C H ROBINSON WORLDWIDE INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/1997 For Period Ending 9/30/1997

Address	8100 MITCHELL ROAD #200
	EDEN PRAIRIE, Minnesota 55344
Telephone	612-937-8500
CIK	0001043277
Industry	Misc. Transportation
Sector	Transportation
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**/x/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED SEPTEMBER 30, 1997**

OR

**/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 FOR
THE TRANSITION PERIOD FROM ___________ TO ____________**

Commission File Number
000-23189

C.H. ROBINSON WORLDWIDE, INC.
(Exact name of registrant as specified in its charter)

Delaware	41-1883630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8100 Mitchell Road, Suite 200, Eden Prairie, Minnesota 55344-2248
(Address of principal executive offices) (Zip Code)

(612) 937-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No /x/

As of November 13, 1997, the number of outstanding shares of the registrant's common stock was 41,264,621.

PART I -- FINANCIAL INFORMATION

ITEM 1. Financial Statements

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In Thousands, except per share amounts)

ASSETS	September 30, 1997 (Unaudited)	December 31, 1996
CURRENT ASSETS:		
Cash and cash equivalents	$104,685	$ 42,567
Available-for-sale securities	12,944	42,711
Receivables, net of allowance for doubtful accounts of $10,436 and $10,079	201,895	170,935
Inventories	3,338	5,276
Deferred tax benefit	4,915	6,698
Prepaid expenses and other	6,700	2,088
Net Assets of discontinued operations	14,082	10,147
Total current assets	$348,559	$280,422
PROPERTY AND EQUIPMENT, net	21,766	23,047
INTANGIBLE & OTHER ASSETS, net	12,795	17,311
	$383,120	$320,780
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	$163,494	$140,376
Accrued expenses-		
Compensation and profit-sharing contribution	17,711	17,991
Income taxes & other	20,234	7,985
Total current liabilities	201,439	166,352
STOCKHOLDERS' INVESTMENT		
Preferred stock, $0.10 par value, 20,000 shares authorized; none outstanding	-	-
Common stock, $0.10 par value; 130,000 shares authorized, 41,265 and 41,375 issued and outstanding	4,126	4,137
Foreign currency translation adjustment	(466)	(346)
Retained earnings	178,021	150,637
Total stockholders' investment	181,681	154,428
	$383,120	$320,780

The accompanying notes are an integral part of these condensed consolidated balance sheets.

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(In Thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
GROSS REVENUES	$466,408	$413,585	$1,321,560	$1,188,609
COST OF TRANSPORTATION AND PRODUCTS	412,944	368,474	1,168,940	1,056,578
NET REVENUES	53,464	45,111	152,620	132,031
SELLING GENERAL AND ADMINISTRATIVE EXPENSES	38,146	31,602	110,611	94,173
INCOME FROM OPERATIONS	15,318	13,509	42,009	37,858
INVESTMENT AND OTHER INCOME	936	723	2,817	2,114
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	16,254	14,232	44,826	39,972
PROVISION FOR INCOME TAXES	6,369	5,559	17,708	15,614
NET INCOME FROM CONTINUING OPERATIONS	9,885	8,673	27,118	24,358
NET INCOME FROM DISCONTINED OPERATIONS, net of income taxes	550	566	1,450	1,649
NET INCOME	$ 10,435	$ 9,239	$ 28,568	$ 26,007
NET INCOME PER SHARE:				
Net income from continuing operations	$ 0.24	$ 0.21	$ 0.66	$ 0.58
Net income from discontinued operations	0.01	0.01	0.03	0.04
Net income	$ 0.25	$ 0.22	$ 0.69	$ 0.62
WEIGHTED AVERAGE SHARES OUTSTANDING	41,265	41,425	41,292	41,930

The accompanying notes are an integral part of these condensed consolidated statements.

C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In Thousands)

(unaudited)

	For the Nine Months Ended September 30, 1997	1996
OPERATING ACTIVITIES:		
Net income	$28,568	$26,007
Adjustments to reconcile net income to net cash provided by operations-		
Depreciation and amortization	6,293	5,556
Incentive stock expense	-	859
Deferred income taxes	(992)	(1,303)
Changes in operating elements-		
Receivables	(30,960)	(31,528)
Inventories	1,938	635
Prepaid expenses and other current assets	(4,612)	468
Accounts payable	23,118	20,339
Accrued compensation and profit sharing	663	(1,872)
Accrued income taxes and other	12,249	(33)
Net cash provided by operating activities	36,265	19,128
INVESTING ACTIVITIES:		
Additions of property and equipment	(4,078)	(3,674)
Disposals of property and equipment	1,311	55
Sales of long-term investments	4,349	115
Purchases of long-term investments	-	(1,040)
Sale of available-for-sale securities	78,670	25,419
Purchase of available-for-sale securities	(48,903)	(32,525)
Cash provided/(used) by discontinued operations	(3,935)	2,130
Other, net	577	481
Net cash provided by (used for) investing activities	27,991	(9,039)
FINANCING ACTIVITIES:		
Sale of common stock	103	-
Repurchase of common stock	(1,416)	(6,853)
Cash dividends	(825)	(621)
Net cash used for financing activities	(2,138)	(7,474)
Net increase in cash and cash equivalents	62,118	2,615
CASH AND CASH EQUIVALENTS, beginning of period	$42,567	$34,452
CASH AND CASH EQUIVALENTS, end of period	$104,685	$37,067

The accompanying notes are an integral part of these condensed consolidated statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL:

C.H. Robinson Worldwide, Inc. and Subsidiaries (the Company) is a global provider of multimodal transportation services and logistic solutions through a network of branch offices throughout the United States, Canada, Mexico and Europe. The condensed consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and its majority owned and controlled subsidiaries. The Company's financial services segment is presented in the accompanying consolidated financial statements as discontinued operations. Minority interest in subsidiaries are not significant. All significant intercompany transactions and balances have been eliminated in the condensed consolidated financial statements.

The condensed consolidated financial statements which are unaudited have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In management's opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for the three months and nine months ended September 30, 1997 are not necessarily indicative of results to be expected for the entire year. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements. The condensed consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's final Prospectus dated October 15, 1997, as well as the Company's Registration Statement on Form S-1 and all amendments thereto (Registration No. 333-33731).

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT:

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share" (SFAS No. 128). SFAS No. 128 establishes accounting standards for computing and presenting earnings per share and is effective for periods ending after December 15, 1997. The adoption of SFAS No. 128 will not have a material impact on the Company's calculation of income per share.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 establishes accounting standards requiring presentation of comprehensive income, which includes unrealized gains and losses on securities and foreign currency translation adjustments, on the face of the financial statements effective for periods beginning after December 15, 1997. The adoption of SFAS No. 130 will not have a material impact on the Company's results of operations or financial position.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). SFAS No. 131 establishes accounting standards for segment reporting effective for periods beginning after December 15, 1997. The adoption of SFAS No. 131 will have no effect on the company's financial statements.

3. SUBSEQUENT EVENTS:

On October 10, 1997 the Company paid a special cash dividend of $1.50 per share ($61.9 million in the aggregate) to stockholders of record as of October 10, 1997. On October 13, 1997 the Company removed restrictions on shares previously awarded to employees which will generate an estimated $40.3 million tax benefit.

Certain stockholders of the Company sold 12,165,155 shares of the Company's stock to the public pursuant to a registered public offering on October 15, 1997. The proceeds of the offering were paid entirely to selling stockholders. Pursuant to SEC rules related to stock issued or sold to employees at prices below the initial public offering price for the twelve months preceding the initial public offering effective date, the Company recorded a charge to expense of $21.6 million on October 15, 1997. During the fourth quarter of 1997, the Company will also charge to expense approximately $3.0 million for other expenses related to the initial public offering.

The Company sold its financial services business on October 14, 1997 for $40.3 million. The Company paid a liquidating distribution to stockholders of record on October 14, 1997 of $39.2 million ($0.95 per share), the net proceeds resulting from this sale.

On August 14, 1997 the Company adopted incentive stock award and stock purchase plans. Under the incentive stock award plan, officers, directors, employees, consultants and independent contractors may receive options, stock appreciation rights, restricted stock and other stock-based awards for not more than 2,000,000 shares of common stock. On October 14, 1997, certain employees were granted 471,917 stock options at a grant price of $18.00 (the offering price per share). The stock purchase plan, under which employees may purchase up to 2,000,000 shares of common stock, will commence on January 1, 1998.

ITEM 2. Managements' Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto.

Cautionary Statement Relevant to Forward-Looking Information

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and
Section 21E of the Securities Exchange Act of 1934, as amended. These forward- looking statements represent the Company's expectations or beliefs, including, but not limited to, statements concerning the Company's operations and financial performance and condition. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. The Company cautions that these statements by their nature involve risks and uncertainties, certain of which are beyond the Company's control, and actual results may differ materially depending on a variety of important factors, including those described in Exhibit 99 hereto.

GENERAL

Gross revenues represent the total amount of services and goods sold by the Company to its customers. Costs of transportation and products include direct costs of transportation contracted by the Company, including motor carrier, intermodal, ocean, air, and other costs, and the purchase price of products sourced by the Company. The Company acts principally as a service provider to add value and expertise in the execution and procurement of these services for its customers. The net revenues of the Company (gross revenues less cost of transportation and products) are the primary indicator of the Company's ability to source, add value and resell services and products that are provided by third parties, and are considered by management to be the primary measurement of growth for the Company. Accordingly, the discussion of results of operations below focuses on the changes in the Company's net revenues.

RESULTS OF OPERATIONS

The following table summarizes net revenue by service line:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	1997	1996	% change	1997	1996	% change
Net Revenue (in thousands)						
Transportation	$41,205	$33,853	21.7%	$116,887	$ 96,446	21.2%
Sourcing	9,997	9,533	4.9%	29,659	30,915	-4.1%
Information services	2,262	1,725	31.1%	6,074	4,670	30.1%
Total	$53,464	$45,111	18.5%	$152,620	$132,031	15.6%

Three Months Ended September 30, 1997 Compared to Three Months Ended September 30, 1996

Revenues. Gross revenues for the three months ended September 30, 1997 were $466.4 million, an increase of 12.8% over gross revenues of $413.6 million for the three months ended September 30, 1997. Net revenues for the three months ended September 30, 1996 were $53.5 million, an increase of 18.5% over net revenues of $45.1 million for the three months ended September 30, 1997 resulting from an increase in transportation services net revenues of 21.7% to $41.2 million, an increase in sourcing net revenues of 4.9% to $10.0 million, and an increase in information services net revenues of 31.1% to $2.3 million.

The increase in transportation net revenue resulted from an increase in transaction volume offset by a slight decline in the net revenue per transaction. This increase in transaction volume and net revenues was driven by significant expansion of business with current customers, primarily larger accounts, and from new domestic and international customers.

The sourcing net revenues increase of 4.9% was driven by net revenue growth from a branch that sources produce for the Company's large retail chain customers, by other branches expanding their warehouse and crossdock sourcing services and offset by a decline in net revenues resulting from the elimination in December 1996 of a program at a large branch to source and distribute various seafood and other products.

The increase in information services net revenue was the result of significant growth in transaction volume. Net revenue per transaction decreased slightly due to the increase in less expensive electronic transactions which have been growing faster than manual transactions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended September 30, 1997 were $38.1 million, an increase of 20.7% over $31.6 million for the three months ended September 30, 1997. This increase was primarily due to increased personnel and warehouse costs associated with the Company's growth.

Income from Operations. Income from operations was $15.3 million for the three months ended September 30, 1997, an increase of 13.4% over $13.5 million for the three months ended September 30,1996.

Investment and Other Income. Investment and other income was $0.9 million for the three months ended September 30, 1997, an increase of 29.6% over $0.7 million for the three months ended September 30,1996

Provision for Income Taxes. The effective income tax rates for continuing operations were 39.2% and 39.1% for the three months ended September 30, 1997 and 1996, respectively. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

Net Income from Continuing Operations. Net income from continuing operations was $9.9 million for the three months ended September 30, 1997, an increase of 14.0% over $8.7 million for the three months ended September 30, 1996. Net income from continuing operations per share increased by 14.3% to $0.24 for the three months ended September 30, 1997 compared to $0.21 for the three months ended September 30, 1996.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Revenues. Gross revenues for the nine months ended September 30, 1997 were $1.3 billion, an increase of 11.2% over gross revenues of $1.2 billion for the nine months ended September 30, 1996. Net revenues for the nine months ended September 30, 1997 were $152.6 million, an increase of 15.6% over net revenues of $132.0 million for the nine months ended September 30, 1997 resulting from an increase in transportation services net revenues of 21.2% to $116.9 million, a decrease in sourcing net revenues of 4.1% to $29.7 million, and an increase in information services net revenues of 30.1% to $6.1 million.

The increase in transportation net revenue resulted from an increase in transaction volume offset by a slight decline in the net revenue per transaction. This increase in transaction volume and net revenues was driven by significant expansion of business with current customers, primarily larger accounts, and from new domestic and international customers.

Sourcing net revenues decreased by 4.1% primarily due to the elimination in December 1996 of a program at a large branch to source and distribute various seafood and other products, offset partially by net revenue growth from a branch that sources produce for the Company's large retail chain customers, and by various branches expanding their warehouse and crossdock sourcing services.

The increase in information services net revenue was the result of significant growth in transaction volume. Net revenue per transaction decreased slightly due to the increase in less expensive electronic transactions which have been growing faster than manual transactions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 30, 1997 were $110.6 million, an increase of 17.5% over $94.2 million for the nine months ended September 30, 1997. This increase was primarily due to increased personnel and warehouse costs associated with the Company's growth.

Income from Operations. Income from operations was $42.0 million for the nine months ended September 30, 1997, an increase of 11.0% over $37.9 million for the nine months ended September 30,1996.

Investment and Other Income. Investment and other income was $2.8 million for the nine months ended September 30, 1997, an increase of 33.3% over $2.1 million for the nine months ended September 30,1996.

Provision for Income Taxes. The effective income tax rates for continuing operations were 39.5% and 39.1% for the nine months ended September 30, 1997 and 1996, respectively. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

Net Income from Continuing Operations. Net income from continuing operations was $27.1 million for the nine months ended September 30, 1997, an increase of 11.3% over $24.4 million for the nine months ended September 30, 1996. Net income from continuing operations per share increased by 13.8% to $0.66 for the nine months ended September 30, 1997 compared to $0.58 for the nine months ended September 30, 1996, primarily due to an increase in net income and partly as a result of a decrease in shares outstanding due to the Company's share repurchases.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated substantial cash from operations which has enabled it to fund its growth while paying cash dividends and repurchasing stock. Cash and cash equivalents totaled $104.7 million and available-for-sale securities totaled $12.9 million as of September 30, 1997. Working capital at September 30, 1997 totaled $147.1 million. The Company has had no long-term debt for the last five years.

On October 13, 1997, the Company removed restrictions on shares previously awarded to employees which will generate an estimated $40.3 million tax benefit. In addition, the Company paid a special cash dividend of $1.50 per share ($61.9 million in total) on October 10, 1997. As disclosed in the Company's Form 8-K dated October 29,1997, the Company sold its financial services business on October 14, 1997 for $40.3 million. The Company declared and paid a liquidating distribution to stockholders of record on October 14, 1997 of $39.2 million ($0.95 per share), the net proceeds resulting from this sale. Management does not anticipate any significant effects on the Company's operations as a result of these non-recurring transactions. The Company has declared a $0.06 per share dividend payable to shareholders of record as of December 12, 1997 payable on December 30, 1997.

Management believes that the Company's available cash, together with expected future cash generated from operations, are expected to be sufficient to satisfy its anticipated needs for working capital, capital expenditures, cash dividends and stock repurchases. In addition, the Company has $17.5 million available under its two existing lines of credit at interest rates of 6.34% and 6.58%, respectively, as of September 30, 1997. The lines of credit do not restrict the payment of dividends.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

PART II -- OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

ITEM 2. Changes in Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

At a special meeting held on August 14, 1997, stockholders approved reincorporation of the Company in Delaware, an Omnibus Stock Plan and a Stock Purchase Plan. Votes were cast as follows:

	FOR	AGAINST	WITHHELD
Reincorporation	36,947,795	0	4,316,826
Omnibus Stock Plan	36,947,795	0	4,316,826
Stock Purchase Plan	36,947,795	0	4,316,826

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

99 Cautionary Statement

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 1997.

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.

Date: November 14, 1997

C.H.ROBINSON WORLDWIDE, INC.

By /s/ D.R. Verdoorn

D.R. Verdoorn
Chief Executive Officer

By /s/ John Wiehoff

John Wiehoff
Controller
(principal accounting officer)

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q REPORT.

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	SEP 30 1997
CASH	104,685
SECURITIES	12,944
RECEIVABLES	212,331
ALLOWANCES	10,436
INVENTORY	3,338
CURRENT ASSETS	348,559
PP&E	38,933
DEPRECIATION	17,167
TOTAL ASSETS	383,240
CURRENT LIABILITIES	201,439
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	4,126
OTHER SE	177,675
TOTAL LIABILITY AND EQUITY	383,240
SALES	0
TOTAL REVENUES	1,321,560
CGS	0
TOTAL COSTS	1,279,551
OTHER EXPENSES	0
LOSS PROVISION	3,361
INTEREST EXPENSE	0
INCOME PRETAX	44,826
INCOME TAX	17,708
INCOME CONTINUING	27,118
DISCONTINUED	1,450
EXTRAORDINARY	0
CHANGES	0
NET INCOME	28,568
EPS PRIMARY	0.69
EPS DILUTED	0.69

EXHIBIT 99

CAUTIONARY STATEMENT

The statements contained in this Form 10-Q include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). When used in this Form 10-Q and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases, presentations to securities analysts or investors, and in oral statements made by or with the approval of an executive officer of the Company, the words or phrases "believes," "anticipates," "intends," "will likely result," "estimates," "projects" or similar expressions are intended to identify such forward-looking statements. Any of these forward-looking statements involve risks and uncertainties that may cause the Company's actual results to differ materially from the results discussed in the forward-looking statements.

The following discussion contains cautionary statements regarding the Company's business that investors and others should consider. This discussion is intended to take advantage of the "safe harbor" provisions of the PSLRA. In making these cautionary statements, the Company is not undertaking to address or update each factor in future filings or communications regarding the Company's business or results, and is not undertaking to address how any of these factors may have caused results to differ from discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected the Company's past, as well as current, forward-looking statements about future results, so that the Company's actual results in the future may differ materially from those expressed in prior communications.

RISKS OF ADVERSE ECONOMIC DEVELOPMENTS AND DOWNTURN IN BUSINESS CYCLE. The transportation industry historically has been cyclical as a result of economic recession, customers' business cycles, increases in prices charged by third party carriers, interest rate fluctuations, and other economic factors over which the Company has no control. Increased operating expenses incurred by third party carriers can be expected to result in higher transportation costs, and the Company's net revenues and income from operations would be adversely affected if it were unable to pass through to its customers the full amount of increased transportation costs. Economic recession or a downturn in customers' business cycles, particularly among certain national retailers or in the food, beverage or printing industries in which the Company has a large number of customers, also could have a material adverse effect on the Company's operating results if the volume of freight shipped by those customers were also reduced.

DEPENDENCE ON EQUIPMENT AND SERVICES AVAILABILITY. The Company is dependent in part on the availability of truck, rail, ocean and air services provided by independent third parties. There have historically been periods of equipment shortages in the transportation industry, particularly among truckload carriers. If the

Company were unable to secure sufficient equipment or other transportation services to meet its customers' needs, its results of operations could be materially adversely affected, and customers could seek to have their transportation and logistics needs met by other third parties on a temporary or permanent basis.

RISKS ASSOCIATED WITH INTERNATIONAL BUSINESS. An increasing portion of the Company's business is providing services within and between continents. Doing business outside of the United States is subject to various risks, including changing economic and political conditions in the United States and abroad, major work stoppages, exchange controls, currency fluctuations, armed conflicts, unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. Significant expansion in foreign countries will expose the Company to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. The Company has no control over most of these risks and may be unable to anticipate changes in international economic and political conditions and, therefore, unable to alter its business practices in time to avoid the adverse effect of any such changes.

RISKS ASSOCIATED WITH MANAGING A GROWING BUSINESS. The Company's continued success depends upon its ability to attract and retain a large group of motivated salespersons and other logistics professionals. If the Company were unable to recruit and retain a sufficient number of personnel, it would be forced to limit its growth. There can be no assurance that the Company will be able to continue to hire and retain a sufficient number of qualified personnel. The Company's rapid expansion of operations has placed demands on its management and operating systems. Continued expansion will depend in large part on the Company's ability to develop successful salespersons into managers and to implement enhancements to its information systems and adapt those systems to the changes in its business and the requirements of its customers.

COMPETITION. The transportation services industry is highly competitive and fragmented. The Company competes against other non-asset based logistics companies as well as asset-based logistics companies, third-party freight brokers and carriers offering logistics services. The Company also competes against carriers' internal sales forces and shippers' transportation departments. It also buys and sells transportation services from and to many companies with which it competes. Historically, competition has created downward pressure on freight rates, and continuation of this rate pressure may adversely affect the Company's net revenues and income from operations.

SEASONALITY. In the transportation industry generally, results of operations show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent years, the Company's operating income and earnings have been higher in the second and third quarters than in the first and fourth quarters. Although seasonality in the transportation industry has not had a significant impact on the Company's cash flow or results of operations in recent years, the Company expects this seasonality to continue and cannot fully predict the impact it may have in the future.

AVAILABILITY AND PRICING OF PRODUCE. The Company's sourcing business is dependent upon the availability and price of fresh produce, which is affected by government food safety regulation, growing conditions, such as drought, insects and disease, and other conditions over which the Company has no control. Shortages or overproduction of fresh produce affect the pricing of fresh produce, and prices are often highly volatile.

RISKS ASSOCIATED WITH FRESH PRODUCE. The Company sources and resells fresh produce. Agricultural chemicals used on agricultural commodities intended for human consumption are subject to various approvals, and the commodities themselves are subject to regulations on cleanliness and contamination. Concern about particular chemicals and alleged contamination has led to recalls of products, and tort claims have been brought by consumers of allegedly affected produce. Because the Company is a seller of produce, it may have legal responsibility arising from sale. While the Company carries product liability coverage of $75 million, settlement of class action claims is often costly, and the Company cannot assure that its liability coverage will be adequate and will continue to be available. In addition, in connection with any recall, the Company may be required to bear the cost of repurchasing, transporting and destroying any allegedly contaminated product, for which it is not insured. Any recall or allegation of contamination could affect the Company's reputation, particularly of its The Fresh 1(R) brand. Loss due to spoilage (including the need for disposal) is also a routine part of the sourcing business.

GOVERNMENT REGULATION. The Company is licensed by the Department of Transportation (the "DOT") as a broker in arranging for the transportation of general commodities by motor vehicle. The DOT prescribes qualifications for acting in this capacity, including certain insurance and surety bond requirements. The Company is also licensed by the Federal Maritime Commission as an ocean freight forwarder and maintains a non-vessel operating common carrier bond, and is licensed by the United States Customs Service of the Department of the Treasury. The Company sources fresh produce under a license issued by the Department of Agriculture. The Company's failure to comply with the laws and regulations applicable to entities holding these licenses could have a material adverse effect on the Company's results of operations or financial condition. The transportation industry is subject to legislative or regulatory changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services.

IMPORTANCE OF MAJOR CLIENTS. The Company derives a significant portion of its gross revenues from its largest clients. The Company's 10, 20 and 50 largest clients accounted for approximately 15%, 20% and 29% of the Company's gross revenues, respectively, in 1996. The sudden loss of a number of the Company's major clients could have a material adverse effect on the Company.

CHANGE IN CORPORATE CULTURE. For many years, employees have broadly participated in the ownership of the Company, and more than 700 employees and a few retired employees currently own substantially all of its outstanding Common Stock. Consequently, employees consider themselves the owners of the Company. As a result of the Company's initial public offering completed in October 1997 and the subsequent lapse of restrictions on employees' ability to resell their shares of Common Stock, a larger portion of the Common Stock will be in the hands of the public, and the Company's employees will have significant liquid assets. This change in structure and liquidity may adversely affect employee motivation. The Company has also issued restricted stock as an incentive, and employees owning Common Stock have profited from the growth in the book value of the Common Stock. The Company has replaced its previous stock program with new stock-based programs, but is unable to predict whether the substitution of the new plans will be perceived as being a less valuable form of compensation, thereby adversely affecting employee performance. If the Company finds that it must initiate new incentive programs, its results of operations could be adversely affected.

DEPENDENCE ON MANAGEMENT. The Company is highly dependent upon the continued services of its senior management team, none of whom has an employment agreement with the Company. The sudden loss of the services of several members of senior management, as opposed to one or two individuals, could have a material adverse effect on the Company.

STOCK PRICE VOLATILITY. The market price of the Common Stock may be volatile and be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of new services by the Company or its competitors, developments with respect to conditions and trends in the logistics or transportation industries served by the Company, changes in governmental regulation, changes in estimates by securities analysts of the Company's future financial performance, general market conditions and other factors. In addition, the stock markets have from time to time experienced significant price and volume fluctuations that have adversely affected the market prices of securities of companies for reasons often unrelated to their

operating performance.