

# C H ROBINSON WORLDWIDE INC

## FORM 10-K (Annual Report)

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Industry	Misc. Transportation
Sector	Transportation
Fiscal Year	12/31

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

**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 1998

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  
(State or other jurisdiction of  
incorporation or organization)

41-1883630  
(I.R.S. Employer Identification No.)

8100 Mitchell Road, Eden Prairie, Minnesota  
(Address of principal executive offices)

55344-2248  
(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: Common Stock, par**  
value \$.01 per share

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 ☐

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of Common Stock held by non-affiliates of the registrant as of March 12, 1999 was approximately \$878,140,625 (based on the last sale price of such stock as quoted on The Nasdaq National Market (\$26.875) on such date).

As of March 12, 1999, the number of shares outstanding of the registrant's Common Stock, par value \$.01 per share, was 41,187,000.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998 (the "Annual Report"), are incorporated by reference in Parts II and IV.

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 4, 1999 (the "Proxy Statement"), are incorporated by reference in Part III.

## PART I

### ITEM 1. BUSINESS

#### Overview

Founded in 1905, C.H. Robinson Worldwide, Inc. (the "Company" or "Robinson") is one of the largest third-party logistics companies in North America with 1998 gross revenues of \$2 billion. The Company is a global provider of multimodal transportation services and logistics solutions through a network of 120 offices in 38 states and Canada, Mexico, Belgium, the United Kingdom, France, Spain, Italy, Poland, Brazil, Argentina, Venezuela and South Africa. Through contracts with over 17,000 motor carriers, the Company maintains the single largest network of motor carrier capacity in North America and is one of the largest third-party providers of intermodal services in the United States. In addition, the Company regularly provides air, ocean and customs services. As an integral part of the Company's transportation services, the Company provides a wide range of value-added logistics services, such as fresh produce sourcing, freight consolidation and cross-docking. During 1998, the Company handled over 1,000,000 shipments for customers ranging from Fortune 100 companies to small businesses in a wide variety of industries.

The Company has developed global multimodal transportation and distribution networks to provide seamless logistics services worldwide. As a result, the Company has the capability of managing all aspects of the supply chain on behalf of its customers. As a non-asset based transportation provider, the Company can focus on optimizing the transportation solution for its customer rather than on its own asset utilization, using established relationships with motor carriers, railroads (primarily intermodal service providers), air freight carriers and ocean carriers. Through its motor carrier contracts, the Company maintains access to more than 450,000 dry vans, 140,000 temperature-controlled vans and containers and 100,000 flatbed trailers. The Company also has intermodal marketing contracts with 12 railroads, including all of the major North American railroads, which give the Company access to more than 180,000 additional trailers and containers.

Throughout its 94-year history, the Company has been in the business of sourcing fresh produce. Much of the Company's logistics expertise can be traced to its significant experience in handling perishable commodities. Due to the time-sensitive nature and quality requirements of the shipments, fresh produce represents a unique logistics challenge, and the distribution and transportation costs are significant. The Company has developed a network of produce sources and maintains access to specialized equipment and transportation modes designed to ensure timely delivery of uniform quality produce. In response to demand from large grocery retailers and food service distributors, the Company has developed its own brand of produce, The Fresh 1(R), which is sourced through various relationships and packed to order through contract packing agreements.

The Company's business philosophy has accounted for its strong historical results and has positioned the Company for continued growth. The Company's principal competitive advantage is its large decentralized branch network, staffed by approximately 1,600 salespersons who are employees rather than agents. These branch employees are in close proximity to both customers and carriers which facilitates quick responses to customers' changing needs. Branch employees act as a team in both marketing the Company's services and providing these services to individual customers. The Company compensates its branch employees principally on the basis of their branch's profitability, which in the Company's opinion produces a more service-oriented, focused and creative sales force. The Company believes it is owned by more than 1,000 of its employees holding a majority of the Company's Common Stock.

The Company was reincorporated in Delaware in 1997 as the successor to a business existing, in various legal forms, since 1905. The Company's Common Stock began trading on The Nasdaq National Market under the symbol "CHRW" on October 15, 1997. Certain stockholders of the Company sold 12,165,155 shares of the Company's Common Stock to the public pursuant to a registered public offering, the proceeds of which were paid entirely to the selling stockholders. Prior to such date, there was no established public trading market for the Company's Common Stock.

In December of 1998, the Company acquired Comexter Group. Comexter Group provides transportation, freight forwarding, customs brokerage and trading services in Argentina, the Mercosur and between South America,

the United States and Europe. Comexter Group has offices in Sao Paulo, Brazil; Buenos Aires, Argentina; and Miami, Florida, and had combined annual net revenues of approximately \$1,000,000 in 1998.

In January 1999, the Company acquired Norminter S.A., a European third party logistics company, and its subsidiaries. Norminter, headquartered in Caen, France, provides transportation and logistics services within Europe to shippers in a variety of industries. Norminter had combined annual net revenues of approximately \$5,000,000 in 1998. In addition to Caen, Norminter has offices located in Pau, Metz and Lyon, France; Madrid and Barcelona, Spain; and Birmingham, U.K, adding seven more offices to the Company's 120 offices worldwide.

The Company's corporate office is located at 8100 Mitchell Road, Eden Prairie, Minnesota 55344-2248, and its telephone number is (612) 937-8500. Its web site address is [www.chrobinson.com](http://www.chrobinson.com).

### **Logistic Services**

As a global, third-party logistics company, the Company provides multimodal transportation and related logistics services, sourcing and fee-based information services.

The Company seeks to establish long-term relationships with its customers in order to provide logistics solutions that reduce or eliminate inefficiencies in customers' supply chains. Whenever appropriate, the Company analyzes the customer's current transportation rate structures, modes of shipping and carrier selection. The Company may also examine the customer's warehousing, picking procedures, loading, unloading and dock scheduling procedures, as well as packaging and pallet configuration procedures. The Company then evaluates how these procedures interact with shipping, manufacturing and customer service. Upon completion of an initial analysis, the Company proposes solutions which allow the customer to streamline operating procedures and contain costs, while improving the management of its supply chain. Robinson branch employees remain involved with the customer throughout the analysis and implementation of the proposed solution. In the course of providing day-to-day transportation services, branch employees offer further logistics analysis and solutions as the employees become more familiar with the customer's daily operations and the nuances of its supply chain. The Company's ultimate goal is to assist the customer in managing its entire supply chain while being the customer's key provider of individual transportation services.

### **Multimodal Transportation Services**

On a day-to-day basis, customers communicate their freight needs, typically on a load-by-load basis, to the Company by means of a telephone call, fax transmission, Internet, e-mail or EDI message to the branch office salesperson responsible for the particular customer. That salesperson enters all appropriate information about each load into the Company's computer based Customer Oriented Shipment Management Operating System ("COSMOS"), determines the appropriate mode of transportation for the load and selects a carrier or carriers, based upon the salesperson's knowledge of the carrier's service capability, equipment availability, freight rates and other relevant factors. The salesperson then communicates with the carrier's dispatch office to confirm a price for the transportation and the carrier's commitment to provide the transportation. At this point, the salesperson provides the carrier information to the customer, together with the Company's sales price, which is intended to provide a profit to the Company for the totality of services performed for the customer. By accepting the customer's order, the Company becomes legally responsible for transportation of the load from origin to destination, rather than being a mere freight broker. The carrier's contract is with the Company, not the customer, and the Company is responsible for prompt payment of carrier charges. The Company is also responsible to its customer for any claims for damage to freight while in transit or performance. In most cases, the Company receives reimbursement from the carrier for these claims.

As a result of the Company's logistics capabilities, many customers now look to Robinson to handle all, or a substantial portion, of their freight transportation requirements to or from a particular manufacturing facility or distribution center. In a number of instances, the Company has contracts with the customer whereby the Company agrees to handle a specified number of loads usually to specified destinations, such as from the customer's plant to a distribution center, at specific rates, but subject to seasonal variation. Most of the Company's rate commitments are for

periods of one year or less. To meet its obligations under these customer contracts, Robinson may obtain advance commitments from one or more carriers to transport all, or a significant portion, of the contracted loads, again at specific rates, for the length of Robinson's customer contract.

As part of its customer focus, Robinson offers a wide range of logistics services on a worldwide basis to assure timely, efficient and cost effective delivery through the use of one or more transportation modes. These logistics services include: transportation management (price and modal comparisons and selection; shipment consolidation and optimization; improvement of operating and shipping procedures and claims management); minimization of storage (through cross-docking and other flow-through operations); logistics network and nodal location analysis to optimize the entire supply chain; tracking and tracing; reverse logistics and other special needs; management information; and analysis of a customer's risk and claims management practices. Robinson will evaluate a customer's core carrier program by reviewing such factors as carriers' insurance certificates, safety ratings and financial stability as well as establishing a program to measure and monitor key quality standards for those core carriers. These services are bundled with underlying transportation services and are not typically separately priced, but instead are reflected as a part of the cost of transportation services provided by the Company on a transactional basis pursuant to continuing customer relationships. Incident to these transportation services, the Company may supply sourcing, contract warehousing, consulting and other services, for which it is separately compensated.

The Company is capable of arranging all modes of transportation services on a worldwide basis:

- o Truck--Through its contracts with over 17,000 motor carriers, the Company maintains access to more than 450,000 dry vans, 140,000 temperature-controlled units and 100,000 flatbeds. It offers both time-definite and expedited truck transportation. In many instances, particularly in connection with its sourcing business, the Company will consolidate partial loads for several customers into full truckloads.

- o Less Than Truckload ("LTL") -- LTL transportation involves the shipment of small package, single or multiple pallet, up to and including full trailer-load freight. The Company focuses on pallet to partial load freight, although it handles any size shipment. Through contracts with motor carriers and its proprietary Internet-based software system, Robinson consolidates both freight and freight information to provide shippers with single source tracking and tracing capability, and the economic benefits of consolidating partial loads into full truckloads.

- o Intermodal--Intermodal transportation involves the shipment of trailers or containers by a combination of truck, rail and/or ship in a coordinated manner. The Company provides intermodal service by both rail and ship, arranges local pickup and delivery (known as drayage) through local motor carriers and provides temperature-controlled double and triple-stacked intermodal containers. The Company currently owns or leases approximately 500 intermodal containers. The Company also has intermodal marketing contracts with 12 railroads, which give the Company access to more than 180,000 additional trailers and containers.

- o Ocean--As an indirect ocean carrier and freight forwarder, the Company consolidates shipments, determines routing, selects ocean carriers, contracts for ocean shipments, provides for local pickup and delivery of shipments and arranges for customs clearance of shipments, including the payment of duties.

- o Air--The Company provides door-to-door service as a full-service air freight forwarder, both domestically and internationally.

The table below shows the Company's net revenue by transportation mode for the periods indicated:

**Transportation Services Net Revenue**  
(in thousands)

	Year Ended December 31,				
	1994	1995	1996	1997	1998
Truck(1).....	\$ 81,122	\$ 97,636	\$110,460	\$133,110	\$164,186
Intermodal .....	7,828	6,864	8,014	9,680	6,671
Ocean .....	6,865	7,212	8,121	9,226	10,215
Air .....	550	1,402	1,687	1,954	3,427
Miscellaneous(2)...	2,922	3,907	4,964	5,290	5,298
Total .....	\$ 99,287	\$117,021	\$133,246	\$159,260	\$189,797

(1) Includes LTL net revenue.

(2) Consists of customs clearance (Automated Brokerage Interface (ABI) and Automated Clearing House (ACH) capabilities with the U.S. Customs Service), warehousing, and other miscellaneous services.

As the Company has emphasized integrated logistics solutions, its relationships with many customers have become broader, with the Company becoming a business partner responsible for a greater portion of supply chain management. Customers may be served by specially created Robinson teams and over several branches. Robinson's multimodal transportation services are provided to numerous international customers through its domestic branch offices as well as through branch offices in Canada, Mexico, Belgium, the United Kingdom, France, Spain, Italy, Poland, Brazil, Argentina, Venezuela and South Africa. The Notes to the Company's Consolidated Financial Statements present the Company's gross revenues from international customers for the years ended December 31, 1996, 1997 and 1998, and the Company's long-lived assets as of December 31, 1997 and 1998, in the United States and in foreign locations.

## Sourcing

Throughout its 94-year history, Robinson has been in the business of sourcing fresh produce. Much of the Company's logistics expertise can be traced to the Company's significant experience in handling perishable commodities. Because of its perishable nature, produce must be quickly packaged, transported within tight timetables in temperature controlled equipment and distributed quickly to replenish high turnover inventories maintained by wholesalers, food service companies and retailers. In most instances, the Company consolidates individual customers' produce orders into truckload quantities at the point of origin and arranges for transportation of the truckloads, often to multiple destinations. The Company's sourcing business is with produce wholesalers, who purchase produce in relatively large quantities through the Company and resell the produce to grocery retailers, restaurants and other resellers of food, and with grocery store chains and other multistore retailers. Most of the Company's remaining customers are food service companies that distribute a range of food products to retailers, restaurants and institutions.

During the past five years, the Company has actively sought to expand its food sourcing customer base by focusing on the larger multistore retailers. As these retailers have expanded through store openings and industry consolidation, their traditional methods of produce sourcing and store-level distribution, which relied principally on regional or even local purchases from wholesalers, have become inefficient. The Company's logistics and perishable commodities sourcing expertise can greatly improve the retailers' produce purchasing as well as assure uniform quality from region to region and store to store. The Company introduced its proprietary The Fresh 1(R) brand of produce in 1989, which includes a wide range of uniform quality, top grade fruits and vegetables purchased from various domestic and international growers. During 1998, the Company entered into new sourcing programs that have expanded the

Company's market presence and sourcing capabilities with respect to both product lines and nationally recognized brand names.

Sourcing accounted for approximately 22%, 19% and 18% of the Company's net revenues in 1996, 1997 and 1998, respectively.

### **Information Services**

A subsidiary of the Company, T-Chek Systems LLC provides motor carrier customers with funds transfer and driver payroll services, fuel management services, fuel and use tax reporting as well as on-line access to custom-tailored information management reports, all through the use of its proprietary automated system. This system enables motor carriers to track equipment, manage fleets and dictate where and when their drivers purchase fuel. For several companies and truck stop chains, T-Chek captures sales and fuel cost data, applies the margin agreed between seller and purchaser, reprices the sale, invoices the carrier and provides management information to the seller.

Through its subsidiary, Payment and Logistics LLC, the Company provides freight payment services to shippers using a proprietary system, often linked to the carriers by EDI, with the ability to process freight payments by electronic funds transfer. This system also enables the Company to automatically audit the customer's freight rates, eliminate duplicate payments to carriers and produce reports containing information about such matters as shipping patterns, freight volumes and overall transportation costs. The Company and the customer use these data to better manage the customer's supply chain.

The Company's information services accounted for approximately 4%, 4% and 5% of the Company's net revenues in 1996, 1997 and 1998, respectively.

### **Organization**

To allow the Company to stay close to customers and markets, the Company has created and continues to expand a network of 127 offices (including the seven offices added in January 1999 through the acquisition of Norminter S.A.), supported by executives and services in a central office.

### **Branch Network**

Branch salespersons are responsible for developing new business, receiving and processing orders from specific customers located in the area served by the branch and contracting with carriers to provide the transportation requested. In addition to routine transportation, salespersons are often called upon to handle customers' unusual, seasonal and emergency needs. Shipments to be transported by truck are almost always contracted at the branch level. Some branches may rely on expertise in other branches when contracting intermodal, international and air shipments.

Salespersons in the branches both sell and service their customers rather than rely exclusively on a central office or dedicated sales staff. Sales opportunities are identified through the Company's database, industry directories, referrals by existing customers and leads generated by branch office personnel through knowledge of their local and regional markets. Each branch is also responsible for locating and contracting with carriers to serve the branch's customers.

The table below shows certain information about the Company's branches for the periods indicated:

Branch Data  
(Dollars in thousands)

	Year Ended December 31,				
	1994	1995	1996	1997	1998
Average employees per branch . . .	15.8	14.6	15.4	16.2	18.4
Average net revenues per branch .	\$1,597	\$1,683	\$1,717	\$1,822	\$2,047
Average net revenues per employee	\$ 105	\$ 113	\$ 115	\$ 115	\$ 120

As of December 31, 1998, the Company's branch salespersons represented approximately 70% of the Company's total work force and all branch employees, including support staff, represented approximately 90% of the Company's work force. At December 31, 1998, the number of salespersons per Company branch ranged from three to 59.

**Branch Expansion.** The Company expects to continue to add branch offices as management determines that a new branch may contribute to continued growth and as branch salespersons develop the capability to manage a new branch. The Company intends to continue to open overseas branches as opportunities arise to serve the local needs of multinational customers. Additional branches are often opened within a territory previously served by another branch, such as within major cities, as the volume of business in a particular area warrants opening a separate branch. Capital required to open a new branch is modest, involving a lease for a small amount of office space, communication links and often employee compensation guaranties for a short time.

**Branch Employees.** For almost two decades, new branch salespersons have been hired through a sophisticated profiling system using standardized tests to measure an applicant against the traits determined by the Company to be those of successful Robinson employees. These common traits facilitate cooperative efforts necessary for the success of each office. Applicants are recruited nationally from across the United States and Canada, typically have college degrees and some have business experience, not necessarily within the transportation industry. The Company is highly selective in determining to whom it offers employment.

Newly hired branch employees receive extensive on-the-job training at the branch level, which ranges from six months to a year and emphasizes development of the necessary skills and attitude to become productive members of a branch team. The Company believes most salespersons become productive employees in a matter of weeks. After gaining a year of experience, each salesperson attends a Company-sponsored national meeting to receive additional training and foster relationships between branches.

Employees at the branch level form a team, which is enhanced by the Company's incentive compensation system under which a significant part of the cash compensation of most branch managers and salespersons is dependent on the profitability of the particular branch. For any calendar year, branch managers and salespersons who have been employed for at least one complete year participate in the branch's earnings for that calendar year, based on a system of "points" awarded to the employees on the basis of their productivity and contribution. Most of a branch manager's cash compensation is provided by this compensation program. For 1998, incentive-based cash compensation averaged approximately 33% of branch salespersons' total cash compensation, 65% of branch managers' total cash compensation and 57% of officers' total cash compensation. Branch employees also participate in the Company's Profit Sharing Plan, contributions to which depend on overall Company profitability. In connection with establishing new branches and other special circumstances, the Company may guaranty a level of compensation to the branch manager and key salespersons.

All managers throughout the Company who have significant responsibilities are eligible to participate in the Company's 1997 Omnibus Stock Plan. Employees at all levels, after a qualifying period of employment, are eligible to participate in the Company's Employee Stock Purchase Plan.

Individual salespersons benefit through the growth and profitability of individual branches and are motivated by the opportunity to become branch managers, assistant managers or department managers. All branch salespersons are full time employees.

## Executive Officers

Under the Company's decentralized operating system, branch managers report directly to, and receive guidance and support from, a small group of executive officers at the Company's central office. Customers, carriers, managers and employees have direct access to the Company's Chief Executive Officer, D.R. Verdoorn, and all other executive officers. These executives provide training and education concerning logistics, develop new services and applications to be offered to customers and provide broad market analysis.

The executive officers of the Company serve at the discretion of the Board of Directors and are chosen annually by the Board of Directors. Set forth below are the names, ages and positions of the executive officers of the Company.

Name	Age	Position
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D.R. Verdoorn	60	Chairman of the Board, President and Chief Executive Officer
Barry W. Butzow	52	Senior Vice President, Office of the President and Director
Gregory D. Goven	47	Senior Vice President, Office of the President
John P. Wiehoff	37	Senior Vice President, Office of the President and Chief Financial Officer
Micheal T. Rempe	45	Vice President, Produce
Thomas M. Jostes	38	Vice President, Transportation
Owen P. Gleason	47	Vice President, General Counsel, Secretary and Director
Jennifer T. Amys	48	Vice President, Chief Information Officer
Joseph J. Mulvehill	45	Vice President, International
Chad M. Lindbloom	34	Corporate Controller
Troy A. Renner	34	Treasurer and Tax Director

D.R. Verdoorn has been the President and Chief Executive Officer of the Company and its predecessor since 1977 and a director since 1975. In 1998, Mr. Verdoorn was also named Chairman of the Board. He has been with the Company since 1963. He has served on the Boards of Directors for United Fresh Fruit and Vegetable Association and the Produce Marketing Association. Mr. Verdoorn attended Central College in Pella, Iowa.

Barry W. Butzow has been a director since 1986. Mr. Butzow has been a Vice President of the Company since 1984 and was recently named a Senior Vice President in the Office of the President. He began employment with the Company in 1969. He holds a Bachelor of Arts degree from Moorhead State University.

Gregory D. Goven has been a Vice President of the Company since 1988 and was recently named a Senior Vice President in the Office of the President. Mr. Goven joined the Company in 1973. Mr. Goven holds a Bachelor of Science degree from North Dakota State University. Mr. Goven's wife is the first cousin of Mr. Verdoorn.

John P. Wiehoff was recently named Senior Vice President in the Office of the President. He has been Chief Financial Officer since June 1998, after starting with the Company in 1992 as Corporate Controller and also serving as Treasurer of the Company from May 1997. Prior to that, he was employed as an audit manager by Arthur Andersen LLP. He holds a Bachelor of Science degree from St. John's University.

Michael T. Rempe has been Vice President, Produce since 1994, after starting with the Company in 1989 as Director of Produce Merchandising. Prior to that, he held several senior positions in the retail grocery industry. Mr. Rempe is currently on the Board of Directors of the Produce Marketing Association and Produce for Better Health. Mr. Rempe attended Indiana University Purdue University in Indianapolis.

Thomas M. Jostes has served as Vice President, Transportation since 1995 and has been employed by the Company since 1984. Mr. Jostes holds a Bachelor of Arts degree from Iowa State University.

Owen P. Gleason has been Vice President and General Counsel of the Company since 1990 and served as corporate counsel since 1978. Mr. Gleason has been a director since 1986. Mr. Gleason holds a law degree from Oklahoma City University and a Bachelor's Degree from Ripon College.

Jennifer T. Amys has been Vice President and Chief Information Officer of the Company since 1994. From 1989 through 1993, she was Director of Systems Development and Support for The Quaker Oats Company and prior to that held other senior MIS positions for several transportation and food companies. She has a Masters of Business Administration degree from the University of Minnesota and a Bachelor of Science degree from the University of Taiwan.

Joseph J. Mulvehill was appointed Vice President, International in 1998, and has been employed by the Company since 1975. Mr. Mulvehill holds a Bachelor of Arts degree from the University of St. Thomas.

Chad M. Lindbloom has been the Corporate Controller of the Company since June 1998. Mr. Lindbloom joined the Company in 1990 as a staff accountant. Mr. Lindbloom holds a Bachelor of Science degree and a Masters of Business Administration from the Carlson School of Management at the University of Minnesota.

Troy A. Renner has been the Treasurer of the Company since June 1998, and Tax Director since 1995. Prior to that, he was employed as a tax manager by Arthur Andersen LLP. Mr. Renner holds a Bachelor of Science and a law degree from the University of Minnesota.

## **Employees**

As of December 31, 1998, the Company had a total of 2,205 employees, substantially all of whom are full-time employees and approximately 2,000 of whom were located in the Company's branch offices. Corporate services such as accounting, information systems, legal, credit support and claims support are provided centrally. The Company believes that its compensation and benefit plans are among the most competitive in the industry and that its relationship with employees is excellent.

## **Customers and Marketing**

The Company seeks to establish long-term relationships with its customers and to increase the amount of business done with each customer by seeking to provide the customer with a full range of logistic services. The Company serves customers ranging from Fortune 100 companies to small businesses in a wide variety of industries. During 1998, no customer accounted for more than 6% of gross revenues. In recent years, revenue growth has been achieved through the growth and consolidation of customers, expansion of the services provided by the Company and an increase in the number of customers served.

The Company believes that decentralization allows salespersons to better serve the Company's customers by fostering the development of a broad knowledge of logistics and local and regional market conditions as well as the specific logistics issues facing individual customers. With the guidance of experienced branch managers (who have an average tenure of 12 years with the Company), branches are given significant latitude in pursuing opportunities and committing the Company's resources to serve customers.

Branches seek additional business from existing customers and pursue new customers, based on their knowledge of local markets and the range and value of logistics services that the Company is capable of providing. The Company has begun placing increased emphasis on national sales and marketing support to enhance branch capabilities. Increasingly, branches call on central office executives, a national sales staff and a central logistics group to support them in the pursuit of multinational corporations and other companies with more complex logistics requirements.

### **Relationships with Carriers**

The Company seeks to establish long-term relationships with carriers in order to assure dependable services, favorable pricing and carrier availability during peak shipping periods and periods of undercapacity. To strengthen and maintain these relationships, Company salespersons regularly communicate with carriers serving their region and seek to assist carriers with equipment utilization, reduction of empty miles and equipment repositioning. The Company has a policy of prompt payment and provides centralized claims management on behalf of various shippers. Many smaller carriers effectively consider Robinson as their sales and marketing department.

As of December 31, 1998, the Company had contracts with more than 17,000 motor carriers (representing approximately 140,000 temperature controlled vans, 450,000 dry vans and 100,000 flatbeds). Those carriers include owner-operators of a single truck, small and mid-size fleets, private fleets and the largest national trucking companies. Consequently, the Company is not dependent on any one carrier. As of December 31, 1998, the Company also had intermodal marketing contracts with 12 railroads, including all of the major North American railroads, giving the Company access to more than 180,000 additional trailers and containers. The Company qualifies each motor carrier to assure that it is properly licensed and insured and has the resources to provide the necessary level of service on a dependable basis. The Company's motor carrier contracts require that the carrier commit to a minimum number of shipments, issue invoices only to and accept payment solely from Robinson and permit Robinson to withhold payment to satisfy previous claims or shortages. Carrier contracts also establish transportation rates that can be modified by issuance of an individual load confirmation. The Company's contracts with railroads govern the transportation services and payment terms by which the Company's intermodal shipments are transported by rail. Intermodal transportation rates are typically negotiated between the Company and the railroad on a customer-specific basis.

### **Competition**

The transportation services industry is highly competitive and fragmented. The Company competes primarily against a large number of other non-asset based logistics companies, as well as asset-based logistics companies, third-party freight brokers, carriers offering logistics services and freight forwarders. The Company also competes against carriers' internal sales forces and shippers' own transportation departments. It also buys and sells transportation services from and to companies with which it competes.

The Company often competes with respect to price, scope of services or a combination thereof, but believes that its most significant competitive advantages are: (i) its large decentralized branch network, staffed by salespersons who are employees rather than agents, which enables the Company's salespersons to gain significant knowledge about individual customers and the local and regional markets they serve, (ii) its ability to provide a broad range of logistics services and (iii) its ability to provide door-to-door services on a worldwide basis.

### **Communications and Information Systems**

To handle the large number of daily transactions and to accommodate its decentralized branch system, the Company has designed an extensive communications and information system. Employees are linked with each other and with customers and carriers by telephone, facsimile, Internet, e-mail and/or EDI to communicate requirements and availability, to confirm and bill orders and, through the Company's Internet home page, to trace shipments. The Company has developed its own proprietary computer based system, COSMOS. The most recent enhancements help salespersons service customer orders, select the optimal modes of transportation, build and consolidate loads and select routes, all based on customer-specific service parameters. COSMOS makes load data visible to the entire branch sales

team, enabling the salespersons to select carriers and track loads in progress, and automatically provides visible alerts to any arising problems. The Company's internally developed proprietary decision support system ("BSMART") uses data captured from daily transactions to generate various management reports which are available to the Company's large logistics customers to provide information on traffic patterns, product mix and production schedules. BSMART enables customers to analyze their own customer base, transportation expenditure trends and the impact on out-of-route and out-of-stock costs.

As discussed in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, the Company completed an assessment of its compliance with Year 2000 issues and will modify or replace portions of its hardware and software so that its computer systems will function properly with respect to dates after December 31, 1999. The Company has completed a majority of the modifications and is currently in the testing phase of its Year 2000 compliance process. This testing includes running test transactions with dates beyond December 31, 1999 through its systems to ensure its daily, monthly and yearly processes accept the transactions, process and store them, and allow for extraction of the transaction data as needed to operate its business and generate its internal and external financial information. The Company is in the process of completing all such testing on its systems, with a majority of its testing on its information services line to be completed by June 30, 1999.

In addition, the Company does not believe any material relationships exist with any customer, produce supplier or transportation carrier that would have a material impact on its business, results of operations or financial condition in the instance that these third parties would have material systems interruptions as a result of the Year 2000 situation. The Company has no single third party relationship that accounts for more than 6% of its business.

### **Government Regulation**

The transportation industry has been subject to legislative and regulatory changes that have affected the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services. The Company cannot predict the effect, if any, that future legislative and regulatory changes may have on the transportation industry.

The Company is subject to licensing and regulation as a transportation provider. The Company is licensed by the Department of Transportation ("DOT") as a broker in arranging for the transportation of property by motor vehicle. The DOT prescribes qualifications for acting in this capacity, including certain surety bonding requirements. The Company provides motor carrier transportation services that require registration with the DOT and compliance with certain economic regulations administered by the DOT, including a requirement to maintain insurance coverage in minimum prescribed amounts. The Company is subject to regulation by the Federal Maritime Commission as an ocean freight forwarder and maintains a non-vessel operating common carrier bond. The Company operates as an indirect air cargo carrier subject to economic regulation by the DOT. The Company provides customs brokerage services as a customs broker under a license issued by the United States Customs Service of the Department of Treasury. The Company sources fresh produce under a license issued by the United States Department of Agriculture. Other sourcing and distribution activities may be subject to various federal and state food and drug statutes and regulations. Although Congress enacted legislation in 1994 that substantially preempts the authority of states to exercise economic regulation of motor carriers and brokers of freight, the Company and several of its subsidiaries continue to be subject to a variety of vehicle registration and licensing requirements. The Company and the carriers that the Company relies on in arranging transportation services for its customers are also subject to a variety of federal and state safety and environmental regulations. Although compliance with the regulations governing licensees in these areas has not had a materially adverse effect on the Company's operations or financial condition in the past, there can be no assurance that such regulations or changes thereto will not adversely impact the Company's operations in the future. Violation of these regulations could also subject the Company to fines or, in the event of serious violation, suspension or revocation of operating authority as well as increased claims liability.

## **Risk Management and Insurance**

In its truck and intermodal operations, the Company assumes full value cargo risk to its customers. The Company subrogates its losses against the motor or rail carrier with the transportation responsibilities. The Company requires all motor carriers participating in its contract program to carry at least \$750,000 in general liability insurance and \$25,000 in cargo insurance. Many carriers carry insurance limits exceeding these minimums. Railroads, which are generally self-insured, provide limited common carrier liability protection, generally up to \$250,000 per shipment. For both truck and rail transportation, higher coverage is available to the customer on a load-by-load basis at an additional price.

In its international freight forwarding, ocean transportation and air freight businesses, the Company does not assume cargo liability to its customers above minimum industry standards. The Company offers its customers the option to purchase ocean marine cargo coverage to insure goods in transit. When the Company agrees to store goods for its customers for longer terms, it provides limited warehouseman's coverage to its customers and contracts for warehousing services from companies which provide the Company the same degree of coverage.

The Company maintains a broad cargo liability policy to protect it against catastrophic losses that may not be recovered from the responsible carrier with a deductible of \$100,000 per incident. The Company also carries various liability policies, including auto and general liability, with a \$75 million umbrella.

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 sales of produce. 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.

## **Forward-Looking Statements**

This Form 10-K Annual Report and the Company's financial statements and other documents incorporated by reference contain forward-looking statements that involve risk and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those contained above in this Item 1-- Business, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and Exhibit 99.

## **ITEM 2. PROPERTIES**

All of the Company's 127 offices (including the seven offices added in January 1999 through the acquisition of Norminter S.A.) are leased from third parties under leases with initial terms ranging from three to ten years. The Company leases approximately 65,000 square feet of office space in Eden Prairie, Minnesota as its corporate headquarters. The Company's corporate headquarters lease expires in 2000, with a renewal option for five years. The following table sets forth certain information with respect to the Company's largest branch offices:

City/State	Approximate Square Feet
Oak Brook, IL	9,861
Southfield, MI	9,118
Tampa, FL	8,721
Burr Ridge, IL	7,328
Des Plaines, IL	6,324
Watertown, MA	6,000
Paulsboro, NJ	5,910
Sugarland, TX	5,548
College Park, MD	5,500
Independence, OH	5,475
Secaucus, NJ	5,253
Omaha, NE	5,160
Dallas, TX	5,157
Coralville, IA	5,143
Cheektowga, NY	5,000
Plano, TX	4,932
Knoxville, TN	4,890
St. Louis, MO	4,884
Louisville, KY	4,835
Ashland, VA	4,680

The Company also leases 55,665 square feet of warehouse space in Aurora, Colorado, and 53,000 square feet of warehouse space in Medley, Florida. The Company considers its current offices adequate for its current level of operations. The Company has not had difficulty in obtaining sufficient office space and believes it can renew existing leases or relocate branches to new offices as leases expire.

### ITEM 3. LEGAL PROCEEDINGS

In 1995, the United States Customs Service began an investigation of possible duties owed on imports of certain juice concentrates by Daystar-Robinson, Inc., a subsidiary of the Company ("Daystar"). The Company has been advised by the United States Attorney for the Eastern District of New York that Daystar was not the target or the subject of a criminal investigation, although the United States Attorney is not bound by such statements. When indictments were issued in the matter in 1998, Daystar was not named as a defendant. The Company believes, however, that the United States Customs Service will seek additional duties of approximately \$4.0 million and may seek civil monetary penalties against Daystar. The Company believes the disposition of this matter will not have a material adverse effect on the business, financial condition or results of operations of the Company, although there can be no assurance that the duties and penalties sought against Daystar will not exceed the Company's reserves for this matter.

The Company is currently not otherwise subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the business, financial condition or results of operations of the Company.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1998.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock began trading on The Nasdaq National Market under the symbol "CHRW" on October 15, 1997. Certain stockholders of the Company sold 12,165,155 shares of the Company's Common Stock to the public pursuant to a registered public offering, the proceeds of which were paid entirely to the selling stockholders. Prior to such date, there was no established public trading market for the Company's Common Stock.

The following table sets forth, for the periods indicated, the high and low sales prices of the Company's Common Stock, as quoted on The Nasdaq National Market.

1998	High	Low
	-----	-----
First Quarter	\$26.00	\$21.375
Second Quarter	26.75	21.75
Third Quarter	25.813	17.50
Fourth Quarter	26.00	14.75
1997	High	Low
	-----	-----
Fourth Quarter (commencing October 15, 1997)	\$26.50	\$19.75

On March 12, 1999, the closing sales price per share of the Company's Common Stock as quoted on The Nasdaq National Market was \$26.875 per share. On March 12, 1999, there were approximately 1,400 holders of record and approximately 5,200 beneficial owners of the Company's Common Stock. On February 10, 1999, the Company announced that its Board of Directors authorized a stock repurchase program under which up to 2,000,000 shares of the Company's Common Stock may be repurchased from time to time through open market transactions, block purchases, tender offers, private transactions, accelerated share repurchase programs or otherwise. The Company intends to fund such repurchases with internally generated funds.

For 1997, the Company paid quarterly dividends of \$0.01 per share for the first and second quarters. On October 10, 1997, the Company paid an extraordinary cash dividend of \$1.50 per share to stockholders of record on October 10, 1997. The Company paid a liquidating distribution of the net proceeds of the sale of the Company's consumer finance services business on October 14, 1997, to stockholders of record on October 14, 1997 of \$0.95 per share. On December 30, 1997, the Company paid a quarterly dividend of \$0.06 per share to shareholders of record as of December 12, 1997. The Company declared quarterly dividends during 1998 for an aggregate of \$0.25 per share. The Company has declared a quarterly dividend of \$0.07 per share payable to shareholders of record as of March 8, 1999 payable on April 1, 1999. The declaration of dividends by the Company is subject to the discretion of the Board of Directors. Any determination as to the payment of dividends will depend upon the results of operations, capital requirements and financial condition of the Company, and such other factors as the Board of Directors may deem relevant. Accordingly, there can be no assurance that the Board of Directors will declare or continue to pay dividends on the shares of Common Stock in the future.

### ITEM 6. SELECTED FINANCIAL DATA

Selected consolidated financial and operating data on page 16 of the Annual Report is incorporated by reference.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis on pages 17 through 20 of the Annual Report is incorporated by reference.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Disclosure about Market Risk on page 20 of the Annual Report is incorporated by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Company's consolidated financial statements on pages 21 through 31 of the Annual Report are incorporated by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information with respect to the Company's Board of Directors on pages 2 through 4, and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 10 of the Proxy Statement are incorporated by reference. Information with respect to the Company's executive officers is provided in Part I, Item 1.

**ITEM 11. EXECUTIVE COMPENSATION**

"Executive Compensation" on pages 4 and 5 of the Proxy Statement is incorporated by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

"Security Ownership of Certain Beneficial Owners and Management" on page 9 of the Proxy Statement is incorporated by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

"Certain Transactions" on page 9 of the Proxy Statement is incorporated by reference.

**PART IV**

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

(a) (1) Financial Statements.

The Company's consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements at page F-1, on pages 21 through 31 of the Annual Report are incorporated by reference.

(2) Financial Statement Schedules.

Schedule II. Valuation and Qualifying Accounts, is included at the end of this Report.

(3) Index to Exhibits

Number -----	Description -----
3.1	Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333- 33731)
3.2	Bylaws of the Company (Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
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10.1	Form of Central Office Management Incentive Program, including Deferred Compensation Agreement (Incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
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10.6	Form of Management--Employee Agreement entered into by Gregory Goven, Thomas Jostes and Michael Rempe (Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)

- 10.7 Form of Management--Employee Agreement between the Company and by Thomas Perdue (Incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.8 Amended and Restated Promissory Note, due on demand or June 30, 1999, payable by C.H. Robinson Company to the order of U.S. Bank National Association, up to an aggregate principal amount of \$10,000,000 (Incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.9 Guaranty, dated as of November 30, 1992, by C.H. Robinson, Inc. for the benefit of U.S. Bank National Association (Incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.10 Master Equipment Lease Agreement, dated August 19, 1994, between Wagonmaster Transportation Company and AT&T Commercial Finance Corporation (Incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.11 Keep-Well Agreement, dated August 19, 1994, between C.H. Robinson, Inc., Wagonmaster Transportation Company and AT&T Commercial Finance Corporation (Incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.12 Master Equipment Lease Agreement, dated \_\_\_\_\_, 1994, between Wagonmaster Transportation Company and Metlife Capital Limited Partnership (Incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.13 Keep-Well Agreement, dated April \_\_, 1994, between C.H. Robinson, Inc., Wagonmaster Transportation Company and Metlife Capital Limited Partnership (Incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
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- 10.15 Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)
- 10.16 Stock Purchase Agreement dated September 9, 1997 by and between Cityside Holding Company, C.H. Robinson, Inc. and Norwest Corporation (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated October 14, 1997)
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10.19	Long Term Lease Agreement, dated to be effective August 1, 1997, between C.H. Robinson Company and Genstar Container Corporation (Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997)
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*13	Selected pages of the Company's Annual Report to Stockholders for the year ended December 31, 1998
*21	Subsidiaries of the Company
*23	Consent of Arthur Andersen LLP
24	Powers of Attorney (included on signature page of this Report)
*27	Financial Data Schedule [Filed in electronic format only]
*99	Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

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\* Filed herewith

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

(c) See Item 14(a)(3) above.

(d) See Item 14(a)(2) above.

## **INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

The following financial statements of the Company and its subsidiaries required to be included in Item 14(a)(1) are listed below:

### **C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES**

Consolidated Financial Statements (incorporated by reference under Item 8 of Part II from pages 21 through 31 of the Company's Annual Report to Stockholders for the year ended December 31, 1998):

#### **Consolidated Balance Sheets as of December 31, 1998 and 1997**

Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Investment for the years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996

#### **Notes to Consolidated Financial Statements**

## SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) 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, in the City of Eden Prairie, State of Minnesota, on March 26, 1999.

### C.H. ROBINSON WORLDWIDE, INC.

By: /s/ Owen P. Gleason

-----  
Owen P. Gleason  
Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 26, 1999.

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John P. Wiehoff and Owen P. Gleason (with full power to act alone), as his or her true and lawful attorneys-in-fact and agents, with full powers of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to the Annual Report on Form 10-K of C.H. Robinson Worldwide, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, lawfully do or cause to be done by virtue hereof.

<i>Signature</i>	<i>Title</i>
/s/ D. R. Verdoorn ----- D.R. Verdoorn	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ John P. Wiehoff ----- John P. Wiehoff	Senior Vice President, Office of the President, and Chief Financial Officer (Principal Financial Officer)
/s/ Chad M. Lindbloom ----- Chad M. Lindbloom	Corporate Controller (Principal Accounting Officer)
/s/ Dale S. Hanson ----- Dale S. Hanson	Director
/s/ Looe Baker III ----- Looe Baker III	Director
/s/ Barry W. Butzow ----- Barry W. Butzow	Senior Vice President, Office of the President, and Director
/s/ Owen P. Gleason ----- Owen P. Gleason	Vice President, General Counsel, Secretary and Director
/s/ Robert Ezrilov ----- Robert Ezrilov	Director
/s/ Gerald A. Schwalbach ----- Gerald A. Schwalbach	Director

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

**To C.H. Robinson Worldwide, Inc.:**

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in C.H. Robinson Worldwide, Inc.'s annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 4, 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The accompanying schedule is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**ARTHUR ANDERSEN LLP**

Minneapolis, Minnesota,  
February 4, 1999

**Schedule II. Valuation and Qualifying Accounts**

**Allowance for Doubtful Accounts**

The transactions in the allowance for doubtful accounts for the years ended December 31, 1996, and 1997 and 1998 were as follows (in thousands):

	December 31, 1996	December 31, 1997	December 31, 1998
Balance, beginning of year	\$ 8,033	\$ 10,079	\$ 8,936
Provision	5,139	3,870	6,902
Write-offs	(3,093)	(5,013)	(3,426)
	-----	-----	-----
Balance, end of year	\$ 10,079	\$ 8,936	\$ 12,412

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  - \*99 Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995
- 

\* Filed herewith

## **EXHIBIT 10.21**

### **C.H. ROBINSON WORLDWIDE, INC. DIRECTORS' STOCK PLAN**

1. Purpose of the Plan. This Directors' Stock Plan (the "Plan") allows C.H. Robinson Worldwide, Inc., a Delaware corporation (the "Company"), to pay the directors' fees in shares of common stock of the Company.

2. Issuance of Shares.

(a) At the Company's election, it may issue to any director who is not an employee common stock of the Company in lieu of fees payable for his or her service as a member of the board of directors, including annual and meeting fees for attendance at meetings of the board of directors or committees thereof.

(b) The number of shares of common stock issued shall equal the cash fee otherwise payable divided by the fair market value per share as of the date of the meeting for which such payment is being made or in the case of annual or quarterly fees on the date on which final payment would ordinarily be made. Any fractional share shall be rounded up or down to the nearest whole share. The fair market value of a share shall mean, in the event the common stock is traded on The Nasdaq National Market or listed on a stock exchange, the closing sale price on the date for which a price determination is to be made (or, if there has not been a sale on such date, on the first preceding business day on which there was such a sale) as reported in The Wall Street Journal. In the event the common stock is not so traded or listed, the board of directors shall determine the fair market value.

(c) Directors shall not have any rights as shareholders of the Company with respect to any common stock awarded or awardable under this Plan until such common stock has been issued.

3. Shares Subject to the Plan. Subject to Section 5, the maximum aggregate number of shares of common stock that may be issued under the Plan is 25,000 shares.

4. Administration. The board of directors shall administer the Plan and shall have plenary authority, in its discretion, but subject to the express provisions of this Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan.

5. Adjustment Upon Changes in Capitalization, Dissolution or Merger. In the event that the number of outstanding shares of common stock is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company, the number of shares available under this Plan shall be proportionately adjusted. Such adjustment shall be made by the board of directors, whose determination in that respect shall be conclusive.

6. Amendment and Termination of the Plan. The Board may amend this Plan at any time, but no amendment may affect a director's rights under any previous award of common stock under this Plan. The board of directors may suspend or discontinue this Plan in whole or in part, but any such suspension or discontinuance shall not affect the issuance of shares of common stock granted under this Plan prior thereto.

7. Compliance with Applicable Legal Requirements. No common stock issuable pursuant to this Plan shall be issued and delivered unless the issuance of common stock complies with all applicable legal requirements.

# EXHIBIT 13

## Selected Consolidated Financial and Operating Data

(Dollars in thousands, except per share data)	1994	1995	1996	1997	1997 as adjusted	1998
Statement of Operations Data (for the years ended December 31)						
Gross revenues	\$1,257,946	\$1,445,975	\$1,605,905	\$1,790,785	\$1,790,785	\$2,038,139
Net revenues(1)	135,599	160,094	179,069	206,020	206,020	245,666
Income from operations	40,511	44,980	50,029	32,079	56,735(2)	68,443
Net income from continuing operations	24,141	29,455	32,442	11,492	36,148(2)	43,015
Net income from continuing operations per share (basic and diluted)	\$ .52	\$ .67	\$ .78	\$ .28	\$ .88(2)	\$ 1.04
Weighted average number of shares outstanding (in thousands)						
Basic	46,296	43,934	41,799	41,285	41,285	41,216
Diluted	46,296	43,934	41,799	41,302	41,302	41,309
Dividends and distributions per share	\$ .108	\$ .130	\$ .185	\$ 2.530	\$ .210(3)	\$ .250
Balance Sheet Data (as of December 31)						
Working capital	\$ 86,122	\$ 97,144	\$ 114,070	\$ 109,042	\$ 109,042	\$ 135,245
Total assets	246,528	285,517	320,780	340,628	340,628	409,116
Total long-term debt	-	-	-	-	-	-
Stockholders' investment	112,784	133,339	154,428	138,981	138,981	169,518
Operating Data (as of December 31)						
Branches	89	99	108	119	119	120
Employees	1,403	1,436	1,665	1,925	1,925	2,205
Average net revenues per branch	\$ 1,597	\$ 1,683	\$ 1,717	\$ 1,822	\$ 1,822	\$ 2,082

(1) Net revenues are determined by deducting cost of transportation and products from gross revenues. See "Management's Discussion and Analysis."

(2) Excludes unusual charges and expenses of \$24,656 related to our initial public offering.

(3) Excludes special dividends and distributions related to our initial public offering in October 1997.

## Management's Discussion & Analysis

### General

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

In the transportation industry, results of operations generally show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent years, our operating income and income from continuing operations have been higher in the second and third quarters than in the first and fourth quarters. Seasonality in the transportation industry has not had a significant impact on our results of operations or cash flows in recent years. Also, inflation has not materially affected our operations due to the short-term, transactional basis of our business. However, we cannot fully predict the impact seasonality and inflation may have in the future.

### 1998 Compared to 1997

Revenues - Gross revenues for 1998 were \$2.04 billion, an increase of 13.8% over \$1.79 billion for 1997. Net revenues for 1998 were \$245.7 million, an increase of 19.2% over \$206.0 million for 1997, resulting from an increase in transportation services net revenues of 19.2% to \$189.8 million, an increase in sourcing net revenues of 16.2% to \$44.2 million, and an increase in information services net revenues of 33.8% to \$11.6 million. Our net revenues are increasing at a faster rate than our gross revenues due to the different growth rates in the mix of our service lines. Our information services net revenues as a percentage of their gross revenues is the highest of our three lines, followed by our transportation business and finally our sourcing business.

The increase in transportation services net revenues resulted primarily from an increase in transaction volume. Net revenue per transaction on our truck business also increased slightly in 1998. During the fourth quarter of 1997, a high demand for trucks in the marketplace increased our cost of these transportation services, reducing our net revenue per transaction. The increase in transaction volume and net revenues was driven by significant expansion of business with current customers and from new domestic and international customers.

Sourcing net revenues increased by 16.2% due principally to net revenue growth from sourcing produce for our large retail chain customers and temporary opportunities created by adverse weather conditions in major produce growing

### Results of Operations

The following table summarizes our net revenues by service line:

For the years ended December 31, (in thousands)	1996	1997	change	1998	change
Net revenues					
Transportation	\$ 133,246	\$ 159,260	19.5%	\$ 189,797	19.2%
Sourcing	39,252	38,060	(3.0)	44,229	16.2
Information services	6,571	8,700	32.4	11,640	33.8
Total	\$ 179,069	\$ 206,020	15.1%	\$ 245,666	19.2%

The following table represents certain statement of operations data shown as percentages of our net revenues:

For the years ended December 31,	1996	1997	1997 as adjusted(1)	1998
Net revenues	100.0%	100.0%	100.0%	100.0%
Selling, general and administrative expenses	72.1	72.5	72.5	72.1
Public offering charges and expenses	-	12.0	-	-
Income from operations	27.9	15.5	27.5	27.9
Investment and other income	1.7	1.4	1.4	1.1
Income from continuing operations before provision for income taxes	29.6	16.9	28.9	29.0
Provision for income taxes	11.5	11.4	11.4	11.5
Net income from continuing operations	18.1%	5.5%	17.5%	17.5%

(1) Adjusted to exclude unusual charges and expenses of \$24,656 related to our initial public offering in October 1997.

areas. Our branch network and relationships with produce growers worldwide provided us with sources of produce in this challenging market and provided growth to both the number of transactions and the profit per transaction. In addition, we entered into a new program with an international banana shipper in the first quarter of 1998, which added to our sourcing net revenue growth.

The increase in information services net revenues was the result of significant growth in transaction volume from new and existing customers.

**Selling, General and Administrative Expenses** - Selling, general and administrative expenses for 1998 were \$177.2 million, an increase of 18.7% over \$149.3 million for 1997. Selling, general and administrative expenses as a percentage of net revenues were 72.1% and 72.5% in 1998 and 1997. The decrease in selling, general and administrative expenses as a percentage of net revenues was due primarily to the elimination and consolidation of warehouse facilities in 1998.

**Public Offering Charges and Expenses** - On October 15, 1997, we recorded charges and expenses of \$24.7 million for unusual items related to our initial public offering. This amount includes a non-recurring, non-cash charge of \$21.6 million to conform with Securities and Exchange Commission requirements to account for stock issued to employees and for outstanding stock purchased by certain employees from retiring employees at prices below the initial public offering price under our previous book value plans during the 12 months preceding our initial public offering ("cheap stock"). These book value plans were terminated and have been replaced by stock-based incentive plans more typical of a publicly held company, including a stock incentive plan and an employee stock purchase program.

**Income from Operations** - Income from operations was \$68.4 million for 1998, an increase of 20.6% over \$56.7 million for 1997, excluding the non-recurring public offering charges and expenses. Income from operations, excluding the public offering charges and expenses, as a percentage of net revenues was 27.9% and 27.5% for 1998 and 1997. Income from operations, including the public offering charges and expenses incurred in 1997, increased 113.4% from 1997 to 1998.

**Investment and Other Income** - Investment and other income was \$2.8 million for 1998, a decrease of 2.8% from \$2.9 million for 1997.

**Provision for Income Taxes** - The effective income tax rates for continuing operations were 39.7% and 39.4% for 1998 and 1997, excluding the public offering charges and expenses incurred in 1997. 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. The majority of the \$24.7 million in public offering charges and expenses in 1997 is not deductible for income tax purposes.

**Net Income from Continuing Operations** - Net income from continuing operations was \$43.0 million for 1998, an increase of 19.0% over \$36.1 million for 1997, excluding the public offering charges and expenses. Net income from continuing operations per share, excluding the public offering charges and expenses, increased by 18.2% to \$1.04 (basic and diluted) for 1998 compared to \$.88 (basic and diluted) for 1997. Net income from continuing operations for 1998 increased 274.3% from 1997 to 1998, including the effects of our 1997 public offering charges and expenses.

## **1997 Compared to 1996**

**Revenues** - Gross revenues for 1997 were \$1.79 billion, an increase of 11.5% over \$1.61 billion for 1996. Net revenues for 1997 were \$206.0 million, an increase of 15.1% over \$179.1 million for 1996, resulting from an increase in transportation services net revenues of 19.5% to \$159.3 million, a decrease in sourcing net revenues of 3.0% to \$38.1 million, and an increase in information services net revenues of 32.4% to \$8.7 million. Our net revenues are increasing at a faster rate than our gross revenues due to the different growth rates in the mix of our service lines. Our information services net revenues as a percentage of their gross revenues is the highest of our three lines, followed by our transportation business and finally our sourcing business.

The increase in transportation services net revenues resulted primarily from an increase in transaction volume offset by a slight decline in the net revenue per transaction. The increase in transaction volume and net revenues was driven by significant expansion of business with current customers and from new domestic and international customers. The decrease in net revenue per transaction was due primarily to a high demand for trucks in the marketplace during the fourth quarter of 1997, which increased the cost of these transportation services.

Sourcing net revenues decreased by 3.0% due to a reduction in net revenues from our ingredient divisions, a decline in net revenues from sales to produce wholesalers, and the elimination in December 1996 of a program to source and distribute various seafood and other products. These reductions were partially offset by net revenue growth from sourcing produce for our large retail chain customers, and by various expansions of warehouse sourcing services.

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

**Selling, General and Administrative Expenses** - Selling, general and administrative expenses for 1997 were \$149.3 million, an increase of 15.7% over \$129.0 million for 1996. Selling, general and administrative expenses as a percentage of net revenues were 72.5% and 72.1% in 1997 and 1996. These increases were primarily due to increased personnel and warehouse costs associated with our growth.

**Income from Operations** - Income from operations, excluding the nonrecurring public offering charges and expenses, was \$56.7 million for 1997, an increase of 13.4% over \$50.0 million for 1996. Income from operations, excluding the public offering charges and expenses, as percentage of net revenues was 27.5% and 27.9% for 1997 and 1996. Income from operations, including the public offering charges and expenses, was \$32.1million for 1997, a decrease of 35.9%.

**Investment and Other Income** - Investment and other income was \$2.9 million for 1997, a decrease of 5.4% from \$3.1 million for 1996. This decrease was the result of a special dividend paid on October 10, 1997 in conjunction with our initial public offering, which lowered the amount of cash available for investment.

**Provision for Income Taxes** - The majority of the \$24.7 million in public offering charges and expenses is not deductible for income tax purposes. Excluding these charges and expenses, the effective income tax rates for continuing operations were 39.4% and 38.9% for 1997 and 1996. 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, excluding the public offering charges and expenses, was \$36.1 million for 1997, an increase of 11.4% over \$32.4 million for 1996. Net income from continuing operations per share, excluding the public offering charges and expenses, increased by 12.8% to \$.88 (basic and diluted) for 1997 compared to \$.78 (basic and diluted) for 1996, primarily due to an increase in net income and partly as a result of a decrease in shares outstanding due to our share repurchases. Net income from continuing operations for 1997, including the public offering charges and expenses, was \$11.5 million, a decrease of 64.6%, or \$.28 per share (basic and diluted), a decrease of 64.1%.

## **Liquidity and Capital Resources**

We have historically generated substantial cash from operations which has enabled us to fund our growth while paying cash dividends and repurchasing stock. Cash and cash equivalents totaled \$99.3 million and \$62.5 million and available-for-sale securities totaled \$30.7 million and \$10.4 million as of December 31, 1998 and 1997. Working capital at December 31, 1998 and 1997 totaled \$135.2 million and \$109.0 million. We have had no long-term debt for the last five years and currently have no material commitments for future capital expenditures. We do not believe that the conversion to the euro will have a material business or financial impact on us.

During the fourth quarter of 1997, several transactions occurred related to the initial public offering, including the sale of our finance businesses. On October 10, 1997, we paid a special cash dividend of \$1.50 per share (\$61.9 million in the aggregate). We removed restrictions on October 13, 1997 on shares previously awarded to employees which generated a \$40.5 million tax benefit. On October 14, 1997, we sold our finance businesses for \$40.3 million and we declared and paid a liquidating distribution to stockholders of record on October 14, 1997 of \$.95 per share (\$39.2 million in the aggregate), the net proceeds resulting from this sale. Management does not anticipate any significant effects on our operations as a result of these non-recurring transactions.

We generated \$77.6 million of positive cash flow from operations for 1998. This was unusually high due partly to the collection of our \$17.3 million tax receivable resulting from transactions related to our initial public offering. We used \$31.6 million of cash and cash equivalents for investing activities, including \$20.3 million for net purchases of available-for-sale securities, \$6.8 million for acquisitions, net of cash acquired, and \$5.1 million to fund capital expenditures necessary for continued growth. We also used \$9.2 million of cash and cash equivalents for financing activities, primarily to pay quarterly cash dividends. We have declared a \$.07 per share dividend payable to shareholders of record as of March 8, 1999, payable on April 1, 1999.

Assuming no change in our current business plan, management believes that our available cash, together with expected future cash generated from operations, are expected to be sufficient to satisfy our anticipated needs for working capital, capital expenditures and cash dividends for all future periods. In addition, we have \$17.5 million available under our two existing lines of credit both with interest rates of 6.1%, as of December 31, 1998. The lines of credit renew annually and do not restrict the payment of dividends. There were no borrowings under the lines of credit during 1998 or 1997. We expect to be able to renew these lines of credit in the future.

## **Impact of Year 2000**

We have completed an assessment of our compliance with Year 2000 issues and will modify or replace portions of our hardware and software so that our computer systems will function properly with respect to dates after December 31, 1999. We have completed a majority of the modifications and are currently in the testing phase of our Year 2000 compliance process. This testing includes running test transactions with dates beyond December 31, 1999 through

our systems to ensure that our daily, monthly and yearly processes accept the transactions, process and store them, and allow for extraction of the transaction data as needed to operate our business and generate our internal and external financial information. We are in the process of completing all such testing on our systems, with a majority of our testing to be completed by June 30, 1999.

Our existing general ledger, fixed assets and payroll systems are not Year 2000 compliant. We are in the process of replacing these systems. Our new general ledger system and fixed assets system are currently operational and running parallel to our existing systems, with expected full conversion to occur before June 30, 1999. Our expected completion date for the payroll system is June 30, 1999.

We do not anticipate any disruptions to be caused by embedded circuitry in our operational systems. Our information services line also has a commercial application from the Federal Reserve which is not Year 2000 compliant. A new version is expected by June 30, 1999. We do not anticipate that this will create any implementation problems on our scheduled timeline.

In addition, we are not aware of any material relationships with any customer, transportation carrier or produce supplier that would have a material impact on our business, results of operations or financial condition in the instance that these third parties would have material systems interruptions as a result of the Year 2000 situation. We have no single third-party relationship that accounts for more than 6% of our business.

Although we believe we have internally addressed our risks and have not discovered any material exposure with our third-party relationships, there are inherent risks that we may not meet our objectives by December 31, 1999 or that unforeseen circumstances may arise. We could experience business interruption in the event our systems would be unable to process information or would process information incorrectly. Additionally, we could suffer loss of business if a number of our third-party relationships, taken together, would have similar problems. It is impossible to fully assess the potential consequences in the event there are disruptions in such infrastructure areas as utilities, communications, transportation, banking and government. Any such business interruption could have a material adverse effect on our results of operations, liquidity, and financial condition depending on the severity and duration of the interruption. We are developing contingency plans in the event we are unable to complete remediation efforts or unidentified problems develop. We expect to have these plans in place by June 30, 1999.

We are using primarily internal resources for system modifications and testing. Total costs we have incurred, plus costs we plan to incur for programming, testing, purchase of Year 2000 testing software, and outside consultant costs are expected to be in the range of \$500,000 to \$600,000. The actual cost could exceed this estimate. These costs, however, are not expected to have a material effect on our financial condition, results of operations, or cash flows. We have incurred and expensed approximately \$300,000 as of December 31, 1998. Our costs to replace the noncompliant systems mentioned above are not included in the range, as these replacements were planned to occur and we have not accelerated the replacement due to Year 2000 requirements. All other costs are being expensed as incurred.

## **Market Risk**

We had approximately \$130.0 million of cash and investments on December 31, 1998, approximately \$99.3 million of which were cash and cash equivalents and \$30.7 million of which were available for sale (non-trading) securities. Substantially all of the cash equivalents and available for sale securities are investment grade, fixed income securities from domestic issuers. Because of the credit risk criteria of our investment policies, the primary market risk associated with these investments is interest rate risk. We do not use derivative financial instruments to manage interest rate risk or to speculate on future changes in interest rates. A rise in interest rates could negatively affect the fair value of our investments; however, because we consider it unlikely that we would need or choose to substantially liquidate our investments, we believe that such an increase in interest rates would not have a material impact on our future earnings or cash flows. We also conduct business in foreign currencies and at times we enter into forward contracts to hedge against foreign currency exposure. There were no such contracts outstanding during 1998. We also have inventory which is subject to certain commodity price volatility, and we sometimes choose to hedge our positions with futures and options. We believe a reasonable near-term change in foreign currency exchange rates or commodity prices would not have a material impact on our future earnings or cash flows because the amount of our inventory and foreign currency exposure is not material.

Our discussion and analysis of our financial condition and results of operations, including our Year 2000 and market risk discussions, contain forward-looking statements, including our current assumptions about future financial performance, anticipated problems, estimated Year 2000 costs and our plans for future operations, which are subject to various risks and uncertainties. Our actual results may differ significantly. Further discussion of factors that may cause a difference may be found in an exhibit to the Company's Form 10-K filed with the Securities and Exchange Commission.

## Consolidated Balance Sheets

(In thousands, except per share data)

As of December 31,

	1998	1997
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 99,341	\$ 62,497
Available-for-sale securities	30,730	10,428
Receivables, net of allowance for doubtful accounts of \$12,412 and \$8,936	221,021	206,743
Deferred tax benefit	12,821	4,781
Prepaid expenses and other	7,442	5,797
Inventories	3,488	3,109
Income taxes receivable	-	17,334
Total current assets	374,843	310,689
Property and equipment:		
Land, building and improvements	-	1,500
Furniture, fixtures and equipment	41,285	39,363
Accumulated depreciation and amortization	(21,801)	(18,637)
Net property and equipment	19,484	22,226
Intangible assets, net of accumulated amortization of \$8,576 and \$13,400	12,613	6,674
Other assets	2,176	1,039
	\$ 409,116	\$ 340,628
<b>Liabilities and Stockholders' Investment</b>		
Current liabilities:		
Accounts payable	\$ 192,908	\$ 166,789
Accrued expenses -		
Compensation and profit-sharing contribution	27,481	22,107
Income taxes and other	19,209	12,751
Total current liabilities	239,598	201,647
Commitments and contingencies (Notes 3 and 7)		
Stockholders' investment:		
Preferred stock, \$0.10 par value, 20,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.10 par value, 130,000 shares authorized; 41,265 shares issued, 41,190 and 41,265 shares outstanding	4,119	4,126
Additional paid-in capital	62,054	62,108
Retained earnings	106,178	73,465
Cumulative other comprehensive loss	(1,145)	(718)
Treasury stock at cost (75 and 0 shares)	(1,688)	-
Total stockholders' investment	169,518	138,981
	\$ 409,116	\$ 340,628

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

## Consolidated Statements of Operations

(In thousands, except per share data)

For the years ended December 31,

	1998	1997	1996
Gross revenues	\$2,038,139	\$1,790,785	\$1,605,905
Cost of transportation and products	1,792,473	1,584,765	1,426,836
Net revenues	245,666	206,020	179,069
Selling, general and administrative expenses	177,223	149,285	129,040
Public offering charges and expenses (Note 1)	-	24,656	-
Income from operations	68,443	32,079	50,029
Investment and other income	2,844	2,927	3,095
Income from continuing operations before provision for income taxes	71,287	35,006	53,124
Provision for income taxes	28,272	23,514	20,682
Net income from continuing operations	43,015	11,492	32,442
Net income from discontinued operations, net of taxes of \$951 in 1997 and \$1,474 in 1996	-	1,589	2,158
Gain on sale of discontinued operations, net of taxes of \$10,440 in 1997	-	14,506	-
Net income	\$ 43,015	\$ 27,587	\$ 34,600
Basic net income per share:			
From continuing operations	\$ 1.04	\$ .28	\$ .78
From discontinued operations	-	.39	.05
Basic net income per share	\$ 1.04	\$ .67	\$ .83
Diluted net income per share:			
From continuing operations	\$ 1.04	\$ .28	\$ .78
From discontinued operations	-	.39	.05
Diluted net income per share	\$ 1.04	\$ .67	\$ .83
Basic weighted average shares outstanding	41,216	41,285	41,799
Dilutive effect of outstanding stock options	93	17	-
Diluted weighted average shares outstanding	41,309	41,302	41,799

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

## Consolidated Statements of Stockholders' Investment

(In thousands, except per share data)

For the years ended December 31, 1998, 1997 and 1996

	Common Shares Outstanding	Amount	Additional Paid-In Capital	Retained Earnings	Cumulative Other Com- prehensive Loss	Treasury Stock	Total Stockholders' Investment
Balance, December 31, 1995	43,407	\$ 4,340	\$ 704	\$ 128,600	\$ (305)	\$ -	\$ 133,339
Net income	-	-	-	34,600	-	-	34,600
Other comprehensive income:							
Foreign currency translation adjustment	-	-	-	-	(41)	-	(41)
Comprehensive income	-	-	-	-	-	-	34,559
Cash dividends, \$.185 per share	-	-	-	(7,655)	-	-	(7,655)
Incentive shares of common stock issued, net	200	20	1,031	-	-	-	1,051
Repurchase of common stock	(2,232)	(223)	(1,735)	(4,908)	-	-	(6,866)
Balance, December 31, 1996	41,375	4,137	-	150,637	(346)	-	154,428
Net income	-	-	-	27,587	-	-	27,587
Other comprehensive income:							
Foreign currency translation adjustment	-	-	-	-	(372)	-	(372)
Comprehensive income	-	-	-	-	-	-	27,215
Cash dividends and distributions, \$2.53 per share	-	-	-	(104,400)	-	-	(104,400)
Incentive shares of common stock issued, net	239	24	919	-	-	-	943
Sale of common stock	25	3	100	-	-	-	103
Cheap stock charge (Note 1)	-	-	21,596	-	-	-	21,596
Tax benefit on vesting of stock awards	-	-	40,539	-	-	-	40,539
Repurchase of common stock	(374)	(38)	(1,046)	(359)	-	-	(1,443)
Balance, December 31, 1997	41,265	4,126	62,108	73,465	(718)	-	138,981
Net income	-	-	-	43,015	-	-	43,015
Other comprehensive income:							
Foreign currency translation adjustment	-	-	-	-	(427)	-	(427)
Comprehensive income	-	-	-	-	-	-	42,588
Cash dividends, \$.25 per share	-	-	-	(10,302)	-	-	(10,302)
Sale of common stock	63	6	(115)	-	-	1,430	1,321
Tax benefit on deferred compensation plans	-	-	61	-	-	-	61
Repurchase of common stock	(138)	(13)	-	-	-	(3,118)	(3,131)
Balance, December 31, 1998	41,190	\$ 4,119	\$ 62,054	\$ 106,178	\$ (1,145)	\$ (1,688)	\$ 169,518

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

## Consolidated Statements of Cash Flows

(In thousands)

For the years ended December 31,

	1998	1997	1996
Operating Activities			
Net income	\$ 43,015	\$ 27,587	\$ 34,600
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	8,521	8,684	7,604
Cheap stock charge and incentive stock expense	-	21,596	943
Deferred income taxes	(9,272)	4,842	(2,464)
Gain on sale of discontinued operations, net of tax	-	(14,506)	-
Loss on sale of assets	141	82	10
Changes in operating elements -			
Receivables	(11,056)	(35,808)	(22,019)
Inventories	(374)	2,167	2,050
Prepaid expenses and other	(1,379)	(3,709)	344
Accounts payable	20,027	26,413	14,482
Accrued compensation and profit sharing contribution	5,275	5,059	159
Accrued income taxes and other	22,750	27,971	(359)
Net cash provided by operating activities	77,648	70,378	35,350
Investing Activities			
Purchases of property and equipment	(5,071)	(6,305)	(4,784)
Sales of property and equipment	1,981	1,446	80
Cash paid for acquisitions, net of cash acquired	(6,799)	-	-
Sales of long-term investments	-	5,536	115
Purchases of long-term investments	-	-	(5,267)
Sales/maturities of available-for-sale securities	37,594	113,576	33,719
Purchases of available-for-sale securities	(57,900)	(81,293)	(39,318)
Cash provided by discontinued operations	-	24,653	3,707
Changes in other assets, net	(1,380)	(2,321)	(966)
Net cash provided by (used for) investing activities	(31,575)	55,292	(12,714)
Financing Activities			
Sale of common stock	1,321	103	-
Repurchase of common stock	(3,131)	(1,443)	(6,866)
Cash dividends and distributions	(7,419)	(104,400)	(7,655)
Net cash used for financing activities	(9,229)	(105,740)	(14,521)
Net increase in cash and cash equivalents	36,844	19,930	8,115
Cash and cash equivalents, beginning of year	62,497	42,567	34,452
Cash and cash equivalents, end of year	\$ 99,341	\$ 62,497	\$ 42,567
Supplemental cash flow information:			
Cash paid for income taxes	\$ 34,848	\$ 9,678	\$ 22,662

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

## Notes to Consolidated Financial Statements

(Including data applicable to unaudited periods)

### 1. Summary of Significant Accounting Policies

**Basis of Presentation** - C.H. Robinson Worldwide, Inc. and its Subsidiaries ("the Company," "we," "us," and "our") is a global provider of multimodal transportation services and logistics solutions through a network of 120 branch offices in 38 states throughout the United States, along with offices in Canada, Mexico, South America, Europe and Africa. The consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and its majority owned and controlled subsidiaries. Our finance businesses are presented in the accompanying consolidated statements of operations as discontinued operations (See Note 5). Minority interests in subsidiaries are not significant. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

**Initial Public Offering** - On October 15, 1997, we completed an initial public offering of 10,578,396 shares of our common stock which were previously held by our employees. Pursuant to Securities Exchange Commission rules related to stock issued or sold to employees at prices below the initial public offering price for the 12 months preceding the date that the initial offering becomes effective ("cheap stock"), we recorded a \$21,596,000 charge to expense at the effective date of the offering. This charge related to approximately 1,519,000 shares previously sold to employees or issued under incentive plans no longer in effect and represented the difference between the book value of shares sold and issued to employees and the offering price per share.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

**Revenue Recognition** - Gross revenues consist of the total dollar value of goods and services purchased by customers. We act principally as the service provider for these transactions and recognize revenue as these services are rendered and goods are delivered.

**Foreign Currency** - All balance sheet accounts of foreign subsidiaries are translated at the current exchange rate as of the end of the year. Statement of operations items are translated at average exchange rates during the year. The resulting translation adjustment is recorded as a separate component of comprehensive income in our statement of stockholders' investment.

We provide products and services to numerous international customers. At times, we enter into forward contracts to hedge against foreign currency exposure related to these transactions. Upon settlement, resultant gains or losses on such contracts offset the impact of foreign currency rates on cash collected from accounts receivable. There are no open contracts at December 31, 1998.

**Geographic Information** - The following table presents our gross revenues (based on location of the customer) for the years ended December 31 and our long-lived assets as of December 31 by geographic regions (in thousands):

	1998	1997	1996
-----			
Gross revenues			
United States	\$1,935,191	\$1,700,802	\$1,527,278
Other locations	102,948	89,983	78,627
-----			
	\$2,038,139	\$1,790,785	\$1,605,905
-----			
		1998	1997
-----			
Long-lived assets			
United States		\$27,203	\$26,399
Other locations		7,070	3,540
-----			
		\$34,273	\$29,939
-----			

**Cash and Cash Equivalents** - Cash and cash equivalents consist primarily of highly liquid investments with an original maturity of three months or less. The carrying amount approximates fair value due to the short maturity of the instruments.

**Available-For-Sale Securities** - Available-for-sale securities consist of various debt and equity securities. The fair value of our available-for-sale securities equals the quoted market price where available or quoted market prices for similar securities, if a quoted market price is not available.

**Inventories** - Inventories consist primarily of produce, fruit concentrates and related products held for resale and are stated at the lower of cost

or market.

Property and Equipment - Property and equipment additions are recorded at cost. Maintenance and repair expenditures are charged to expense as incurred. Depreciation is computed using straight-line and accelerated methods over the following estimated lives of the assets:

	Years
Building and improvements	3 - 37
Furniture, fixtures and equipment	3 - 10

Amortization of leasehold improvements is computed over the shorter of the lease term or the estimated useful lives of the improvements.

Intangible Assets - Intangible assets consist of customer lists, trade names, contracts, noncompete agreements, software and goodwill. Intangible assets are being amortized over their estimated economic lives, ranging from three to 20 years. We periodically evaluate whether events and circumstances have occurred that indicate the remaining balance of intangible assets may not be recoverable.

Income Per Share - Basic net income per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. No dilution for potentially dilutive securities is included. Diluted net income per share are computed under the treasury stock method and are calculated to compute the dilutive effect of outstanding options, warrants and other securities.

Comprehensive Income - We have adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 requires the disclosure of other comprehensive income in our financial statements. Comprehensive income includes any changes in the equity of an enterprise from transactions and other events and circumstances from non-owner sources. Our foreign currency translation adjustment is currently our only component of other comprehensive income and is presented on our consolidated statements of stockholders' investment.

Segment Reporting - We have adopted the provisions of Statement of Financial Accounting Standards No. 131, "Disclosure About Segments of an Enterprise and Related Information" (SFAS No. 131). SFAS No. 131 establishes new accounting standards for segment reporting. No operational segment or customer information is required for us.

Recently Issued Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments imbedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. We do not expect the adoption of SFAS No. 133 to have a material impact on our financial statements or disclosures contained therein.

## 2. Marketable Securities

We have classified all of our marketable securities as available-for-sale as of December 31, 1998 and 1997. Available-for-sale securities are carried at amortized cost, which approximates market value. The unrealized gains and losses are immaterial as the fair value approximates amortized cost. The gross realized gains and losses on sales of available-for-sale securities were not material for the years ended December 31, 1998 and 1997.

The following is a summary of marketable securities at December 31 (in thousands):

	1998	1997
U.S. government and government agency obligations	\$ 1,803	\$ 767
State and local agency obligations	16,641	-
Corporate bonds	11,183	8,822
Other debt securities	999	742
Equity securities	104	97
Available-for-sale securities	\$30,730	\$10,428

The contractual maturities of marketable securities at December 31 are stated below (in thousands):

	1998	1997
Debt securities:		
Due within one year	\$ 6,763	\$ 933
Due after one year through five years	21,278	4,465
Due after five years	2,585	4,933
Total debt securities with contractual maturities	30,626	10,331
Equity securities	104	97
	\$30,730	\$10,428

### 3. Lines of Credit

We have unsecured lines of credit with banks which provide for borrowings of up to \$17,500,000 and expire on May 1, 1999. Interest on borrowings under the lines is at 1% above the banks' cost of funds (6.1% as of December 31, 1998). There were no borrowings under the lines of credit during 1998, 1997 or 1996.

Our credit agreements contain certain financial covenants. We were in compliance with such covenants at December 31, 1998.

### 4. Income Taxes

C.H. Robinson Worldwide, Inc. and its 80% (or more) owned U.S. subsidiaries file a consolidated federal income tax return. We file unitary or separate state returns based on state filing requirements.

The components of the provision for income taxes consisted of the following at December 31 (in thousands):

	1998	1997	1996
Tax provision:			
Federal	\$ 29,974	\$ 14,688	\$ 19,060
State	5,862	3,619	3,423
Foreign	1,708	365	663
	37,544	18,672	23,146
Deferred provision (benefit)	(9,272)	4,842	(2,464)
Total provision	\$ 28,272	\$ 23,514	\$ 20,682

A reconciliation from the provision for income taxes using the statutory federal income tax rate to our effective income tax rate at December 31 is as follows:

	1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.1	3.3	3.9
Public offering charges and expenses	-	27.8	-
Foreign and other	.6	1.1	-
	39.7%	67.2%	38.9%

Deferred tax assets (liabilities) are comprised of the following at December 31 (in thousands):

	1998	1997
Deferred income tax assets:		
Receivables	\$ 5,000	\$ 4,035
State taxes	2,423	359
Accrued expenses	5,401	344
Amortization	3,026	2,468
Accrued compensation	771	59
Other	830	830

Deferred income tax liabilities:		
Long-lived assets	(2,488)	(2,406)
Other	(19)	(17)
-----		
Net deferred income tax asset	\$ 14,944	\$ 5,672
-----		

## 5. Discontinued Operations

On October 14, 1997, we sold our finance businesses. As a result, we recorded a gain on the sale of \$14,506,000, net of income taxes. These operations were reported as discontinued operations in the accompanying consolidated financial statements. Summary condensed financial information for the discontinued segment for the years ended December 31 is as follows (in thousands):

	1997	1996
-----		
Revenues	\$ 12,996	\$ 12,870
Expenses	10,456	9,238
-----		
Income from discontinued operations	\$ 2,540	\$ 3,632
-----		

## 6. Capital Stock and Stock Award Plans

**Preferred Stock** - Our Certificate of Incorporation (Certificate) authorizes the issuance of 20,000,000 shares of Preferred Stock, par value \$.10 per share, none of which are issued or outstanding. The Preferred Stock may be issued by resolution of our board of directors from time to time without any action of the stockholders. The Preferred Stock may be issued in one or more series and the board of directors may fix the designation and relative powers, including voting powers, preferences, rights, qualifications, limitations and restrictions of each series, so authorized. The issuance of any such series may have an adverse effect on the rights of holders of Common Stock or impede the completion of a merger, tender offer or other takeover attempt. We have no present intention to issue shares of any series of Preferred Stock.

**Common Stock** - The Certificate authorizes 130,000,000 shares of Common Stock, par value \$.10 per share. Subject to the prior rights of any series of Preferred Stock which may from time to time be authorized and outstanding, holders of Common Stock are entitled to receive dividends out of funds legally available when, and if declared by the board of directors and to receive pro rata the net assets of the Company legally available for distribution upon liquidation or dissolution.

Holders of Common Stock are entitled to one vote for each share of Common Stock held on each matter to be voted on by the holders of Common Stock, including the election of directors. Holders of Common Stock are not entitled to cumulative voting, which means that the holders of more than 50% of the outstanding Common Stock can elect all of the directors of any class if they choose to do so. The stockholders do not have preemptive rights. All outstanding shares of Common Stock are fully paid and nonassessable.

**Share Repurchase Program** - In conjunction with our initial public offering, our board of directors authorized the repurchase of 1,000,000 common shares for reissuance upon the exercise of employee stock options and other stock award plans. During 1998, we purchased approximately 138,000 shares of our common stock for the treasury at an aggregate cost of \$3,131,000.

**Stock Award Plans** - We have an Omnibus Stock Plan to grant certain stock awards, including stock options at fair market value and restricted shares, to our key employees and outside directors. A maximum of 2,000,000 shares can be granted under this plan; 1,567,954 shares were available for stock awards as of December 31, 1998.

The following schedule summarizes activity in the plans:

	Stock Options	Grant Price	Contractual Lives
-----			
Outstanding at December 31, 1996	-	-	-
Granted in 1997	475,667	\$18.00	10 years
-----			
Outstanding at December 31, 1997	475,667	\$18.00	10 years
Terminated in 1998	(43,621)	\$18.00	10 years
-----			
Outstanding at December 31, 1998	432,046	\$18.00	10 years
-----			
Exercisable at December 31, 1998	-	-	-
-----			

We follow the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), which encourages, but does not require, a fair value based method of accounting for employee stock options or similar equity instruments. As permitted under SFAS No. 123, we have continued to account for employee stock options using the intrinsic value method outlined in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, we have not recognized any compensation expense for our stock options. Had compensation expense for our stock-based compensation plans been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, our net income and income per share would have been as follows (in thousands, except per share amounts):

		1998	1997
-----			
Net income	As reported	\$43,015	\$27,587
	Adjusted	\$42,460	\$26,978
-----			
Basic and diluted net income per share	As reported	\$ 1.04	\$ .67
	Adjusted	\$ 1.03	\$ .65
-----			

The adjusted effects to net income presented reflect compensation costs for all outstanding options which were granted during 1997. The compensation cost is being reflected over the options' vesting period of five years. Therefore, the full impact of calculating compensation costs of options under SFAS No. 123 is not reflected.

The fair value per option at the date of grant for options granted in 1997 was \$6.09. The fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	5.72%
Expected dividend yield	1.00%
Expected volatility factor	25.00%
Expected option term	7 years

## 7. Commitments and Contingencies

**Employee Benefit Plans** - We participate in a defined contribution profit-sharing plan and a savings plan which qualifies under Section 401(k) of the Internal Revenue Code and covers all full-time employees with one or more years of continuous service. Annual profit-sharing contributions are determined by each company's board of directors, in accordance with the provisions of the plan. Profit-sharing plan expense aggregated approximately \$4,560,000 in 1998, \$4,030,000 in 1997 and \$3,611,000 in 1996. We can elect to make contributions to the 401(k) plan at the discretion of our board of directors. There were no Company contributions during 1998, 1997 or 1996.

**Lease Commitments** - We lease certain facilities, equipment and automobiles under operating leases. Lease expense was \$14,376,000 for 1998, \$13,356,000 for 1997 and \$8,318,000 for 1996.

Minimum future lease commitments under noncancelable lease agreements in excess of one year as of December 31, 1998 are as follows (in thousands):

1999	\$ 8,409
2000	5,828
2001	4,605
2002	3,033
2003	1,734
Thereafter	873
	<hr/>
	\$ 24,482
	<hr/>

**Litigation** - In 1995, the United States Customs Service began an investigation of possible duties owed on imports of certain juice concentrates by Daystar-Robinson, Inc. (Daystar), a subsidiary of the Company. We have been advised by the United States Attorney for the Eastern District of New York that Daystar was not the target or the subject of a criminal investigation, although the United States Attorney is not bound by such statements. We believe, however, that the U.S. Customs Service will seek additional duties of approximately \$4,000,000 and may seek civil monetary penalties against Daystar. We believe the disposition of this matter will not have a material adverse effect on our financial condition or results of operations, although there can be no assurance that the duties and penalties sought against Daystar will not exceed our reserves for this matter.

We are currently not otherwise subject to any pending or threatened litigation, other than routine litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on our financial condition or results of operations.

## 8. Supplementary Data (Unaudited)

Our results of operations for each of the quarters in the years ended December 31, 1998 and 1997 are summarized below (in thousands, except per share data).

1998	March 31	Quarters Ended (Unaudited)		December 31
		June 30	September 30	
Gross revenues	\$ 468,189	\$ 546,672	\$ 516,181	\$ 507,097
Cost of transportation and products	412,968	483,380	452,422	443,703
Net revenues	55,221	63,292	63,759	63,394
Income from operations	13,354	18,621	18,933	17,535
Net income	\$ 8,374	\$ 11,612	\$ 11,911	\$ 11,118
Basic and diluted net income per share	\$ .20	\$ .28	\$ .29	\$ .27
Basic weighted average shares outstanding	41,251	41,215	41,203	41,195
Dilutive effect of outstanding stock options	101	100	89	82
Diluted weighted average shares outstanding	41,352	41,315	41,292	41,277
1997	March 31	Quarters Ended (Unaudited)		December 31
		June 30	September 30	
Gross revenues	\$ 403,705	\$ 451,447	\$ 466,408	\$ 469,225
Cost of transportation and products	356,819	399,177	412,944	415,825
Net revenues	46,886	52,270	53,464	53,400
Income (loss) from operations	11,415	15,276	15,318	(9,930)
Net income (loss) from continuing operations	7,426	9,807	9,885	(15,626)
Net income from discontinued operations	439	461	550	139
Gain on sale of discontinued operations, net	-	-	-	14,506
Net income (loss)	\$ 7,865	\$ 10,268	\$ 10,435	\$ (981)
Basic and diluted net income (loss) per share:				
From continuing operations	\$ .18	\$ .24	\$ .24	\$ (.37)
From discontinued operations	.01	.01	.01	.35
Basic and diluted net income (loss) per share	\$ .19	\$ .25	\$ .25	\$ (.02)
Basic weighted average shares outstanding	41,359	41,253	41,265	41,265
Dilutive effect of outstanding stock options	-	-	-	65
Diluted weighted average shares outstanding	41,359	41,253	41,265	41,330

## Report of Independent Public Accountants

### To C.H. Robinson Worldwide, Inc.:

We have audited the accompanying consolidated balance sheets of C.H. Robinson Worldwide, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' investment and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C.H. Robinson Worldwide, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

*/s/ Arthur Andersen LLP*

*Minneapolis, Minnesota,  
February 4, 1999*

## Report of Management

The management of C.H. Robinson Worldwide, Inc., is responsible for the integrity and objectivity of the consolidated financial statements and other financial information contained in this annual report. The consolidated financial statements and related information were prepared in accordance with generally accepted accounting principles and include some amounts that are based on management's best estimates and judgments.

To meet its responsibility, management depends on its accounting systems and related internal accounting controls. These systems are designed to provide reasonable assurance, at an appropriate cost, that financial records are reliable for use in preparing financial statements and that assets are safe-guarded. Qualified personnel throughout the organization maintain and monitor these internal accounting controls on an ongoing basis.

The Audit Committee of the Board of Directors, composed entirely of directors who are not employees of the Company, meets periodically and privately with the Company's independent public accountants as well as management to review accounting, auditing, internal control, financial reporting and other matters.

*/s/ D.R. "Sid" Verdoorn*

*D.R. "Sid" Verdoorn  
Chairman of the Board, President  
and Chief Executive Officer*

*/s/ John P. Wiehoff*

*John P. Wiehoff  
Senior Vice President, Office of the President  
and Chief Financial Officer*

# EXHIBIT 21

## SUBSIDIARIES OF C.H. ROBINSON WORLDWIDE, INC.

The Company's consolidated subsidiaries are shown below together with the percentage of voting securities owned and the state or jurisdiction of organization of each subsidiary. The names have been omitted for subsidiaries which, if considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary. Subsidiaries of subsidiaries are indented in the following table:

Subsidiaries -----	Percentage of Outstanding Voting Securities Owned -----
CHRW Holdings, Inc.	100%
(Minnesota)	
C.H. Robinson International, Inc.	100%
(Minnesota)	
C.H. Robinson Venezuela, C.A.	51%
(Venezuela)	
C.H. Robinson de Mexico, S.A. de C.V.	100%
(Mexico)	
CHR Aviation, Inc.	100%
(Minnesota)	
C.H. Robinson Company (Canada) Ltd.	100%
(Ontario, Canada)	
C.H. Robinson Company	100%
(Delaware)	
Daystar-Robinson, Inc.	100%
(Delaware)	
Fresh 1 Marketing, Inc.	100%
(Minnesota)	
Preferred Translocation Systems, Inc	100%
(Minnesota)	
Wagonmaster Transportation Co.	100%
(Minnesota)	
Robinson Europe, S.A.	100%
(France)	
Robinson-Transecos S.A.	100%
(France)	
Robinson Italia S.R.L	95%
(Italy)	
C.H. Robinson (UK) Limited	100%
(United Kingdom)	
C.H. Robinson Poland Sp. Zo.o	100%
(Poland)	
Comexter Trading S.A.	100%
(Argentina)	
Comexter Cargo S.A.	100%
(Argentina)	
Geotrade S.A.	100%
(Argentina)	
Comexter Trading Company	100%
(Florida)	
Comexter Cargo, Inc.	100%
(Florida)	
Norminter S.A.	100%
(France)	
Norminter (UK) Limited	100%
(United Kingdom)	
Norminter France SARL	100%
(France)	
Norminter Iberica	98%
(Spain)	
E.G.C. SARL	46%
(France)	
Payment & Logistics Services LLC	100%
(Minnesota)	
T-Chek Systems LLC	100%
(Minnesota)	
Robinson Logistica Do Brasil Ltda.	100%
(Brazil)	

**Exhibit 23**

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

As independent public accountants, we hereby consent to the incorporation of our report incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement Nos. 333-53047, 333-41027 and 333-41899.

*/s/ ARTHUR ANDERSEN LLP*

*Minneapolis, Minnesota,*

*March 26, 1999*

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K REPORT.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	99,341
SECURITIES	30,730
RECEIVABLES	233,433
ALLOWANCES	12,412
INVENTORY	3,488
CURRENT ASSETS	374,843
PP&E	41,285
DEPRECIATION	21,801
TOTAL ASSETS	409,116
CURRENT LIABILITIES	239,598
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	4,119
OTHER SE	165,399
TOTAL LIABILITY AND EQUITY	409,116
SALES	0
TOTAL REVENUES	2,038,139
CGS	0
TOTAL COSTS	1,792,473
OTHER EXPENSES	0
LOSS PROVISION	6,902
INTEREST EXPENSE	0
INCOME PRETAX	71,287
INCOME TAX	28,272
INCOME CONTINUING	43,015
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	43,015
EPS PRIMARY	1.04
EPS DILUTED	1.04

## CAUTIONARY STATEMENT

Forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA") are included in our Form 10-K. The words or phrases "believes," "may," "will," "expects," "should," "continue," "anticipates," "intends," "will likely result," "estimates," "projects" or similar expressions identify forward-looking statements in our Form 10-K and in our future filings with the Securities and Exchange Commission, in our press releases, in our presentations to securities analysts or investors, and in oral statements made by or approved by an executive officer of Robinson. Forward-looking statements involve risks and uncertainties that may materially and adversely affect our business, results of operation, financial condition or prospects, and may cause our actual results to differ materially from historical results or the results discussed in the forward-looking statements.

You should consider carefully the following cautionary statements if you own our common stock or are planning to buy our common stock. We intend to take advantage of the "safe harbor" provisions of the PSLRA by providing this discussion. We are not undertaking to address or update each factor in future filings or communications regarding our business or results except to the extent required by law.

Demand for our services may decrease during an economic recession.

The transportation industry historically has experienced cyclical financial results as a result of economic recession, the business cycles of customers, price hikes by carriers, interest rate fluctuations, and other economic factors beyond our control. Carriers can be expected to charge higher prices to cover higher operating expenses, and our net revenues and income from operations may decrease if we are unable to pass through to our customers the full amount of higher transportation costs. If economic recession or a downturn in our customers' business cycles causes a reduction in the volume of freight shipped by those customers, particularly among certain national retailers or in the food, beverage or printing industries, our operating results could also be adversely affected.

We depend upon available equipment and services.

We do not own trucks or other transportation equipment, and we depend in part on independent third parties to provide truck, rail, ocean and air services. Equipment shortages in the transportation industry have occasionally occurred, particularly among truckload carriers. If we are unable to secure sufficient equipment or other transportation services to meet our customers' needs, our operating results could be materially and adversely affected, and our customers could switch to our competitors temporarily or permanently.

Our international business raises additional difficulties.

We provide services within and between continents on an increasing basis. Our business outside of the United States is subject to various risks, including:

- o changing local economic and market conditions,

- o political and economic instability,
- o fluctuations in currency exchange rates,
- o armed conflicts, and
- o unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation.

As we expand our business in foreign countries we will expose the Company to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. We have no control over these risks, and if we do not correctly anticipate changes in international economic and political conditions, we may not alter our business practices in time to avoid adverse effects.

Our management and internal systems may be inadequate to handle continued growth of our business.

Our continued success depends upon our ability to attract and retain a large group of motivated salespersons and other logistics professionals. If we cannot recruit and retain a sufficient number of personnel, we may be forced to limit our growth. We cannot assure you that we will be able to continue to hire and retain a sufficient number of qualified personnel. Our rapid expansion of operations has placed added demands on our management and operating systems. Continued expansion depends in large part on our ability to develop successful salespersons into managers and to implement enhancements to our information systems that are adaptable to the changes in our business and the requirements of our customers.

We face substantial industry competition.

Competition in the transportation services industry is intense and broad based. We compete against other non-asset based logistics companies as well as logistics companies that own their own equipment, third-party freight brokers and carriers offering logistics services. We also compete against carriers' internal sales forces and shippers' transportation departments. We often buy and sell transportation services from and to many of our competitors. Historically, competition has created downward pressure on freight rates, and continued rate pressure may adversely affect our net revenues and income from operations.

Our earnings may be affected by seasonal changes in the transportation industry.

Results of operations for our industry generally show a seasonal pattern as customers reduce shipments during and after the winter holiday season. In recent years, our operating income and earnings have been higher in the second and third quarters than in the first and fourth quarters. Although seasonal changes in the transportation industry have not had a significant impact on our cash flow or results of operations, we expect this trend to continue and we cannot assure you that it will not adversely impact us in the future.

Our sourcing business is dependent upon the supply and price of fresh produce.

The supply and price of fresh produce is affected by government food safety regulation, growing conditions (such as drought, insects and disease), and other conditions over which we have no control. Shortages or overproduction of fresh produce affect commodity prices, which are often highly volatile.

Sourcing and reselling fresh produce exposes us to possible product liability.

Agricultural chemicals used on fresh produce are subject to various approvals, and the commodities themselves are subject to regulations on cleanliness and contamination. Product recalls in the produce industry have been caused by concern about particular chemicals and alleged contamination, often leading to lawsuits brought by consumers of allegedly affected produce. Because we sell produce, we may have legal responsibility arising from the sale. While we are insured for up to \$75 million for product liability claims, settlement of class action claims is often costly, and we cannot assure you that our liability coverage will be adequate and will continue to be available. If we have to recall produce, we may be required to bear the cost of repurchasing, transporting and destroying any allegedly contaminated product, which our insurance does not cover. Any recall or allegation of contamination could affect our reputation, particularly of our produce brand: The Fresh 1 (R). Loss due to spoilage (including the need for disposal) is also a routine part of the sourcing business.

Our business depends upon compliance with numerous government regulations.

We are licensed by the Department of Transportation as a broker authorized to arrange for the transportation of general commodities by motor vehicle. We must comply with certain insurance and surety bond requirements to act in this capacity. We are also licensed by the Federal Maritime Commission as an ocean freight forwarder, which requires us to maintain a non-vessel operating common carrier bond. We are also licensed by the United States Customs Service of the Department of the Treasury. We source fresh produce under a license issued by the Department of Agriculture. Our failure to comply with the laws and regulations applicable to entities holding these licenses could materially and adversely affect our results of operations or financial condition. Legislative or regulatory changes can affect the economics of the transportation industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services.

We increasingly derive a significant portion of our gross revenues from our largest clients.

The sudden loss of a number of our major clients could materially and adversely affect our operating results.

Our change to public company status may have a detrimental effect on our corporate culture.

Prior to our initial public offering, more than 700 employees owned substantially all of our outstanding common stock. Consequently, our employees considered themselves the owners of C.H. Robinson. As a result of our establishing a public market for the trading of shares of our common stock, a larger portion of common stock may rest in the hands of the general public, and our employee stockholders will have significant liquid assets. This change in structure and liquidity may adversely affect employee motivation. We had also issued restricted stock as an incentive, and employees owning common stock before going public profited from the growth in the book value of the common stock. We have replaced our previous stock program with new stock-based programs, but we cannot predict whether the new plans will be perceived as being a less valuable form of compensation. If we find that we must initiate new incentive programs to improve employee performance in the future, our results of operations could be adversely affected.

Our systems and services may be subject to Year 2000 problems.

We have completed an assessment of our compliance with Year 2000 issues and will modify or replace portions of our hardware and software so that our computer systems will function properly with respect to dates after December 31, 1999. Although we believe we have internally addressed our risks and have not discovered any material exposure with any customer, transportation carrier or produce supplier, we cannot assure you that we will meet our objectives by December 31, 1999 or that unforeseen circumstances will not arise. We could experience business interruption in the event our systems would be unable to process information or would process information incorrectly. Additionally, we could suffer loss of business if a number of our customers and suppliers, taken together, would have similar problems. It is impossible to fully assess the potential consequences in the event there are disruptions in such infrastructure areas as utilities, communications, transportation, banking and government. Any such business interruption could have a material and adverse effect on our results of operations, liquidity, and financial condition depending on the severity and duration of the interruption. We are developing contingency plans in the event we are unable to complete remediation efforts or unidentified problems develop. We expect to have these plans in place by June 30, 1999.

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**End of Filing**

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