

Butler J Neal
 Form 4
 October 16, 2009

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 9555 W. SAM HOUSTON PKWY
 S., SUITE 600

3. Date of Earliest Transaction
 (Month/Day/Year)
 10/14/2009

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

(Street)

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

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

HOUSTON 77099

(City) (State) (Zip)

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) | Amount | | |
| | | | Code | V | Amount | | Price |
| Common Stock | 10/14/2009 | | M | | 7,680 | A | \$ 0 |
| Common Stock | 10/14/2009 | | M | | 6,400 | A | \$ 0 |

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 Security (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Performance Based Restricted Stock Agr Ser 1 | \$ 0 | 10/14/2009 | | M | 1 | 07/31/2009 ⁽¹⁾ 07/31/2009 ⁽¹⁾ | Common Stock | 7,600 |
| Performance Based Restricted Stock Agr Ser 2 | \$ 0 | 10/14/2009 | | M | 1 | 07/31/2009 ⁽¹⁾ 07/31/2009 ⁽¹⁾ | Common Stock | 6,400 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-----------------|-------|
| | Director | 10% Owner | Officer | Other |
| Butler J Neal 9555 W. SAM HOUSTON PKWY S. SUITE 600 HOUSTON 77099 | X | | CEO & President | |

Signatures

J Neal Butler under a power of attorney granted to Roger C Jackson
10/16/2009

**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 of common shares is performance based over a measurement period ending 7-31-09. Vested shares are awarded, generally, within two and one-half months after 7-31-09.

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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