | |
| Common Stock | 10/17/2007 | | M | 7,092 A \$ 0 | 7,092 | D | |
| Common Stock | 10/17/2007 | | M | 7,880 A \$ 0 | 14,972 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Performance Based Restricted Stock Agreement Ser 1 | \$ 0 | 10/17/2007 | | M | 1 | 07/31/2007 | 07/31/2007 ⁽¹⁾ | Common Stock | 7,092 |
| Performance Based Restricted Stock Agreement Ser 2 | \$ 0 | 10/17/2007 | | M | 1 | 07/31/2007 | 07/31/2007 ⁽¹⁾ | Common Stock | 7,880 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|-----------------|-------|
| | Director | 10% Owner | Officer | Other |
| Butler J Neal 10611 HARWIN STE 402 HOUSTON 77036-1534 | X | | CEO & President | |

Signatures

J Neal Butler under a power of attorney granted to Roger C Jackson
 10/30/2008

Signature of Reporting Person
 Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Vesting was performance based over a measurement period ending 7/31/07. Vested shares are awarded, generally, within two and one-half months after vesting.

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Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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