

C H ROBINSON WORLDWIDE INC

Form 10-K

February 29, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**For the fiscal year ended December 31, 2011**

**Commission File Number: 000-23189**

**C.H. ROBINSON WORLDWIDE, INC.**

(Exact name of registrant as specified in its charter)

|   |  |
|---|--|
| <b>Delaware</b><br>(State or other jurisdiction of<br>incorporation or organization)            | <b>41-1883630</b><br>(I.R.S. Employer<br>Identification No.) |
| <b>14701 Charlson Road, Eden Prairie, Minnesota</b><br>(Address of principal executive offices) | <b>55347-5088</b><br>(Zip Code)                              |
| <b>Registrant's telephone number, including area code: 952-937-8500</b>                         |  |

**Securities registered pursuant to Section 12(b) of the Act:**

|   |  |
|---|--|
| <b>Title of each class</b><br>Common Stock, par value \$.10 per share | <b>Name of each exchange on which registered</b><br>The NASDAQ National Market |
|---|--|

Preferred Share Purchase Rights

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2011 was approximately \$12,856,602,156 (based upon the closing price of \$78.84 per common share as quoted on The NASDAQ National Market).

As of February 22, 2012, the number of shares outstanding of the registrant's Common Stock, par value \$.10 per share, was 163,345,536.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 10, 2012 (the Proxy Statement), are incorporated by reference in Parts I and III.

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**C.H. ROBINSON WORLDWIDE, INC.**

**ANNUAL REPORT ON FORM 10-K**

**For the year ended December 31, 2011**

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

C.H. Robinson Worldwide, Inc. ( C.H. Robinson, the company, we, us, or our ) is one of the largest third party logistics companies in the world with 2011 consolidated total revenues of \$10.3 billion. We are a service company. We provide freight transportation services and logistics solutions to companies of all sizes, in a wide variety of industries. During 2011 we handled approximately 10 million shipments and worked with more than 37,000 active customers. We operate through a network of 235 offices, which we call branches, in North America, Europe, Asia, South America, Australia, and the Middle East. We have developed global transportation and distribution networks to provide transportation and supply chain services worldwide. As a result, we have the capability of facilitating most aspects of the supply chain on behalf of our customers.

As a third party logistics provider, we cultivate contractual relationships with a wide variety of transportation companies, and utilize those relationships to efficiently and cost effectively transport our customers' freight. We have contractual relationships with approximately 53,000 transportation companies, including motor carriers, railroads (primarily intermodal service providers), air freight and ocean carriers. Depending on the needs of our customer and their supply chain requirements, we select and hire the appropriate transportation for each shipment. Our model enables us to be flexible, provide solutions that optimize service for our customers, and minimize our asset utilization risk. As an integral part of our transportation services, we provide a wide range of value-added logistics services, such as freight consolidation, supply chain consulting and analysis, optimization, and reporting.

In addition to transportation and logistics services, we provide sourcing services ( Sourcing ) and fee-based payment services ( Payment Services ).

Our Sourcing business is primarily the buying, selling, and marketing of fresh produce. It was our original business when we were founded in 1905. The foundation for much of our logistics expertise can be traced to our significant experience in handling produce and temperature controlled commodities. We supply fresh produce through our network of independent produce growers and suppliers. Our customers include grocery retailers and restaurants, produce wholesalers, and foodservice distributors. In many cases, we also arrange the logistics and transportation of the products we sell and provide related supply chain services such as replenishment, category management, and merchandising. We have developed proprietary brands of produce including The Fresh 1<sup>®</sup>, Tomorrow<sup>®</sup> Organics, Rosemont Farms<sup>®</sup>, and Melon Up<sup>®</sup>. We also have exclusive licensing agreements to distribute fresh produce under consumer recognized brand names such as Tropicana<sup>®</sup>, Welch<sup>®</sup>, Mott<sup>®</sup>, and Glory<sup>®</sup> Foods. The produce for these brands is sourced through our preferred grower network and packed to order through contract packing agreements. We have instituted quality assurance and monitoring procedures with each of these preferred growers.

Payment Services is comprised of a C.H. Robinson subsidiary, T-Chek Systems, Inc. (T-Chek). T-Chek provides a variety of payment management and business intelligence services primarily to motor carrier companies and to fuel distributors. Those services include funds transfer, fuel purchasing, and online expense management.

Our business model has been the main driver of our historical results and has positioned us for continued growth. One of our competitive advantages is our branch network of 235 offices, staffed by approximately 6,300 salespeople. These branch employees are in close proximity to both customers and transportation providers, which gives them broad knowledge of their local markets and enables them to respond quickly to customers' and transportation providers' changing needs. Branch employees act as a team in their sales efforts, customer service, and operations. A significant portion of our branch employees' compensation is performance-oriented, based on the profitability of their branch and their contributions to the success of the branch. We believe this makes our employees more service-oriented and focused on driving growth and maximizing office productivity.

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Our branches work together to complete transactions and collectively meet the needs of our customers. For large multi-location customers, we often coordinate our efforts in one branch and rely on multiple branch locations to deliver specific geographic or modal needs. As an example, approximately 40 percent of our truckload shipments are shared transactions between branches. Our methodology of providing services is very similar across all branches. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other branch locations, and to utilize centralized support resources to complete all facets of the transaction.

Historically, we have grown primarily through internal growth, by growing market share through the addition of new customers and expanding relationships with our current customers, adding new services, expanding our market presence and operations globally, and hiring additional salespeople. We have augmented our growth through selective acquisitions.

Our net revenues are our total revenues less purchased transportation and related services, including contracted motor carrier, rail, ocean, air, and other costs, and the purchase price and services related to the products we source. Our net revenues are the primary indicator of our ability to source, add value, and sell services and products that are provided by third parties, and we consider them to be our primary performance measurement. Accordingly, the discussion of our results of operations focuses on the changes in our net revenues.

### **Transportation and Logistics Services**

C.H. Robinson provides freight transportation and related logistics and supply-chain services. Our services range from commitments on a specific shipment to much more comprehensive and integrated relationships. We execute these service commitments by hiring and training people, developing proprietary systems and technology processes, and utilizing our network of subcontracted transportation providers, including contract motor carriers, railroads, air freight carriers, and ocean carriers. We make a profit on the difference between what we charge to our customers for the totality of services provided to them and what we pay to the transportation providers to handle or transport the freight. While industry definitions vary, given our extensive subcontracting to create a flexible network of solutions, we are generally referred to in the industry as a third-party logistics company.

We provide all of the following transportation and logistics services:

**Truckload** Through our contracts with motor carriers, we have access to dry vans, temperature controlled vans, flatbeds, and bulk capacity. We also offer time-definite and expedited truck transportation.

**Less Than Truckload ( LTL )** LTL transportation involves the shipment of small packages and single or multiple pallets of freight, up to and including full trailer load freight. We focus on shipments of a single pallet or larger, although we handle any size shipment. Through our contracts with motor carriers and our operating system, we consolidate freight and freight information to provide our customers with a single source of information on their freight. In many instances, we will consolidate partial shipments for several customers into full truckloads.

**Intermodal** Our intermodal transportation service is the shipment of freight in trailers or containers by a combination of truck and rail. We have intermodal marketing agreements with container owners and all Class 1 railroads in North America, and we arrange local pickup and delivery (known as drayage) through local contracted motor carriers.

**Ocean** We consolidate shipments, determine routing, select ocean carriers, contract for ocean shipments, provide for local pickup and delivery of shipments, and arrange for customs clearance of shipments, including the payment of duties.

**Air** We provide door-to-door service as a full-service international and domestic air freight forwarder.

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**Other Logistics Services** We provide fee-based transportation management services, customs brokerage, warehousing services, and other services.

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Customers communicate their freight needs, typically on a shipment-by-shipment basis, to the C.H. Robinson branch responsible for their account. Customers communicate with us by means of telephone, fax, internet, email, or Electronic Data Interchange (EDI). The branch employee ensures that all appropriate information about each shipment is entered into our proprietary operating system. With the help of information provided by our operating system, the salesperson then selects a contracted carrier or carriers, based upon his or her knowledge of the carrier's service capability, equipment availability, freight rates, and other relevant factors. Based on the information he or she has about the market and rates, the salesperson may either determine an appropriate price at that point or wait to communicate with a contracted carrier directly before setting a price. In many cases, employees from different branch offices collaborate to hire the appropriate contracted carrier for our customers' freight, and the branch offices agree to an internal profit split.

Once the contracted carrier is selected, the salesperson communicates with the contract carrier to agree on the cost for the transportation and the contract carrier's commitment to provide the transportation. We are in contact with the contract carrier through numerous means of communication (including EDI, our proprietary website CHRWTrucks® ([www.chrwtrucks.com](http://www.chrwtrucks.com)), email, fax, telephone, and mobile applications) to meet our customers' requirements as well as track the status of the shipment from origin to delivery.

For most of our transportation and logistics services, we are a service provider. By accepting the customer's order, we accept certain responsibilities for transportation of the shipment from origin to destination. The carrier's contract is with us, not the customer, and we are responsible for prompt payment of freight charges. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we pursue reimbursement from the contracted carrier for the claims. In our transportation management business, we are acting as a shipper's agent. In those cases, the carrier's contract is with the customer, and we collect a fee for our services.

As a result of our logistics capabilities, some of our customers have us handle all, or a substantial portion, of their freight transportation requirements. Our branch employees price our services to provide a profit to us for the totality of services performed for the customer. In some cases, our services to the customer are priced on a spot market, or transactional, basis. In a number of instances, we have contracts with the customer in which we agree to handle an estimated number of shipments, usually to specified destinations, such as from the customer's plant to a distribution center. Our commitments to handle the shipments are usually at pre-determined rates. Most of our rate commitments are for one year or less and therefore allow for renegotiation. As is typical in the transportation industry, most of these contracts do not include specific volume commitments. When we enter into prearranged rate agreements for truckload services with our customers, we usually have fuel surcharge agreements in addition to the underlying line-haul portion of the rate.

We purchase the majority of our truckload services from our contract truckload carriers on a spot market or transactional basis, even when we are working with the customer on a contractual basis. When we enter into spot transactions with contract motor carriers, we generally negotiate a mutually-agreed upon total market rate that includes all costs, including any applicable fuel expense. However, if requested by the contract carrier, we will estimate and report fuel separately. In a small number of cases, we may get advance commitments from one or more contract carriers to transport contracted shipments for the length of our customer contract. In those cases, where we have prearranged rates with contract carriers, there is a calculated fuel surcharge based on a mutually agreed-upon formula.

In the course of providing day-to-day transportation services, our branch employees often identify opportunities for additional logistics services as they become more familiar with our customers' daily operations and the nuances of our customers' supply chains. We offer a wide range of logistics services on a worldwide basis that reduce or eliminate supply chain inefficiencies. We will analyze the customers' current transportation rate structures, modes of shipping, and carrier selection. We can identify opportunities to consolidate shipments for cost savings. We will suggest ways to improve operating and shipping procedures and manage claims. We can help customers minimize storage through cross-docking and other flow-through operations. We may also examine the customers' warehousing and dock procedures. Many of these services are bundled with underlying transportation

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services and are not typically priced separately. They are usually included as a part of the cost of transportation services provided by us, based on the nature of the customer relationship. In addition to these transportation services, we may provide additional logistics services such as contract warehousing, consulting, transportation management, and other services, for which we are usually paid separately.

As we have emphasized integrated logistics solutions, our relationships with many customers have broadened, and we have become a key provider to them by managing a greater portion of their supply chains. We may serve our customers through specially created teams and through several branches. Our transportation services are provided to numerous international customers through our worldwide branch network. See Note 1 in Item 8 for an allocation of our total revenues from domestic and foreign customers for the years ended December 31, 2011, 2010, and 2009 and our long-lived assets as of December 31, 2011, 2010, and 2009 in the United States and in foreign locations.

The table below shows our net revenues by transportation mode for the periods indicated:

**Transportation Net Revenues**

| (in thousands)           | Year Ended December 31, |              |              |              |              |
|--------------------------|-------------------------|--------------|--------------|--------------|--------------|
|                          | 2011                    | 2010         | 2009         | 2008         | 2007         |
| Truck <sup>(1)</sup>     | \$ 1,236,611            | \$ 1,076,247 | \$ 1,040,703 | \$ 1,030,070 | \$ 949,277   |
| Intermodal               | 41,189                  | 36,550       | 35,245       | 43,618       | 38,670       |
| Ocean                    | 66,873                  | 60,763       | 54,188       | 62,094       | 43,530       |
| Air                      | 39,371                  | 42,315       | 32,662       | 35,390       | 31,315       |
| Other Logistics Services | 59,872                  | 57,254       | 44,784       | 41,407       | 35,240       |
| Total                    | \$ 1,443,916            | \$ 1,273,129 | \$ 1,207,582 | \$ 1,212,579 | \$ 1,098,032 |

(1) Includes truckload and LTL net revenues.

Transportation services accounted for approximately 88 percent of our net revenues in 2011, 87 percent of our net revenues in 2010, and 88 percent of our net revenues in 2009.

**Sourcing**

Since we were founded in 1905, we have been in the business of sourcing fresh produce. Much of our logistics expertise can be traced to our significant experience in handling produce and other perishable commodities. Because of its perishable nature, produce must be rapidly packaged, carefully transported within tight timetables usually in temperature controlled equipment, and quickly distributed to replenish high-turnover inventories maintained by retailers, wholesalers, foodservice companies, and restaurants. In many instances, we consolidate individual customers' produce orders into truckload quantities at the point of origin and arrange for transportation of the truckloads, often to multiple destinations.

Our Sourcing customer base includes grocery retailers and restaurants, produce wholesalers, and foodservice distributors.

Our Sourcing services have expanded to include forecasting and replenishment, brand management, and category development services. We have various national and regional branded produce programs, including both proprietary brands and national licensed brands. These programs contain a wide variety of fresh bulk and value added fruits and vegetables that are high in quality. These brands have expanded our market presence and relationships with many of our retail customers. We have also instituted quality assurance and monitoring programs as part of our branded and preferred grower programs.

Sourcing accounted for approximately eight percent of our net revenues in 2011 and nine percent in 2010 and 2009.

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T-Chek's customers are primarily motor carriers and truck fuel distributors. T-Chek provides its customers with fuel management services, funds transfer, spend management reporting, driver payroll services, permits, and online access to customized business intelligence, all through the use of its proprietary automated systems. These systems enable customers to track and manage certain expenses, including fuel and maintenance. For several companies and fuel distributors, T-Chek captures sales and fuel cost data, provides management information to the seller, and invoices the carrier for fuel, cash advances, and our fee.

Payment Services accounted for approximately four percent of our net revenues in 2011 and 2010 and three percent of our net revenues in 2009.

**Organization**

*Branch Network.* To keep us close to our customers and markets, we operate through a network of offices, which we call branches. We currently have 235 branches.

We have branches in the following areas of the world:

| <b>Region</b> | <b>Number of Branches</b> |
|---------------|---------------------------|
| North America | 176                       |
| Europe        | 32                        |
| Asia          | 21                        |
| South America | 4                         |
| Australia     | 1                         |
| Middle East   | 1                         |

Each branch is responsible for its own growth and profitability. Our branch salespeople are responsible for developing new business, negotiating and pricing services, receiving and processing service requests from customers, and negotiating with carriers to provide the transportation requested. In addition to routine transportation, salespeople are often called upon to handle customers' unusual, seasonal, and emergency needs. Shipments to be transported by truck are priced at the branch level, and branches cooperate with each other to hire contract carriers to provide transportation. Branches may rely on expertise in other branches when contracting LTL, intermodal, international ocean, and air shipments. Multiple branches may also work together to service larger, national accounts where the expertise and resources of more than one branch are required to meet the customer's needs. Their efforts are usually coordinated by one lead branch on the account.

Salespeople in the branches both sell to and service their customers. Sales opportunities are identified through our internal database, referrals from current customers, leads generated by branch office personnel through knowledge of their local and regional markets, and company marketing efforts. Salespeople are also responsible for recruiting new contract carriers, who are referred to our centralized carrier services group to make sure they are properly licensed and insured and have acceptable safety ratings.

*Branch Expansion.* We expect to continue to open new branch offices. New branch offices are viewed as a long-term contributor to overall company growth. In addition to market opportunity, a major consideration in opening a new branch is whether we have branch salespeople that are ready to manage a new branch. A modest amount of capital is required to open a new branch, usually involving a lease for a small amount of office space, communications and hardware, and often employee compensation guarantees for a short time. We have also augmented our branch office network through selective acquisitions.

*Branch Employees.* Branch offices are responsible for their hiring and headcount decisions, based on the needs of their branch and balancing personnel resources with their business requirements. Because the quality of our employees is essential to our success, we are highly selective in our recruiting and hiring. To support our hiring processes, we have a corporate recruiting group that develops a pipeline of qualified candidates that managers can draw from. Our applicants typically have college degrees, and some have business experience, although not necessarily within the transportation industry.

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Early in their tenure, most newly-hired branch employees go through centralized training that emphasizes development of the skills, including technology training on our proprietary systems and our customer service philosophy, necessary to become productive members of a branch team. Centralized training is followed by ongoing, on-the-job training at the branch level. We expect most new salespeople to start contributing to the success of the branch in a matter of weeks.

Employees at a branch operate and are compensated in large part on a team basis. The team structure is motivated by our performance-based compensation system, in which a significant portion of the cash compensation of most branch managers and salespeople is dependent on the profitability of their particular branch. Branch managers and salespeople who have been employed for at least one complete year are paid a performance-based bonus, which is a portion of the branch's earnings for that calendar year. The percentage they can potentially earn is predetermined in an annual bonus contract and is based on their productivity and contributions to the overall success of the branch. Within our 401(k) plan, employees can also receive profit sharing contributions that depend on our overall profitability and other factors. In some special circumstances, such as opening new branches, we may guarantee a level of compensation to the branch manager and key salespeople for a short period of time.

All of our managers and certain other employees who have significant responsibilities are eligible to participate in our amended 1997 Omnibus Stock Plan. This plan includes restricted stock and restricted stock units as our primary equity awards because we believe these awards are an effective tool for creating long-term ownership and alignment between employees and our shareholders. In 2011, our restricted share recipients received a portion of their equity awards as performance-based stock options. Most restricted equity awards vest over a period of up to five calendar years, based on the company's earnings growth.

Individual salespeople benefit both through the growth and profitability of individual branches and by achieving individual goals. They are motivated by the opportunity to advance in a variety of career paths, including branch management, corporate sales, and account management. We have a promote from within philosophy and fill nearly all branch management positions with current employees.

### **Shared Services**

Our branches are supported by our corporate executives and shared services. Approximately 15 percent of our employees provide shared services in centralized centers. Approximately 31 percent of these shared services employees are information technology personnel who develop and maintain our proprietary operating system software and our wide area network.

### **Executive Officers**

The Board of Directors designates the executive officers annually. Below are the names, ages, and positions of the executive officers:

| <b>Name</b>        | <b>Age</b> | <b>Position</b>                                   |
|--------------------|------------|---|
| John P. Wiehoff    | 50         | Chief Executive Officer and Chairman of the Board |
| James E. Butts     | 56         | Senior Vice President                             |
| Ben G. Campbell    | 46         | Vice President, General Counsel and Secretary     |
| James P. Lemke     | 44         | Senior Vice President                             |
| Chad M. Lindbloom  | 47         | Senior Vice President and Chief Financial Officer |
| Scott A. Satterlee | 43         | Senior Vice President                             |
| Mark A. Walker     | 54         | Senior Vice President                             |

John P. Wiehoff has been chief executive officer of C.H. Robinson since May 2002, president of the company since December 1999, a director since 2001, and became the chairman in January 2007. Previous positions with the company include senior vice president from October 1998, chief financial officer from July 1998 to December 1999, treasurer from August 1997 to June 1998, and corporate controller from 1992 to June 1998.

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Prior to that, John was employed by Arthur Andersen LLP. John also serves on the Boards of Directors of Polaris Industries Inc. (NYSE: PII) and Donaldson Company, Inc. (NYSE: DCI). He holds a Bachelor of Science degree from St. John's University.

James E. Butts was named senior vice president in December 2007, having served as an executive and officer of C.H. Robinson since April 2002. Previous positions with the company include branch manager at the Chicago South and Detroit branches. Jim has been with C.H. Robinson since 1978 and holds a Bachelor of Arts degree from Wayne State University and a Masters of Business Administration from Phoenix University. Jim serves on the Advisory Board of *Logistics Quarterly*, and on the Editorial Board of CSCMP Supply Chain Quarterly. He is a member of the University of Minnesota, Carlson School of Management's Supply Chain and Operations Board of Advisors, as well as Board member of the National Association of Manufacturers. Jim is also a member of the Board of Directors of Store to Door, a non-profit agency that delivers groceries to adults who are unable to shop for themselves, and a Board member for Junior Achievement of the Upper Midwest.

Ben G. Campbell was named vice president, general counsel and secretary in January 2009. Ben joined C.H. Robinson in 2004 and most recently held the position of assistant general counsel. Before coming to C.H. Robinson, Ben was a partner at Rider Bennett, LLP, in Minneapolis, MN. Ben holds a Bachelor of Science degree from St. John's University and a Juris Doctor from William Mitchell School of Law.

James P. Lemke was named senior vice president in December 2007, having served as vice president, sourcing since 2003. Prior to that time, he served as the vice president and manager of C.H. Robinson's Corporate Procurement and Distribution Services branch. Jim joined the company in 1989. Jim holds a Bachelor of Arts degree in International Relations from the University of Minnesota. Jim also serves on the Foundation Board of the United Fresh Produce Association.

Chad M. Lindbloom was named a senior vice president in December 2007. He has served as an executive and as chief financial officer since 1999. From June 1998 until December 1999, he served as corporate controller. Chad joined the company in 1990. Chad holds a Bachelor of Science degree and a Masters of Business Administration from the Carlson School of Management at the University of Minnesota. Chad also serves on the Board of Directors of Xata Corporation (NASDAQ: XATA), a provider of vehicle data and fleet operations services to the trucking industry, and is a member of the Board of Directors of Children's Hospitals and Clinics of Minnesota.

Scott A. Satterlee was named a senior vice president in December 2007. He has served as an executive and officer of C.H. Robinson since February 2002. Additional positions with C.H. Robinson include director of operations and manager of the Salt Lake City branch. Scott joined the company in 1991. Scott holds a Bachelor of Arts degree from the University of St. Thomas. Scott also serves on the Board of Directors of Fastenal (NASDAQ: FAST), the largest fastener distributor in the nation.

Mark A. Walker was named senior vice president in December 2007, after serving as a vice president and officer since December 1999. Additional positions with C.H. Robinson include chief information officer from December 1999 to October 2001 and president of T-Chek. Mark joined the company in 1980. Mark holds a Bachelor of Science degree from Iowa State University and a Masters of Business Administration from the University of St. Thomas.

## **Employees**

As of December 31, 2011, we had a total of 8,353 employees, 7,092 of whom were located in our branch offices. Services such as accounting, information technology, legal, marketing, human resource support, credit and claims management, and carrier services are supported centrally.

## **Customer Relationships**

We seek to establish long-term relationships with our customers and to increase the amount of business done with each customer by providing them with a full range of logistics services. During 2011, we served over 37,000 active customers worldwide, ranging from Fortune 100 companies to small businesses in a wide variety of industries.

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During 2011, our largest customer accounted for approximately four percent of total revenues and approximately two percent of net revenues. In recent years, we have grown by adding new customers and by increasing our volumes with, and providing more services to, our existing customers.

Branches seek additional business from existing customers and pursue new customers based on their knowledge of the marketplace and the range of value of logistics services that we can provide. We believe that our account management disciplines and decentralized structure enable our salespeople to better serve our customers by combining a broad knowledge of logistics and market conditions, with a deep understanding of the specific supply chain issues facing individual customers and certain vertical industries. With the guidance of our executive team, branches are given significant latitude to pursue opportunities and to commit our resources to serve our customers.

We have also expanded our corporate sales and marketing support to enhance branch sales capabilities. Branches also call on our executives and our corporate sales staff to support them in the pursuit of new business with companies that have more complex logistics requirements.

## **Relationships with Transportation Providers**

We continually work on establishing contractual relationships with qualified transportation providers that also meet our service requirements to assure dependable services, favorable pricing, and contract carrier availability during periods when demand for transportation equipment is greater than the supply. Because we own very little transportation equipment and do not employ the people directly involved with the delivery of our customers' freight, these relationships are critical to our success.

In 2011, we worked with approximately 53,000 transportation providers worldwide, of which the vast majority are contracted motor carriers. To strengthen and maintain our relationships with motor carriers, our salespeople regularly communicate with carriers and try to assist them by increasing their equipment utilization, reducing their empty miles, and repositioning their equipment. To make it easier for contract carriers to work with us, we have a policy of payment upon receipt of proof of delivery. For those contract carriers who would like a faster payment, we also offer payment within 48 hours of receipt of proof of delivery in exchange for a discount, along with offering in-trip cash advances through our T-Chek subsidiary.

Contracted motor carriers provide access to temperature controlled vans, dry vans, and flatbeds. These contract carriers are of all sizes, including owner-operators of a single truck, small and mid-size fleets, private fleets, and the largest national trucking companies. Consequently, we are not dependent on any one contract carrier. Our largest truck transportation provider was approximately two percent of our total cost of transportation in 2011. Motor carriers that had fewer than 100 tractors transported approximately 82 percent of our truckload shipments in 2011. Every motor carrier with which we do business is required to execute a contract that establishes that the carrier is acting as an independent contractor. At the time the contract is executed, and periodically thereafter, we verify that each motor carrier is properly licensed and insured, has the necessary federally-issued authority to provide transportation services, and has the ability to provide the necessary level of service on a dependable basis. Our motor carrier contracts require that the motor carrier issue invoices only to and accept payment solely from us for the shipments that they transport under their contract with us, and allow us to withhold payment to satisfy previous claims or shortages. Our standard contracts do not include volume commitments, and the initial contract rate is modified each time we confirm an individual shipment with a carrier.

We also have intermodal marketing agreements with container owners and all Class 1 railroads in North America, giving us access to additional trailers and containers. Our contracts with railroads specify the transportation services and payment terms by which our intermodal shipments are transported by rail. Intermodal transportation rates are typically negotiated between us and the railroad on a customer-specific basis. We have entered into a two year lease for 348 containers through our relationship with a Class 1 railroad. To support future growth, in 2011, we purchased 500 53-foot containers. We believe that these containers have helped us better serve our customers and we will continue to analyze the strategy of controlling containers.

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In our non-vessel operating common carrier ( NVOCC ) ocean transportation and freight forwarding business, we have contracts with most of the major ocean carriers which support a variety of service and rate needs for our customers. We negotiate annual contracts that establish the predetermined rates we agree to pay the ocean carriers. The rates are negotiated based on expected volumes from our customers in specific trade lane requirements. These contracts are often amended throughout the year to reflect changes in market conditions for our business, such as additional trade lanes.

We operate both as a consolidator and as a transactional air freight forwarder internationally and in North America. We select air carriers, provide for local pickup and delivery of shipments, and arrange for customs clearance of shipments, including the payment of duties. We execute our air freight services through our relationships with air carriers, through charter services, block space agreements, capacity space agreements, and transactional spot market negotiations. Through charter services, we contract part or all of an airplane to meet customer requirements. Our block space agreements and capacity space agreements are contracts for a defined time period. The contracts include fixed allocations for predetermined flights at agreed upon rates that are reviewed periodically throughout the year. The transactional negotiations afford us the ability to capture excess capacity at prevailing market rates for a specific shipment.

## **Competition**

The transportation services industry is highly competitive and fragmented. We compete against a large number of logistics companies, trucking companies, property freight brokers, carriers offering logistics services, and freight forwarders. We also buy from and sell transportation services to companies that compete with us.

In our Sourcing business, we compete with produce brokers, produce growers, produce marketing companies, produce wholesalers, and foodservice buying groups. We also buy from and sell produce to companies that compete with us.

The primary business of our Payment Services business is fuel card services. The fuel card processing industry is very consolidated and a small number of companies represent the majority of the market.

We often compete with respect to price, scope of services, or a combination thereof, but believe that our most significant competitive advantages are:

Our branch network, which enables our salespeople to gain broad knowledge about individual customers, carriers, and the local and regional markets they serve, and to provide superior customer service based on that knowledge. This network also offers customers higher service as responsibility for shipments is commonly shared across branches, to provide nationwide coverage and local market knowledge;

Our 53,000 contracted carrier relationships;

Our size, relative to other providers, is an advantage in attracting more carriers, which in turn enables us to serve our customers more efficiently and earn more business. Additionally, because of the large number of transactions we do annually, approximately 10 million in 2011, we have greater opportunity to efficiently identify available capacity for our customers' needs;

Our business model, which enables us to remain flexible in our service offerings to our customers;

Our dedicated employees and entrepreneurial culture, which are supported by our performance-based compensation system;

Our proprietary information systems;

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Our ability to provide a broad range of logistics services;

Our ability to provide door-to-door services on a worldwide basis; and

Our financial strength and stability.

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### **Proprietary Information Technology**

Our information systems are essential to our ability to efficiently communicate, service our customers and contracted carriers, and manage our business. In 2011, our proprietary information systems helped our employees efficiently handle approximately 10 million shipments, more than 37,000 active customer relationships, and 53,000 contract carrier relationships. Our employees are linked with each other and with our customers, carriers, and suppliers by telephone, fax, internet, email, and/or EDI to communicate shipment requirements and availability, and to confirm and bill orders.

Our systems help our salespeople service customer orders, select the optimal modes of transportation, build and consolidate shipments, and identify appropriate carriers, all based on customer-specific service parameters. Our systems also make shipment data visible to the entire sales team as well as customers and contracted carriers, enabling our salespeople to select contracted carriers and track shipments in progress. Our systems also provide performance and productivity reports that our managers and executives can use to more efficiently manage our business.

Through our internet sites CHRWOnline® ([www.chrwonline.com](http://www.chrwonline.com)) and CHRWTrucks®, customers and contracted carriers can contract for shipments or equipment as well as track and trace shipments, including delivery confirmation. Customers, contracted carriers, and suppliers also have access to other information in our operating systems through the internet. Our systems use data captured from daily transactions to generate various management reports that are available to our customers and contracted carriers. These reports provide them with information on traffic patterns, product mix and production schedules, and support analysis of their own customer base, transportation expenditure trends, and the impact on out-of-route costs.

### **Government Regulation**

We are subject to licensing and regulation as a property freight broker and are licensed by the U.S. Department of Transportation ( DOT ) to arrange for the transportation of property by motor vehicle. The DOT prescribes qualifications for acting in this capacity, including certain surety bonding requirements. We are also subject to regulation by the Federal Maritime Commission as an ocean freight forwarder and a NVOCC and we maintain separate bonds and licenses for each. We operate as an indirect air carrier of cargo subject to commercial standards set forth by the International Air Transport Association and federal regulations issued by the Transportation Security Administration and provide customs brokerage services as a customs broker under a license issued by the Bureau of U.S. Customs and Border Protection. We also have and maintain other licenses as required by law.

Although Congress enacted legislation in 1994 that substantially preempts the authority of states to exercise economic regulation of motor carriers and brokers of freight, some intrastate shipments for which we arrange transportation may be subject to additional licensing, registration, or permit requirements. We generally contractually require and/or rely on the carrier transporting the shipment to ensure compliance with these types of requirements. We, along with the contracted carriers that we rely on in arranging transportation services for our 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 our operations or financial condition in the past, there can be no assurance that such regulations or changes thereto will not adversely impact our operations in the future. Violation of these regulations could also subject us to fines as well as increased claims liability.

We source fresh produce under licenses issued by the U.S. Department of Agriculture as required by the Perishable Agricultural Commodities Act ( PACA ). Other sourcing and distribution activities may be subject to various federal and state food and drug statutes and regulations. Our T-Chek operations are subject to federal and state regulations, including, but not limited to, the Bank Secrecy Act of 1970.

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### **Risk Management and Insurance**

We contractually require all motor carriers we work with to carry at least \$750,000 in automobile liability insurance and \$25,000 in cargo insurance. We also require all motor carriers to maintain workers compensation and other insurance coverage as required by law. Many carriers have insurance exceeding these minimum requirements. Railroads, which are generally self-insured, provide limited common carrier liability protection, generally up to \$250,000 per shipment.

As a property freight broker, we are not legally liable for damage to our customers' cargo. In our customer contracts, we may agree to assume cargo liability up to a stated maximum. We do not assume cargo liability to our customers above minimum industry standards in our international freight forwarding, ocean transportation, and air freight businesses but offer our customers the option to purchase shippers interest coverage to insure goods in transit. When we agree to store goods for our customers for longer terms, we provide limited warehouseman's coverage to our customers and contract for warehousing services from companies that provide us the same degree of coverage.

We maintain a broad cargo liability insurance policy to protect us against catastrophic losses that may not be recovered from the responsible contracted carrier. We also carry various liability insurance policies, including automobile and general liability, with a \$200 million umbrella in 2009, 2010, 2011, and 2012. Our contingent automobile liability coverage has a retention of \$5 million per incident in 2009, 2010, 2011, and 2012.

As a seller of produce, we may, under certain circumstances, have legal responsibility arising from produce sales. 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 can lead to product recalls, and tort claims may be brought by consumers of allegedly affected produce. We carry product liability coverage under our general liability and umbrella policies to cover tort claims. In addition, in the event of a recall, we may be required to bear the costs of repurchasing, transporting, and destroying any allegedly contaminated product, as well as potential consequential damages, which were generally not insured. Beginning in 2012, we carry product recall insurance coverage of \$50 million. This policy has a retention of \$5 million per incident. Any recall or allegation of contamination could affect our reputation, particularly of our proprietary and licensed branded produce programs. Loss due to spoilage (including the need for disposal) is also a routine part of the sourcing business.

### **Investor Information**

We were reincorporated in Delaware in 1997 as the successor to a business existing, in various legal forms, since 1905. Our corporate office is located at 14701 Charlson Road, Eden Prairie, Minnesota, 55347-5088, and our telephone number is (952) 937-8500. Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website ([www.chrobinson.com](http://www.chrobinson.com)) as soon as reasonably practicable after we electronically file the material with the Securities and Exchange Commission.

### **Cautionary Statement Relevant to Forward-Looking Information**

This Annual Report on Form 10-K and our financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this report and other documents incorporated by reference contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-K and in our other filings with the Securities and Exchange Commission, in our press releases, presentations to securities analysts or investors, in oral statements made by or with the approval of any of our executive officers, the words or phrases believes, may, could, will, expects, should, continue, anticipates, intends, will likely result, estimates, projects, or similar expressions and variations thereof are intended to identify such forward-looking statements.

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Except for the historical information contained in this Form 10-K, the matters set forth in this document may be deemed to be forward-looking statements that represent our expectations, beliefs, intentions, or strategies concerning future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience or our present expectations, including, but not limited to, such factors such as changes in economic conditions; changes in market demand and pressures on the pricing for our services; competition and growth rates within the third party logistics industry; freight levels and availability of truck capacity or alternative means of transporting freight; changes in relationships with existing contracted truck, rail, ocean, and air carriers; changes in our customer base due to possible consolidation among our customers; our ability to integrate the operations of acquired companies with our historic operations successfully; risks associated with litigation, including contingent auto liability and insurance coverage; risks associated with operations outside of the U.S.; risks associated with the potential impacts of changes in government regulations; risks associated with the produce industry, including food safety and contamination issues; fuel price increases or shortages; the impact of war on the economy; and other risks and uncertainties, including those described below.

### **ITEM 1A. RISK FACTORS**

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 Private Securities Litigation Reform Act of 1995 (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.

**Economic recessions could have a significant, adverse impact on our business.** The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, interest rate fluctuations, and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks, which may have a material impact on our operating results and cause us to not reach our long-term growth goals:

**Decrease in volumes** A reduction in overall freight volumes in the marketplace reduces our opportunities for growth. A significant portion of our freight is transactional or spot market opportunities. The transactional market may be more impacted than the freight market overall by the economic recession. In addition, if 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, retail, manufacturing, paper, or printing industries, our operating results could be adversely affected. Slower freight volumes in the marketplace also impact growth in our Payment Services business due to reduced use of their fuel card services.

**Credit risk and working capital** Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.

**Transportation provider failures** A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.

**Expense management** We may not be able to appropriately adjust our expenses to changing market demands. Personnel is our largest expense. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business needs. In addition, we have other expenses that are fixed for a period of time, and we may not be able to adequately adjust them in a period of rapid change in market demand.

**Instability of financial markets and low interest rates** The current interest rate environment has significantly reduced our investment income and may continue to do so in the future. Defaults by issuers of bonds that are in funds held could reduce the value of our investments.



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**Higher carrier prices may result in decreased net revenue margin.** Carriers can be expected to charge higher prices if market conditions warrant, or to cover higher operating expenses. Our net revenues and income from operations may decrease if we are unable to increase our pricing to our customers. Increased demand for truckload services and pending changes in regulations may reduce available capacity and increase carrier pricing.

**Changing fuel costs may have an impact on our net revenue margins.** In our truckload transportation business, which is the largest source of our net revenues, rising fuel prices may result in a decreased net revenue margin. While our different pricing arrangements with customers and contracted carriers make it very difficult to measure the precise impact, we believe that fuel costs essentially act as a pass-through cost to our truckload business. In times of higher fuel prices, our net revenue margin percentage declines.

**Our dependence on third parties to provide equipment and services may impact the delivery and quality of our transportation and logistics services.** We do not employ the people directly involved in delivering our customers' freight. We are dependent on independent third parties to provide truck, rail, ocean, and air services and to report certain events to us, including delivery information and freight claims. These independent third parties may not fulfill their obligations to us, preventing us from meeting our commitments to our customers. This reliance also could cause delays in reporting certain events, including recognizing revenue and claims. In addition, if we are unable to secure sufficient equipment or other transportation services from third parties to meet our commitments to our customers, our operating results could be materially and adversely affected, and our customers could switch to our competitors temporarily or permanently. Many of these risks are beyond our control including:

equipment shortages in the transportation industry, particularly among contracted truckload carriers,

interruptions in service or stoppages in transportation as a result of labor disputes,

changes in regulations impacting transportation, and

unanticipated changes in transportation rates.

**We are subject to negative impacts of changes in political conditions.** All of our business operations are subject to the influences of significant political changes and our ability to respond to them, including:

changes in economic and political conditions and in governmental policies,

changes in and compliance with international and domestic laws and regulations, and

wars, civil unrest, acts of terrorism, and other conflicts.

**We may be subject to negative impacts of natural disasters.**

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

changes in tariffs, trade restrictions, trade agreements, and taxations,

difficulties in managing or overseeing foreign operations and agents,

limitations on the repatriation of funds because of foreign exchange controls,

different liability standards, and

intellectual property laws of countries which do not protect our rights in our intellectual property, including, but not limited to, our proprietary information systems, to the same extent as the laws of the United States.

The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region.

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 limited 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.

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**Our ability to appropriately staff and retain employees is important to our variable cost model.** Our continued success depends upon our ability to attract and retain a large group of motivated salespersons and other logistics professionals. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business needs. We cannot guarantee that we will be able to continue to hire and retain a sufficient number of qualified personnel. Because of our comprehensive employee training program, our employees are attractive targets for new and existing competitors. Continued success depends in large part on our ability to develop successful employees into managers.

**We face substantial industry competition.** Competition in the transportation services industry is intense and broad-based. We compete against logistics companies as well as transportation providers that own equipment, third party freight brokers, internet matching services, internet freight brokers, and carriers offering logistics services. We also compete against carriers' internal sales forces. In addition, customers can bring in-house some of the services we provide to them. We often buy and sell transportation services from and to many of our competitors. Increased competition could reduce our market opportunity and create downward pressure on freight rates, and continued rate pressure may adversely affect our net revenue and income from operations.

**We are reliant on technology to operate our business.** We have internally developed the majority of our operating systems. Our continued success is dependent on our systems continuing to operate and to meet the changing needs of our customers. We are reliant on our technology staff and vendors to successfully implement changes to and maintain our operating systems in an efficient manner. Computer viruses could cause an interruption to the availability of our systems. Unauthorized access to our systems with malicious intent could result in the theft of proprietary information and in systems outages. An unplanned systems outage or unauthorized access to our systems could materially and adversely affect our business.

**Because we manage our business on a decentralized basis, our operations may be materially adversely affected by inconsistent management practices.** We manage our business on a decentralized basis through a network of branch offices throughout North America, Europe, Asia, South America, Australia, and the Middle East, supported by executives and services in a central corporate office, with branch management retaining responsibility for day-to-day operations, profitability, personnel decisions, the growth of the business in their branch, and adherence to applicable local laws. Our decentralized operating strategy can make it difficult for us to implement strategic decisions and coordinated procedures throughout our global operations. In addition, some of our branches operate with management, sales, and support personnel that may be insufficient to support growth in their respective branch without significant central oversight and coordination. Our decentralized operating strategy could result in inconsistent management practices and materially and adversely affect our overall profitability and expose us to litigation.

**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 lower in the first quarter than in the other three 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 guarantee that it will not adversely impact us in the future.

**We are subject to claims arising from our transportation operations.** We use the services of thousands of transportation companies in connection with our transportation operations. From time to time, the drivers employed and engaged by the carriers we contract with are involved in accidents which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. In addition, our

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automobile liability policy has a retention of \$5 million per incident in 2009, 2010, 2011, and 2012. A material increase in the frequency or severity of accidents, liability claims or workers' compensation claims, or unfavorable resolutions of claims could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event one of our contracted carriers is involved in an accident resulting in injuries or contamination.

**Our Sourcing business is dependent upon the supply and price of fresh produce.** The supply and price of fresh produce is affected by weather and growing conditions (such as drought, insects, and disease) and other conditions over which we have no control. Commodity prices can be affected by shortages or overproduction and are often highly volatile. If we are unable to secure fresh produce to meet our commitments to our customers, our operating results could be materially and adversely affected, and our customers could switch to our competitors temporarily or permanently.

**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 face claims for a variety of damages arising from the sale which may include potentially uninsured consequential damages. While we are insured for up to \$201 million in 2010, 2011, and 2012 for product liability claims, settlement of class action claims is often costly, and we cannot guarantee 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, as well as consequential damages, which our insurance did not cover prior to 2012. Beginning in 2012, we carry product recall insurance coverage of \$50 million. This policy has a retention of \$5 million per incident. Any recall or allegation of contamination could affect our reputation, particularly of our proprietary and/or licensed branded produce programs. 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 U.S. Department of Transportation as a property freight 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 NVOCC bond and by the Transportation Security Administration as an independent air carrier. We are also licensed by the Bureau of U.S. Customs and Border Protection. We source fresh produce under a license issued by the U.S. 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. As part of our logistics services, we operate leased warehouse facilities. Our operations at these facilities include both warehousing and distribution services, and we are subject to various federal and state environmental, work safety, and hazardous materials regulations. We may experience an increase in operating costs, such as costs for security, as a result of governmental regulations that have been and will be adopted in response to terrorist activities and potential terrorist activities. No assurances can be given that we will be able to pass these increased costs on to our customers in the form of rate increases or surcharges.

Department of Homeland Security regulations applicable to our customers who import goods into the United States and our contracted ocean carriers can impact our ability to provide and/or receive services with and from these parties. Enforcement measures related to violations of these regulations can slow and or prevent the delivery of shipments, which may negatively impact our operations.

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We cannot predict what impact future regulations may have on our business. Our failure to maintain required permits or licenses, or to comply with applicable regulations, could result in substantial fines or revocation of our operating permits and licenses.

**A significant increase in fraud or theft could adversely affect our results.** We have exposure to both internal and external fraud and theft, particularly with regard to our operations of T-Chek. Unauthorized or fraudulent requests for advances or payment can occur. A significant increase in fraudulent activity could adversely affect our results.

**We derive a significant portion of our total revenues and net revenues from our largest customers.** Our top 100 customers comprise approximately 34 percent of our consolidated total revenues and 30 percent of consolidated net revenues. Our largest customer comprises 3.6 percent of our consolidated total revenues and 2.3 percent of our consolidated net revenues. The sudden loss of many of our major clients could materially and adversely affect our operating results.

**We may be unable to identify or complete suitable acquisitions and investments.** We may acquire or make investments in complementary businesses, products, services, or technologies. We cannot guarantee that we will be able to identify suitable acquisitions or investment candidates. Even if we identify suitable candidates, we cannot guarantee that we will make acquisitions or investments on commercially acceptable terms, if at all. If we acquire a company, we may have difficulty integrating its businesses, products, services, technologies, and personnel into our operations. Acquired companies or operations may have unexpected liabilities, and we may face challenges in retaining significant customers of acquired companies. These difficulties could disrupt our ongoing business, distract our management and workforce, increase our expenses, and adversely affect our results of operations. In addition, we may incur debt or be required to issue equity securities to pay for future acquisitions or investments. The issuance of any equity securities could be dilutive to our stockholders.

**Our growth and profitability may not continue, which may result in a decrease in our stock price.** Historically, our long-term growth objective has been 15 percent for net revenues, operating income, and earnings per share. There can be no assurance that our long-term growth objective will be achieved or that we will be able to effectively adapt our management, administrative, and operational systems to respond to any future growth. Future changes in and expansion of our business, or changes in economic or political conditions, could adversely affect our operating margins. Slower or less profitable growth or losses could adversely affect our stock price.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

Our corporate headquarters is in Eden Prairie, Minnesota. The total square footage of our four buildings in Eden Prairie is 343,000. This total includes approximately 215,000 square feet used for our corporate and shared services, our data center of approximately 18,000 square feet, and 110,000 square feet used for branch operations.

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Most of our branch offices are leased from third parties under leases with initial terms ranging from three to fifteen years. Our office locations range in space from 1,000 to 153,000 square feet. The following table lists our largest office locations:

| <b>Location</b>                 | <b>Approximate Square Feet</b> |
|---------------------------------|--------------------------------|
| Eden Prairie, MN                | 153,000                        |
| Eden Prairie, MN <sup>(1)</sup> | 105,000                        |
| Chicago, IL <sup>(1)</sup>      | 80,000                         |
| Eden Prairie, MN                | 67,000                         |
| Atlanta, GA                     | 27,000                         |
| Elk Grove Village, IL           | 25,000                         |
| Chicago, IL                     | 21,000                         |
| Woodridge, IL                   | 21,000                         |
| Eden Prairie, MN <sup>(1)</sup> | 18,000                         |
| Chicago, IL                     | 16,000                         |
| Detroit, MI                     | 16,000                         |
| Fort Worth, TX                  | 15,000                         |
| Monterrey, CA                   | 15,000                         |
| Oklahoma City, OK               | 15,000                         |
| Coralville, IA                  | 14,000                         |
| Overland Park, KS               | 14,000                         |
| Phoenix, AZ                     | 14,000                         |
| Hong Kong                       | 13,000                         |
| Tampa, FL                       | 13,000                         |
| Madison, WI                     | 12,000                         |
| Boca Raton, FL                  | 12,000                         |
| Lisle, IL                       | 12,000                         |
| Shanghai                        | 12,000                         |
| Sartell, MN                     | 11,000                         |
| Fishers, IN                     | 11,000                         |

We also own or lease 20 warehouses totaling approximately 1 million square feet of warehouse space. The following table lists our largest warehouses:

| <b>Location</b>               | <b>Approximate Square Feet</b> |
|-------------------------------|--------------------------------|
| Long Beach, CA                | 223,000                        |
| Elk Grove Village, IL         | 107,000                        |
| Laredo, TX                    | 104,000                        |
| Vancouver, WA                 | 79,000                         |
| Miramar, FL                   | 75,000                         |
| Plant City, FL <sup>(1)</sup> | 65,000                         |
| Bethlehem, PA                 | 55,000                         |
| Cobden, IL <sup>(1)</sup>     | 52,000                         |
| Edinburg, TX                  | 48,000                         |
| Lemont, IL                    | 45,000                         |

(1) These properties are owned. All other properties in the tables above are leased from third parties.

We consider our current office spaces and warehouse facilities adequate for our current level of operations. We have not had difficulty in obtaining sufficient office space and believe we can renew existing leases or relocate branches to new offices as leases expire.



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**ITEM 3. LEGAL PROCEEDINGS**

We are not subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the inconsistent treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations, or cash flows.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Common Stock began trading on The NASDAQ National Market under the symbol **CHRW** on October 15, 1997.

Quarterly market information can be found in Part II, Item 8. Financial Statements and Supplementary Data, Note 9.

On February 22, 2012, the closing sales price per share of our Common Stock as quoted on the NASDAQ National Market was \$66.24 per share. On February 22, 2012, there were approximately 190 holders of record and approximately 75,000 beneficial owners of our Common Stock.

We declared quarterly dividends during 2010 for an aggregate of \$1.04 per share and quarterly dividends during 2011 for an aggregate of \$1.20. We have declared a quarterly dividend of \$0.33 per share payable to shareholders of record as of March 2, 2012, payable on April 2, 2012. Our declaration of dividends is subject to the discretion of the Board of Directors. Any determination as to the payment of dividends will depend upon our results of operations, capital requirements and financial condition, 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.

During the third quarter of 2009, the C.H. Robinson Board of Directors authorized management to repurchase an additional 10,000,000 shares. We are currently purchasing shares under this authorization. These repurchases are expected to take place over multiple years. We intend to fund any future repurchases with internally generated funds.

The following table provides information about company purchases during the quarter ended December 31, 2011 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

| <b>Period</b>                        | <b>Total Number of Shares (or Units) Purchased</b> | <b>Average Price Paid Per Share (or Unit)</b> | <b>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b> | <b>Maximum Number Of Shares (or Units) That May Yet Be Purchased Under The Plans or Programs<sup>(1)</sup></b> |
|--------------------------------------|--|---|--|--|
| October 1, 2011 - October 31, 2011   | 21,399   | \$ 70.10                                      | 21,399   | 6,302,968  |
| November 1, 2011 - November 30, 2011 | 625,032  | 67.18   | 625,032  | 5,677,936  |
| December 1, 2011 - December 31, 2011 | 612,938  | 68.43   | 612,938  | 5,064,998  |
| Fourth quarter 2011                  | 1,259,369  | \$ 67.84                                      | 1,259,369  | 5,064,998  |

- (1) During the third quarter of 2009, the C.H. Robinson Board of Directors authorized management to repurchase an additional 10,000,000 shares. We are currently purchasing shares under the 2009 authorization of 10,000,000 shares. As of December 31, 2011, there were 5,064,998 shares remaining under the 2009 authorization.

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The graph below compares the cumulative 5-year total return of holders of C.H. Robinson Worldwide, Inc.'s common stock with the cumulative total returns of the S&P 500 index, the NASDAQ Transportation index, and the S&P Midcap 400 index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2006 to 12/31/2011.

|                                      | 12/06  | 12/07  | 12/08  | 12/09  | 12/10  | 12/11  |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>C.H. Robinson Worldwide, Inc.</b> | 100.00 | 134.33 | 138.89 | 151.10 | 209.73 | 185.60 |
| <b>S&amp;P 500</b>                   | 100.00 | 105.49 | 66.46  | 84.05  | 96.71  | 98.75  |
| <b>S&amp;P Midcap 400</b>            | 100.00 | 107.98 | 68.86  | 94.60  | 119.80 | 117.72 |
| <b>NASDAQ Transportation</b>         | 100.00 | 105.13 | 78.60  | 80.38  | 103.33 | 88.11  |

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

This table includes selected financial data for the last five years (amounts in thousands, except per share amounts and operating data for branches and employees). This financial data should be read together with our consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data appearing elsewhere in this report.

**STATEMENT OF OPERATIONS DATA**

| <b>Year Ended December 31,</b>                               | <b>2011</b>   | <b>2010</b>  | <b>2009</b>  | <b>2008</b>  | <b>2007</b>  |
|--|---------------|--------------|--------------|--------------|--------------|
| Total revenues   | \$ 10,336,346 | \$ 9,274,305 | \$ 7,577,189 | \$ 8,578,614 | \$ 7,316,223 |
| Net revenues   | 1,632,658     | 1,467,978    | 1,381,959    | 1,374,963    | 1,243,778    |
| Income from operations                                       | 692,730       | 622,860      | 584,811      | 571,586      | 509,684      |
| Net income   | 431,612       | 387,026      | 360,830      | 359,177      | 324,261      |
| Net income per share   |               |              |              |              |              |
| Basic  | \$ 2.63       | \$ 2.35      | \$ 2.15      | \$ 2.12      | \$ 1.90      |
| Diluted  | \$ 2.62       | \$ 2.33      | \$ 2.13      | \$ 2.08      | \$ 1.86      |
| Weighted average number of shares outstanding (in thousands) |               |              |              |              |              |
| Basic  | 164,114       | 164,909      | 167,695      | 169,056      | 170,493      |
| Diluted  | 164,741       | 165,972      | 169,194      | 172,733      | 174,040      |
| Dividends per share  | \$ 1.20       | \$ 1.04      | \$ .97       | \$ .90       | \$ .76       |

**BALANCE SHEET DATA**

| <b>As of December 31,</b> |            |            |            |            |            |
|---------------------------|------------|------------|------------|------------|------------|
| Working capital           | \$ 734,911 | \$ 710,161 | \$ 575,462 | \$ 650,218 | \$ 631,537 |
| Total assets              | 2,138,041  | 1,995,699  | 1,834,248  | 1,815,721  | 1,811,307  |
| Total long-term debt      |            |            |            |            |            |
| Stockholders' investment  | 1,248,474  | 1,204,068  | 1,079,900  | 1,107,221  | 1,042,249  |

**OPERATING DATA**

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| Branches   | 235    | 231    | 235    | 228    | 218    |
| Employees  | 8,353  | 7,628  | 7,347  | 7,961  | 7,332  |
| Average net revenues per employee <sup>(1)</sup> | \$ 205 | \$ 196 | \$ 184 | \$ 178 | \$ 177 |

- (1) Management uses net revenues per employee as a key performance to analyze our productivity, to benchmark the financial performance of our branches, and to analyze impacts of technology and other investments in our business.

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

The following table illustrates our net revenue margins by services and products:

| <b>For the years ended December 31,</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|-------------|
| Transportation                          | 16.5%       | 16.8%       | 20.2%       |
| Sourcing                                | 8.4         | 8.5         | 8.3         |
| Payment Services                        | 100.0       | 100.0       | 100.0       |
| Total                                   | 15.8%       | 15.8%       | 18.2%       |

The following table summarizes our net revenues by service line:

**For the years ended December 31,**

| <b>(Dollars in thousands)</b> | <b>2011</b>  | <b>2010</b>  | <b>Change</b> | <b>2009</b>  | <b>Change</b> |
|-------------------------------|--------------|--------------|---------------|--------------|---------------|
| Net revenues:                 |              |              |               |              |               |
| Transportation                |              |              |               |              |               |
| Truck                         | \$ 1,236,611 | \$ 1,076,247 | 14.9%         | \$ 1,040,703 | 3.4%          |
| Intermodal                    | 41,189       | 36,550       | 12.7          | 35,245       | 3.7           |
| Ocean                         | 66,873       | 60,763       | 10.1          | 54,188       | 12.1          |
| Air                           | 39,371       | 42,315       | -7.0          | 32,662       | 29.6          |
| Other Logistics Services      | 59,872       | 57,254       | 4.6           | 44,784       | 27.8          |
| Total Transportation          | 1,443,916    | 1,273,129    | 13.4          | 1,207,582    | 5.4           |
| Sourcing                      | 128,448      | 139,377      | -7.8          | 128,582      | 8.4           |
| Payment Services              | 60,294       | 55,472       | 8.7           | 45,795       | 21.1          |
| Total                         | \$ 1,632,658 | \$ 1,467,978 | 11.2%         | \$ 1,381,959 | 6.2%          |

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

| <b>For the years ended December 31,</b>             | <b>2011</b> | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|-------------|
| Net revenues  | 100.0%      | 100.0%      | 100.0%      |
| Operating expenses:                                 |             |             |             |
| Personnel expenses                                  | 42.6        | 43.1        | 43.2        |
| Other selling, general, and administrative expenses | 14.9        | 14.5        | 14.5        |
| Total operating expenses                            | 57.6        | 57.6        | 57.7        |
| Income from operations                              | 42.4        | 42.4        | 42.3        |
| Investment and other income                         | 0.1         | 0.1         | 0.2         |
| Income before provision for income taxes            | 42.6        | 42.5        | 42.5        |
| Provision for income taxes                          | 16.1        | 16.1        | 16.4        |

|            |       |       |       |
|------------|-------|-------|-------|
| Net income | 26.4% | 26.4% | 26.1% |
|------------|-------|-------|-------|

**OVERVIEW**

**Our company.** We are a global provider of transportation services and logistics solutions, operating through a network of branch offices in North America, Europe, Asia, South America, Australia, and the Middle East. As a third party logistics provider, we cultivate contractual relationships with a wide variety of transportation companies, and utilize those relationships to efficiently and cost effectively transport our customers' freight. We

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have contractual relationships with approximately 53,000 transportation companies, including motor carriers, railroads (primarily intermodal service providers), air freight and ocean carriers. Depending on the needs of our customer and their supply chain requirements, we select and hire the appropriate transportation for each shipment. Our model enables us to be flexible, provide solutions that optimize service for our customers, and minimize our asset utilization risk.

In addition to transportation and logistics services, we also offer fresh produce sourcing and fee-based payment services. Our Sourcing business is the buying, selling, and marketing of fresh produce. We purchase fresh produce through our network of produce suppliers and sell it to retail grocers and restaurant chains, produce wholesalers and foodservice providers. In some cases, we also arrange the transportation of the produce we sell through our relationships with specialized transportation companies. Those revenues are reported as Transportation revenues. Our Payment Services business is our subsidiary, T-Chek, which provides a variety of management and business intelligence services to motor carrier companies and to fuel distributors. Those services include funds transfer, fuel purchasing, and online expense management.

**Our business model.** We are primarily a service company. We add value and expertise in the procurement and execution of transportation and logistics, including sourcing of produce products for our customers. Our total revenues represent the total dollar value of services and goods we sell to our customers. Our net revenues are our total revenues less purchased transportation and related services, including contracted motor carrier, rail, ocean, air, and other costs, and the purchase price and services related to the products we source. Our net revenues are the primary indicator of our ability to source, add value, and sell services and products that are provided by third parties, and we consider them to be our primary performance measurement. Accordingly, the discussion of our results of operations below focuses on the changes in our net revenues.

We keep our business model as variable as possible to allow us to be flexible and adapt to changing economic and industry conditions. We sell transportation services and produce to our customers with varied pricing arrangements. Some prices are committed to for a period of time, subject to certain terms and conditions, and some prices are set on a spot market basis. We buy most of our truckload transportation capacity and produce on a spot market basis. Because of this our net revenue per transaction tends to increase in times when there is excess supply and decrease in times when demand is strong relative to supply. We also keep our personnel and other operating expenses as variable as possible. Compensation is performance-oriented and, for most employees in the branch network, based on the profitability of their individual branch office.

In addition, we do not have pre-committed targets for headcount. Our personnel decisions are decentralized. Our branch managers determine the appropriate number of employees for their offices, within productivity guidelines, based on their branch's volume of business. This helps keep our personnel expense as variable as possible with the business.

**Our branch network.** Our branch network is a competitive advantage. Building local customer and contract carrier relationships has been an important part of our success, and our worldwide network of offices supports our core strategy of serving customers locally, nationally, and globally. Our branch offices help us penetrate local markets, provide face-to-face service when needed, and recruit contract carriers. Our branch network also gives us knowledge of local market conditions, which is important in the transportation industry because it is market-driven and very dynamic.

Our branches work together to complete transactions and collectively meet the needs of our customers. For large multi-location customers, we often coordinate our efforts in one branch and rely on multiple branch locations to deliver specific geographic or modal needs. As an example, approximately 40 percent of our truckload shipments are shared transactions between branches. Our methodology of providing services is very similar across all branches. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other branch locations, and to utilize centralized support resources to complete all facets of the transaction.

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During 2011, we increased the size of our branch network by four branches, to 235. We are planning limited branch openings during 2012. Because we usually open new offices with only two or three employees, we do not expect them to make a material contribution to our financial results in the first few years of their operation.

**Our people.** Because we are a service company, our continued success is dependent on our ability to continue to hire and retain talented, productive people, and to properly align our headcount and personnel expense with our business. Our headcount grew by 725 employees during 2011. Branch employees act as a team in their sales efforts, customer service, and operations. A significant portion of our branch employees compensation is performance-oriented, based on individual performance and the profitability of their branch. We believe this makes our employees more service-oriented and focused on driving growth and maximizing office productivity. In 2003, we implemented a restricted equity program to better align our key employees with the interests of our shareholders, and to motivate and retain them for the long term. These restricted equity awards vest over a period of up to five years based on the company's earnings growth, and have been awarded annually since 2003.

**Our customers.** In 2011, we worked with more than 37,000 active customers, up from approximately 36,000 in 2010. We work with a wide variety of companies, ranging in size from Fortune 100 companies to small family businesses, in many different industries. Our customer base is very diverse and unconcentrated. Our top 100 customers represented approximately 34 percent of our total revenues and approximately 30 percent of our net revenues. Our largest customer was 3.6 percent of our total revenues and 2.3 percent of our total net revenues.

**Our contracted carriers.** Our contracted carrier base includes motor carriers, railroads (primarily intermodal service providers), air freight, and ocean carriers. In 2011, our carrier base was approximately 53,000, up from approximately 49,000 in 2010. Motor carriers that had fewer than 100 tractors transported approximately 82 percent of our truckload shipments in 2011. In our Transportation business, no single contracted carrier represents more than approximately two percent of our contracted carrier capacity.

**Our goals.** Since we became a publicly-traded company in 1997, our long-term compounded annual growth target has been 15 percent for net revenues, income from operations, and earnings per share. Although there have been periods where we have not achieved these goals, over the period since 1997 we have exceeded this compounded growth goal in all three categories. Our expectation is that over time, we will continue to achieve our long-term target of 15 percent growth, but that we will have periods in which we exceed that goal and periods in which we fall short. We expect to reach our long-term growth primarily through internal growth but acquisitions that fit our growth criteria and culture may also augment our growth.

During 2011, our consolidated total revenues increased 11.5 percent due primarily to volume increases in many of our modes of transportation and increasing transportation rates. Transportation rates increased primarily due to a rise in fuel prices and increased pricing to our customers. Our pricing, exclusive of fuel, increased due to an increase in overall transportation market demand.

We did not achieve our long-term growth goals of 15 percent during 2011. Our net revenues grew 11.2 percent to \$1.6 billion. Our income from operations increased 11.2 percent to \$692.7 million and our diluted earnings per share increased 12.4 percent to \$2.62. During 2011, our net revenue margins (net revenues as a percentage of total revenues) remained consistent at 15.8 percent compared to 2010.

## **2011 COMPARED TO 2010**

**Total revenues and direct costs.** Our consolidated total revenues increased 11.5 percent in 2011 compared to 2010. Total Transportation revenues increased 15.4 percent to \$8.74 billion in 2011 from \$7.58 billion in 2010. This increase was driven by higher volumes in many of our transportation modes and increased pricing to our customers, including the impacts of higher fuel costs. Total purchased transportation services increased 15.8 percent in 2011 to \$7.30 billion from \$6.30 billion in 2010. This increase was due to higher volumes in many of

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our transportation modes and higher transportation costs, including the impacts of higher fuel costs. Our Sourcing revenue decreased 6.6 percent to \$1.54 billion in 2011 from \$1.64 billion in 2010. Purchased products sourced for resale decreased 6.4 percent in 2011 to \$1.41 billion from \$1.50 billion in 2010. These decreases were primarily due to decreased volumes with a large customer that, due to a change in their sourcing strategy, has eliminated some of our business with them. Our Payment Services revenue increased 8.7 percent to \$60.3 million in 2011 from \$55.5 million in 2010. The increase was primarily due to an increase in MasterCard® services, and increases in some fees that are impacted by fuel prices.

**Net revenues.** Total Transportation net revenues increased 13.4 percent to \$1.44 billion in 2011 from \$1.27 billion in 2010. Our Transportation net revenue margin decreased to 16.5 percent in 2011 from 16.8 percent in 2010 largely driven by higher transportation costs and higher fuel costs, partially offset by an increase in transportation pricing to our customers. While our different pricing arrangements with customers and contract carriers make it very difficult to measure the precise impact, we believe that fuel costs essentially act as a pass-through in our truckload business. Therefore, in times of higher fuel prices, our net revenue margin percentage decreases as it did in 2011.

Truck net revenues, which consist of truckload and less-than-truckload ( LTL ) services, comprise approximately 76 percent of our total net revenues. Our truck net revenues increased 14.9 percent to \$1.24 billion in 2011 from \$1.08 billion in 2010. Truckload volumes increased approximately five percent in 2011. Truckload net revenue margin decreased in 2011 due to an increase in fuel prices and increased cost of capacity, offset partially by increased pricing to our customers. Excluding the estimated impact of the change in fuel, on average, our truckload rates increased approximately five percent in 2011. Our truckload transportation costs increased approximately four percent, excluding the estimated impacts of the change in fuel.

During 2011, our LTL net revenues increased approximately 27 percent. The increase was driven primarily by an increase in shipment volumes and increased pricing to our customers. Our LTL volumes increased approximately 15 percent compared to 2010.

Our intermodal net revenue increase of 12.7 percent to \$41.2 million in 2011 from \$36.6 million in 2010 was driven largely by volume and pricing increases, partially offset by lower margins. Our intermodal net revenue margin declined in 2011 compared to 2010 due to higher transportation costs.

Our ocean transportation net revenues increased 10.1 percent to \$66.9 million in 2011 from \$60.8 million in 2010 due primarily to volume increases. We experienced a net revenue margin increase due to decreased cost of capacity.

Our air transportation net revenues decrease of 7.0 percent in 2011 was driven by decreased volumes and decreased pricing. Our air net revenue margins decreased in 2011 due to increased cost of capacity, partially offset by increased pricing to our customers.

Other logistics services net revenues consist primarily of transportation management fees and custom brokerage fees. The increase of 4.6 percent to \$59.9 million in 2011 was driven primarily by increases in the transportation management business.

Sourcing net revenues decreased 7.8 percent to \$128.4 million in 2011. This decrease was primarily due to decreased volumes with a large customer that, due to a change in their sourcing strategy, has eliminated some of our business with them. Our net revenue margin decreased to 8.4 percent in 2011 from 8.5 percent in 2010.

Payment Services is comprised entirely of revenue related to our subsidiary, T-Chek. For 2011, Payment Services net revenues increased 8.7 percent to \$60.3 million in 2011 from \$55.5 million in 2010. The increase was primarily due to an increase in MasterCard® services, and increases in some fees that are impacted by fuel prices.

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**Operating expenses.** Operating expenses increased 11.2 percent to \$939.9 million in 2011 from \$845.1 million in 2010. This was due to an increase of 10.2 percent in personnel expenses and an increase of 14.4 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses remained at 57.6 percent in 2011.

Our personnel expenses are driven by headcount and earnings growth. In 2011, personnel expenses increased to \$696.2 million from \$632.1 million in 2010. Our personnel expenses as a percentage of net revenue declined slightly in 2011 to 42.6 percent from 43.1 percent in 2010. In 2011, our average headcount increased approximately 7 percent. Personnel expenses related to our various incentive plans are designed to keep expenses variable with changes in net revenues and profitability.

Other selling, general, and administrative expenses increased 14.4 percent to \$243.7 million in 2011 from \$213.1 million in 2010. The increase in our selling, general, and administrative expenses is primarily related to an increase in claims, travel, temporary services, and depreciation, partially offset by a reduction in the provision for doubtful accounts.

**Income from operations.** Income from operations increased 11.2 percent to \$692.7 million in 2011. Income from operations as a percentage of net revenues remained at 42.4 percent in 2011.

**Investment and other income.** Investment and other income increased 58.9 percent to \$2.0 million in 2011 compared to \$1.2 million in 2010. In 2011, we received a \$1.2 million distribution from a previously impaired cost-method investment.

**Provision for income taxes.** Our effective income tax rate was 37.9 percent for 2011 and 38.0 percent for 2010. 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.** Net income increased 11.5 percent to \$431.6 million in 2011 from \$387.0 million in 2010. Basic net income per share increased 11.9 percent to \$2.63. Diluted net income per share increased 12.4 percent to \$2.62.

## **2010 COMPARED TO 2009**

**Total revenues and direct costs.** Our consolidated total revenues increased 22.4 percent in 2010 compared to 2009. Total Transportation revenues increased 26.8 percent to \$7.58 billion in 2010 from \$5.98 billion in 2009. This increase was driven by higher volumes in all of our transportation modes and increased pricing to our customers, including the impacts of higher fuel costs. Total purchased transportation services increased 32.2 percent in 2010 to \$6.30 billion from \$4.77 billion in 2009. This increase was due to higher volumes in all of our transportation modes and higher transportation costs, including the impacts of higher fuel costs. Our Sourcing revenue increased 5.7 percent to \$1.64 billion in 2010 from \$1.56 billion in 2009. Purchased products sourced for resale increased 5.4 percent in 2010 to \$1.50 billion from \$1.43 billion in 2009. These increases were primarily due to volume growth, including our previously announced acquisition of Rosemont Farms Corporation, Inc. ( Rosemont ). Our Payment Services revenue increased 21.1 percent to \$55.5 million in 2010 from \$45.8 million in 2009. The increase was primarily due to an increase in transactions and increases in some fees that are impacted by fuel prices.

**Net revenues.** Total Transportation net revenues increased 5.4 percent to \$1.27 billion in 2010 from \$1.21 billion in 2009. Our Transportation net revenue margin decreased to 16.8 percent in 2010 from 20.2 percent in 2009 largely driven by higher transportation costs and higher fuel costs, partially offset by an increase in transportation pricing to our customers. While our different pricing arrangements with customers and contract carriers make it very difficult to measure the precise impact, we believe that fuel costs essentially act as a pass-through in our truckload business. Therefore, in times of higher fuel prices, our net revenue margin percentage decreases as it did in 2010.

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Truck net revenues, which consist of truckload and LTL services, comprise approximately 73 percent of our total net revenues. Our truck net revenues increased 3.4 percent to \$1.08 billion in 2010 from \$1.04 billion in 2009. Truckload volumes increased 15.6 percent in 2010. Truckload net revenue margin decreased in 2010 due to an increase in fuel prices and increased cost of capacity, offset partially by increased pricing to our customers. Excluding the estimated impact of the change in fuel, on average, our truckload rates increased approximately five percent in 2010. Consistent with past periods of rising transportation demand, our cost of capacity rose faster than our customer rates. Excluding the estimated impact of the change in fuel, our cost of truckload capacity increased approximately nine percent.

During 2010, our LTL net revenues increased approximately 18 percent. The increase was driven primarily by an increase in shipment volumes, partially offset by increased cost of capacity. Our revenue per transaction decreased slightly. Our LTL volumes increased approximately 22 percent compared to 2009. Our LTL net revenue margin in 2010 was down slightly compared to 2009.

Our intermodal net revenue increase of 3.7 percent to \$36.6 million in 2010 from \$35.2 million in 2009 was driven largely by volume and pricing increases, partially offset by lower margins. Our intermodal net revenue margin declined in 2010 compared to 2009 due to higher transportation costs.

Our ocean transportation net revenues increased 12.1 percent to \$60.8 million in 2010 from \$54.2 million in 2009 due primarily to significant volume increases. We experienced a net revenue margin decline due to increased cost of capacity, which was partially offset by increased pricing to our customers. Excluding our previously disclosed acquisition of Walker Logistics Overseas Ltd. ( Walker ) on June 12, 2009, our ocean transportation net revenues would have increased approximately nine percent.

Our air transportation net revenues increase of 29.6 percent in 2010 was driven by increased volumes. Our air net revenue margins decreased in 2010 due to higher transportation costs, which was partially offset by increased pricing to our customers. Excluding our previously disclosed acquisition of Walker, our air transportation net revenues would have increased approximately 28 percent.

Other logistics services net revenues consist primarily of custom brokerage fees and transportation management fees. The increase of 27.8 percent to \$57.3 million in 2010 was driven primarily by increases in the transportation management business.

Sourcing net revenues increased 8.4 percent to \$139.4 million in 2010. This increase was driven primarily by volume growth and the acquisition of Rosemont. Our net revenue margin increased to 8.5 percent in 2010 from 8.3 percent in 2009. Excluding the acquisition of Rosemont, Sourcing net revenues decreased approximately five percent in 2010.

Payment Services is comprised entirely of revenue related to our subsidiary, T-Chek. For 2010, Payment Systems net revenues increased 21.1 percent to \$55.5 million. The increase was driven by increases in transactions and higher fuel prices, as some of our merchant fees are based on a percentage of the total sale amount.

**Operating expenses.** Operating expenses increased 6.0 percent to \$845.1 million in 2010 from \$797.1 million in 2009. This was due to an increase of 5.8 percent in personnel expenses and an increase of 6.8 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses decreased to 57.6 percent in 2010 compared to 57.7 percent in 2009.

In 2010, our average headcount was nearly flat compared to 2009. Personnel expenses related to our restricted stock program and various other incentive plans are designed to keep expenses variable with changes in net revenues and profitability. The growth in personnel expenses is primarily related to these variable incentive plans. Stock based compensation expense increased 74.2 percent to \$37.0 million in 2010 from \$21.3 million in 2009. Our personnel expenses as a percentage of net revenue declined slightly in 2010 to 43.1 percent from 43.2 percent in 2009.

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In 2010, other selling, general, and administrative expenses increased 6.8 percent to \$213.1 million in 2010 from \$199.6 million in 2009. The increase in our selling, general, and administrative expenses is primarily related to the acquisitions we completed in 2009.

**Income from operations.** Income from operations increased 6.5 percent to \$622.9 million in 2010. Income from operations as a percentage of net revenues increased to 42.4 percent in 2010 from 42.3 percent in 2009.

**Investment and other income.** Investment and other income decreased 44.8 percent to \$1.2 million in 2010 compared to \$2.3 million in 2009. Our investment income is down compared to 2009 primarily due to the changes in the overall market yields on high-quality, short-term investments and the decrease in our average investible cash balance throughout 2010 compared to 2009.

**Provision for income taxes.** Our effective income tax rate was 38.0 percent for 2010 and 38.5 percent for 2009. 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.** Net income increased 7.3 percent to \$387.0 million in 2010 from \$360.8 million in 2009. Basic net income per share increased 9.3 percent to \$2.35. Diluted net income per share increased 9.4 percent to \$2.33.

## **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 \$373.7 million and \$398.6 million as of December 31, 2011 and 2010. As of December 31, 2011, we did not have any available-for-sale securities. Available-for-sale securities, consisting primarily of highly liquid investments, totaled \$9.3 million as of December 31, 2010. Working capital at December 31, 2011 and 2010 was \$734.9 million and \$710.2 million.

We prioritize our investments to grow the business, as we require some working capital and a relatively small amount of capital expenditures to grow. We are continually looking for acquisitions to redeploy our cash, but those acquisitions must fit our culture and enhance our growth opportunities. We continue to invest our cash with a focus on principal preservation. Our current interest-bearing cash and cash equivalents consist primarily of cash holdings and municipal money market funds. Our investment income related to cash and cash equivalents is down compared to last year due to the changes in the overall market yields of high-quality, short-term investments.

**Cash flow from operating activities.** We generated \$429.7 million, \$344.8 million, and \$372.6 million of cash flow from operations in 2011, 2010, and 2009. During 2011, our cash flow from operations increased 24.6 percent compared to an 11.5 percent increase in net income.

**Cash used for investing activities.** We used \$38.3 million of cash in 2011, generated \$8.6 million of cash in 2010, and used \$123.9 million of cash in 2009 for investing activities. Our investing activities consist primarily of capital expenditures, cash paid for acquisitions, and investing in securities.

We used \$52.8 million, \$28.7 million, and \$34.5 million of cash for capital expenditures in 2011, 2010, and 2009. We spent \$39.8 million, \$28.7 million, and \$20.6 million in 2011, 2010, and 2009 primarily for annual investments in information technology equipment to support our operating systems, including the purchase and development of software. These information technology investments are intended to improve efficiencies and help grow the business.

In 2011 we also purchased a new corporate aircraft for \$7.3 million and 500 intermodal containers for \$4.8 million. We spent \$13.9 million in 2009 on facilities on our new corporate campus in Eden Prairie, MN.

We anticipate capital expenditures in 2012 to be approximately \$40 million to \$45 million.

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We used cash of \$41.1 million for acquisitions in 2009. On June 12, 2009, we acquired Walker; on July 7, 2009, we acquired ITC; and on September 15, 2009, we acquired Rosemont.

In 2011, we exited the remaining available-for-sale securities which generated \$9.3 million of cash from investing activities. During 2010, we exited nearly all of our available-for-sale securities and invested in cash and cash equivalents which generated \$42.4 million of cash from investing activities. In 2009, we used \$48.5 million in net purchases and sales/maturities of available-for-sale securities.

**Cash used for financing activities.** We used \$415.1 million, \$289.1 million, and \$402.1 million of cash flow for financing activities in 2011, 2010, and 2009. This was primarily quarterly dividends and share repurchases.

We used \$194.7 million, \$168.9 million, and \$162.9 million to pay cash dividends in 2011, 2010, and 2009. The increase in 2011 was due to a 16 percent increase in our quarterly dividend rate to \$0.29 per share from \$0.25 per share in 2010.

We also used \$240.9 million, \$151.1 million, and \$266.9 million on share repurchases in 2011, 2010, and 2009. The increase in 2011 was due primarily to a 41 percent increase from the number of shares repurchased in 2010. The decrease in 2010 was due to a 51 percent decrease from the number of shares repurchased in 2009. We are currently purchasing shares under the 2009 authorization of 10,000,000 shares. As of December 31, 2011, there were 5,064,998 shares remaining under this authorization. The number of shares we repurchase, if any, during future periods will vary based on our cash position, potential uses of our cash, and market conditions.

Assuming no change in our current business plan, management believes that our available cash, together with expected future cash generated from operations, will be sufficient to satisfy our anticipated needs for working capital, capital expenditures, and cash dividends in future periods. We also believe we could obtain funds under lines of credit on short notice, if needed.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our consolidated financial statements include accounts of the company and all majority-owned subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. In certain circumstances, those estimates and assumptions can affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing our financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Note 1 of the Notes to Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following is a brief discussion of our critical accounting policies and estimates.

**Revenue recognition.** Total revenues consist of the total dollar value of goods and services purchased from us by customers. Net revenues are total revenues less the direct costs of transportation, products, and handling. We act principally as the service provider for these transactions and recognize revenue as these services are rendered or goods are delivered. At that time, our obligations to the transactions are completed and collection of receivables is reasonably assured. Most transactions in our Transportation and Sourcing businesses are recorded at the gross amount we charge our customers for the service we provide and goods we sell. In these transactions, we are the primary obligor, we have credit risk, we have discretion to select the supplier, and we have latitude in pricing decisions.

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Additionally, in our Sourcing business, we take loss of inventory risk during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management, and all transactions in Payment Services are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present.

**Valuations for accounts receivable.** Our allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of \$31.3 million as of December 31, 2011 increased compared to the allowance of \$30.9 million as of December 31, 2010. We believe that the recorded allowance is sufficient and appropriate based on our customer aging trends, the exposures we have identified, and our historical loss experience.

**Goodwill.** We manage and report our operations as one operating segment. Our branches represent a series of components that are aggregated for the purpose of evaluating goodwill for impairment on an enterprise-wide basis. In the case where we have an acquisition that we feel has not yet become integrated into our branch network component, we will evaluate the impairment of any goodwill related to that specific acquisition and its results. The fair value of the enterprise-wide reporting unit substantially exceeds the book value; therefore we have determined that there is no indication of goodwill impairment as of December 31, 2011.

**Stock-based compensation.** The fair value of each share-based payment award is established on the date of grant. For grants of restricted shares and restricted units, the fair value is established based on the market price on the date of the grant, discounted for post-vesting holding restrictions. The discounts have varied from 12 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in the measured stock price volatility and interest rates are the primary reason for changes in the discount. For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate, and expected dividends.

**DISCLOSURES ABOUT CONTRACTUAL OBLIGATIONS AND COMMERCIAL CONTINGENCIES**

The following table aggregates all contractual commitments and commercial obligations, due by period, that affect our financial condition and liquidity position as of December 31, 2011 (dollars in thousands):

|                                     | 2012      | 2013      | 2014      | 2015      | 2016      | Thereafter | Total      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Contractual Obligations             |           |           |           |           |           |            |            |
| Operating Leases <sup>(1)</sup>     | \$ 31,787 | \$ 28,755 | \$ 25,400 | \$ 20,222 | \$ 15,470 | \$ 20,913  | \$ 142,547 |
| Purchase Obligations <sup>(2)</sup> | 23,512    | 12,422    | 1,035     |           |           |            | 36,969     |
| Total                               | \$ 55,299 | \$ 41,177 | \$ 26,435 | \$ 20,222 | \$ 15,470 | \$ 20,913  | \$ 179,516 |

(1) We have certain facilities and equipment under operating leases.

(2) Purchase obligations include agreements for services that are enforceable and legally binding and that specify all significant terms. As of December 31, 2011, such obligations include ocean and air freight capacity, telecommunications services, maintenance contracts, and commodities seeds used in our Sourcing business.

We have no long-term debt or capital lease obligations. Long-term liabilities consist of noncurrent income taxes payable, contingent purchase price related to acquisitions, and the obligation under our non-qualified deferred compensation plan. Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at December 31, 2011, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, \$10.5 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See Note 5 to the Consolidated Financial Statements for a discussion on income taxes. Our obligations for payment of contingent purchase price

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related to acquisitions have been excluded from the table above as the timing and exact amount of cash payment is uncertain. Therefore, \$13.1 million of contingent purchase price related to acquisitions have been excluded from the table above. The obligation under our non-qualified deferred compensation plan has also been excluded from the above table as the timing of cash payment is uncertain. As of December 31, 2011, we did not have any off-balance sheet arrangements as defined in Item 303 (a)(4)(ii) of SEC Regulation S-K.

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

We had \$373.7 million of cash and investments on December 31, 2011, consisting entirely of cash and cash equivalents. Although these investments are subject to the credit risk of the issuer, we manage our investment portfolio to limit our exposure to any one issuer. Substantially all of the cash equivalents are money market securities from treasury and tax exempt money issuers. Because of the credit risk criteria of our investment policies and practices, the primary market risks associated with these investments are interest rate and liquidity risks. A hypothetical 100-basis-point change in the interest rate would not have a material effect on our earnings. 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. Market risk arising from changes in foreign currency exchange rates are not material due to the size of our international operations.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

CH Robinson Worldwide, Inc.

Eden Prairie, MN

We have audited the accompanying consolidated balance sheets of C.H. Robinson Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' investment, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of C.H. Robinson Worldwide, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012, expressed an unqualified opinion on the Company's internal control over financial reporting.

Minneapolis, Minnesota

February 29, 2012

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

C.H. Robinson Worldwide, Inc.

Eden Prairie, MN

We have audited the internal control over financial reporting of C.H. Robinson Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the Index at Item 15 as of and for the year ended December 31, 2011, of the Company and our report dated February 29, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

Minneapolis, Minnesota

February 29, 2012



**Table of Contents****C.H. ROBINSON WORLDWIDE, INC.****CONSOLIDATED BALANCE SHEETS**

| (In thousands, except per share data)   | December 31,        |                     |
|---|---------------------|---------------------|
|   | 2011                | 2010                |
| <b>ASSETS</b>   |                     |                     |
| <b>Current assets:</b>  |                     |                     |
| Cash and cash equivalents   | \$ 373,669          | \$ 398,607          |
| Available-for-sale securities   | 0                   | 9,290               |
| Receivables, net of allowance for doubtful accounts of \$31,328 and \$30,945  | 1,189,637           | 1,036,070           |
| Deferred tax asset  | 8,382               | 5,466               |
| Prepaid expenses and other  | 39,855              | 32,335              |
| <b>Total current assets</b>   | <b>1,611,543</b>    | <b>1,481,768</b>    |
| Property and equipment  | 220,073             | 233,230             |
| Accumulated depreciation and amortization   | (93,243)            | (118,897)           |
| <b>Net property and equipment</b>   | <b>126,830</b>      | <b>114,333</b>      |
| Goodwill  | 359,688             | 359,116             |
| Other intangible assets, net of accumulated amortization of \$9,708 and \$13,874  | 10,029              | 13,495              |
| Deferred tax asset  | 0                   | 7,836               |
| Other assets  | 29,951              | 19,151              |
| <b>Total assets</b>   | <b>\$ 2,138,041</b> | <b>\$ 1,995,699</b> |
| <b>LIABILITIES AND STOCKHOLDERS INVESTMENT</b>  |                     |                     |
| <b>Current liabilities:</b>   |                     |                     |
| Accounts payable  | \$ 642,672          | \$ 567,961          |
| Outstanding checks  | 62,062              | 59,600              |
| Accrued expenses  |                     |                     |
| Compensation and profit-sharing contribution  | 117,541             | 96,991              |
| Income taxes and other  | 54,357              | 47,055              |
| <b>Total current liabilities</b>  | <b>876,632</b>      | <b>771,607</b>      |
| Noncurrent income taxes payable   | 11,343              | 10,667              |
| Other long term liabilities   | 1,592               | 9,357               |
| <b>Total liabilities</b>  | <b>889,567</b>      | <b>791,631</b>      |
| Commitments and contingencies   |                     |                     |
| Stockholders' investment:   |                     |                     |
| Preferred stock, \$ .10 par value, 20,000 shares authorized; no shares issued or outstanding                                  | 0                   | 0                   |
| Common stock, \$ .10 par value, 480,000 shares authorized; 177,312 and 177,060 shares issued, 163,441 and 166,048 outstanding | 16,344              | 16,605              |
| Additional paid-in capital  | 205,794             | 178,087             |
| Retained earnings   | 1,845,032           | 1,613,912           |
| Accumulated other comprehensive loss  | (9,115)             | (6,425)             |
| Treasury stock at cost (13,871 and 11,012)  | (809,581)           | (598,111)           |

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|  |              |              |
|--|--------------|--------------|
| <b>Total stockholders investment</b>                 | 1,248,474    | 1,204,068    |
| <b>Total liabilities and stockholders investment</b> | \$ 2,138,041 | \$ 1,995,699 |

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****C.H. ROBINSON WORLDWIDE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

| (In thousands, except per share data)               | For the year ended December 31, |                   |                   |
|---|---------------------------------|-------------------|-------------------|
|   | 2011                            | 2010              | 2009              |
| <b>Revenues:</b>                                    |                                 |                   |                   |
| Transportation                                      | \$ 8,740,524                    | \$ 7,575,659      | \$ 5,976,102      |
| Sourcing  | 1,535,528                       | 1,643,174         | 1,555,292         |
| Payment Services                                    | 60,294                          | 55,472            | 45,795            |
| <b>Total revenues</b>                               | <b>10,336,346</b>               | <b>9,274,305</b>  | <b>7,577,189</b>  |
| <b>Costs and expenses:</b>                          |                                 |                   |                   |
| Purchased transportation and related services       | 7,296,608                       | 6,302,530         | 4,768,520         |
| Purchased products sourced for resale               | 1,407,080                       | 1,503,797         | 1,426,710         |
| Personnel expenses                                  | 696,233                         | 632,064           | 597,568           |
| Other selling, general, and administrative expenses | 243,695                         | 213,054           | 199,580           |
| <b>Total costs and expenses</b>                     | <b>9,643,616</b>                | <b>8,651,445</b>  | <b>6,992,378</b>  |
| <b>Income from operations</b>                       | <b>692,730</b>                  | <b>622,860</b>    | <b>584,811</b>    |
| Investment and other income                         | 1,974                           | 1,242             | 2,250             |
| <b>Income before provision for income taxes</b>     | <b>694,704</b>                  | <b>624,102</b>    | <b>587,061</b>    |
| Provision for income taxes                          | 263,092                         | 237,076           | 226,231           |
| <b>Net income</b>                                   | <b>\$ 431,612</b>               | <b>\$ 387,026</b> | <b>\$ 360,830</b> |
| <b>Basic net income per share</b>                   | <b>\$ 2.63</b>                  | <b>\$ 2.35</b>    | <b>\$ 2.15</b>    |
| <b>Diluted net income per share</b>                 | <b>\$ 2.62</b>                  | <b>\$ 2.33</b>    | <b>\$ 2.13</b>    |
| <b>Basic weighted average shares outstanding</b>    | <b>164,114</b>                  | <b>164,909</b>    | <b>167,695</b>    |
| <b>Dilutive effect of outstanding stock awards</b>  | <b>627</b>                      | <b>1,063</b>      | <b>1,499</b>      |
| <b>Diluted weighted average shares outstanding</b>  | <b>164,741</b>                  | <b>165,972</b>    | <b>169,194</b>    |

See accompanying notes to the consolidated financial statements.

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## C.H. ROBINSON WORLDWIDE, INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS INVESTMENT

| (In thousands, except per share data)                                | Common<br>Shares<br>Outstanding | Amount    | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Treasury<br>Stock | Total<br>Stockholders<br>Investment |
|--|---------------------------------|-----------|----------------------------------|----------------------|---|-------------------|-------------------------------------|
| <b>Balance December 31, 2008</b>                                     | 170,437                         | \$ 17,044 | \$ 177,486                       | \$ 1,207,428         | \$ 2,165  | \$ (296,902)      | \$ 1,107,221                        |
| Net income   |                                 |           |                                  | 360,830              |   |                   | 360,830                             |
| Other comprehensive income -   |                                 |           |                                  |                      |   |                   |                                     |
| Foreign currency translation adjustment                              |                                 |           |                                  |                      | (3,819)   |                   | (3,819)                             |
| Unrealized gain on available-for-sale securities                     |                                 |           |                                  |                      | 18  |                   | 18                                  |
| Comprehensive income   |                                 |           |                                  |                      |   |                   | 357,029                             |
| Dividends declared, \$.97 per share                                  |                                 |           |                                  | (165,952)            |   |                   | (165,952)                           |
| Stock issued for employee benefit plans                              | 1,189                           | 119       | (42,305)                         |                      |   | 59,927            | 17,741                              |
| Issuance of restricted stock   | 558                             | 55        | (55)                             |                      |   |                   | 0                                   |
| Stock-based compensation expense                                     | 15                              | 2         | 20,012                           |                      |   | 787               | 20,801                              |
| Excess tax benefit on deferred compensation and employee stock plans |                                 |           | 9,966                            |                      |   |                   | 9,966                               |
| Repurchase of common stock   | (5,101)                         | (510)     |                                  |                      |   | (266,396)         | (266,906)                           |
| <b>Balance December 31, 2009</b>                                     | 167,098                         | 16,710    | 165,104                          | 1,402,306            | (1,636)   | (502,584)         | 1,079,900                           |
| Net income   |                                 |           |                                  | 387,026              |   |                   | 387,026                             |
| Other comprehensive income -   |                                 |           |                                  |                      |   |                   |                                     |
| Foreign currency translation adjustment                              |                                 |           |                                  |                      | (4,774)   |                   | (4,774)                             |
| Unrealized loss on available-for-sale securities                     |                                 |           |                                  |                      | (15)  |                   | (15)                                |
| Comprehensive income   |                                 |           |                                  |                      |   |                   | 382,237                             |
| Dividends declared, \$1.04 per share                                 |                                 |           |                                  | (175,420)            |   |                   | (175,420)                           |
| Stock issued for employee benefit plans                              | 1,065                           | 106       | (36,681)                         |                      |   | 54,308            | 17,733                              |
| Issuance of restricted stock   | 376                             | 38        | (38)                             |                      |   |                   | 0                                   |
| Stock-based compensation expense                                     | 19                              | 2         | 36,610                           |                      |   | 971               | 37,583                              |
| Excess tax benefit on deferred compensation and employee stock plans |                                 |           | 13,092                           |                      |   |                   | 13,092                              |
| Repurchase of common stock   | (2,510)                         | (251)     |                                  |                      |   | (150,806)         | (151,057)                           |
| <b>Balance December 31, 2010</b>                                     | 166,048                         | 16,605    | 178,087                          | 1,613,912            | (6,425)   | (598,111)         | 1,204,068                           |
| Net income   |                                 |           |                                  | 431,612              |   |                   | 431,612                             |
| Other comprehensive income -   |                                 |           |                                  |                      |   |                   |                                     |
| Foreign currency translation adjustment                              |                                 |           |                                  |                      | (2,690)   |                   | (2,690)                             |
| Comprehensive income   |                                 |           |                                  |                      |   |                   | 428,922                             |
| Dividends declared, \$1.20 per share                                 |                                 |           |                                  | (200,492)            |   |                   | (200,492)                           |
| Stock issued for employee benefit plans                              | 673                             | 67        | (24,717)                         |                      |   | 34,246            | 9,596                               |
| Issuance of restricted stock   | 244                             | 24        | (24)                             |                      |   |                   | 0                                   |
| Stock-based compensation expense                                     | 16                              | 2         | 37,193                           |                      |   | 865               | 38,060                              |
| Excess tax benefit on deferred compensation and employee stock plans |                                 |           | 15,255                           |                      |   |                   | 15,255                              |
| Repurchase of common stock   | (3,540)                         | (354)     |                                  |                      |   | (246,581)         | (246,935)                           |
| <b>Balance December 31, 2011</b>                                     | 163,441                         | \$ 16,344 | \$ 205,794                       | \$ 1,845,032         | \$ (9,115)  | \$ (809,581)      | \$ 1,248,474                        |

*See accompanying notes to the consolidated financial statements.*

**Table of Contents****C.H. ROBINSON WORLDWIDE, INC****CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (In thousands)  | For the year ended December 31, |                   |                   |
|---|---------------------------------|-------------------|-------------------|
|   | 2011                            | 2010              | 2009              |
| <b>OPERATING ACTIVITIES</b>   |                                 |                   |                   |
| Net income  | \$ 431,612                      | \$ 387,026        | \$ 360,830        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |                   |                   |
| Depreciation and amortization   | 32,498                          | 29,369            | 30,514            |
| Provision for doubtful accounts   | 9,052                           | 13,922            | 16,685            |
| Stock-based compensation  | 38,601                          | 37,047            | 21,267            |
| Deferred income taxes   | 5,750                           | 7,574             | (630)             |
| Loss on sale/disposal of assets   | 848                             | 634               | 254               |
| Other long-term liabilities   | 765                             | 2,411             | 643               |
| Changes in operating elements, net of effects of acquisitions:                    |                                 |                   |                   |
| Receivables   | (162,688)                       | (164,114)         | (57,855)          |
| Prepaid expenses and other  | (11,574)                        | 1,880             | (12,904)          |
| Accounts payable and outstanding checks   | 68,039                          | 14,684            | 21,854            |
| Accrued compensation and profit-sharing contribution                              | 20,008                          | 6,658             | (1,865)           |
| Accrued income taxes and other  | (3,199)                         | 7,688             | (6,222)           |
| <b>Net cash provided by operating activities</b>                                  | <b>429,712</b>                  | <b>344,779</b>    | <b>372,571</b>    |
| <b>INVESTING ACTIVITIES</b>   |                                 |                   |                   |
| Purchases of property and equipment   | (35,932)                        | (17,718)          | (30,362)          |
| Purchases and development of software   | (16,874)                        | (10,959)          | (4,104)           |
| Cash paid for acquisitions, net of cash acquired                                  | 0                               | 0                 | (41,145)          |
| Purchases of available-for-sale securities  | 0                               | (10,752)          | (52,437)          |
| Sales/maturities of available-for-sale securities                                 | 9,311                           | 53,111            | 3,975             |
| Restricted cash   | 5,000                           | (5,000)           | 0                 |
| Other   | 182                             | (84)              | 185               |
| <b>Net cash (used for) provided by investing activities</b>                       | <b>(38,313)</b>                 | <b>8,598</b>      | <b>(123,888)</b>  |
| <b>FINANCING ACTIVITIES</b>   |                                 |                   |                   |
| Proceeds from stock issued for employee benefit plans                             | 9,596                           | 17,733            | 17,741            |
| Payment of contingent purchase price  | (4,318)                         | 0                 | 0                 |
| Repurchase of common stock  | (240,934)                       | (151,057)         | (266,906)         |
| Cash dividends  | (194,697)                       | (168,902)         | (162,865)         |
| Excess tax benefit on stock-based compensation                                    | 15,255                          | 13,092            | 9,966             |
| Proceeds from short-term borrowings   | 0                               | 0                 | 1,341             |
| Payments on short-term borrowings   | 0                               | 0                 | (1,341)           |
| <b>Net cash used for financing activities</b>                                     | <b>(415,098)</b>                | <b>(289,134)</b>  | <b>(402,064)</b>  |
| Effect of exchange rates on cash  | (1,239)                         | (2,944)           | (4,054)           |
| <b>Net (decrease) increase in cash and cash equivalents</b>                       | <b>(24,938)</b>                 | <b>61,299</b>     | <b>(157,435)</b>  |
| <b>Cash and cash equivalents, beginning of year</b>                               | <b>398,607</b>                  | <b>337,308</b>    | <b>494,743</b>    |
| <b>Cash and cash equivalents, end of year</b>                                     | <b>\$ 373,669</b>               | <b>\$ 398,607</b> | <b>\$ 337,308</b> |
| Cash paid for income taxes  | \$ 256,437                      | \$ 203,398        | \$ 224,750        |

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|                        |    |       |    |    |    |     |
|------------------------|----|-------|----|----|----|-----|
| Cash paid for interest | \$ | 1,274 | \$ | 21 | \$ | 189 |
|------------------------|----|-------|----|----|----|-----|

*See accompanying notes to the consolidated financial statements.*

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**C.H. ROBINSON WORLDWIDE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION.** C.H. Robinson Worldwide, Inc. and our subsidiaries ( the company, we, us, or our ) are a global provider of transportation services and logistics solutions through a network of 235 branch offices operating in North America, Europe, Asia, South America, Australia, and the Middle East. The consolidated financial statements include the accounts of C.H. Robinson Worldwide, Inc. and our majority owned and controlled subsidiaries. Our minority interests in subsidiaries are not significant. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

**USE OF ESTIMATES.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. We are also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our ultimate results could differ from those estimates.

**REVENUE RECOGNITION.** Total revenues consist of the total dollar value of goods and services purchased from us by customers. Net revenues are total revenues less the direct costs of transportation, products, and handling. We act principally as the service provider for these transactions and recognize revenue as these services are rendered or goods are delivered. At that time, our obligations to the transactions are completed and collection of receivables is reasonably assured. Most transactions in our Transportation and Sourcing businesses are recorded at the gross amount we charge our customers for the service we provide and goods we sell. In these transactions, we are the primary obligor, we have credit risk, we have discretion to select the supplier, and we have latitude in pricing decisions. Additionally, in our Sourcing business, we take loss of inventory risk during shipment and have general inventory risk. Certain transactions in customs brokerage, transportation management, and all transactions in Payment Services are recorded at the net amount we charge our customers for the service we provide because many of the factors stated above are not present.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS.** Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. We continuously monitor payments from our customers and maintain a provision for uncollectible accounts based upon our customer aging trends, historical loss experience, and any specific customer collection issues that we have identified.

**FOREIGN CURRENCY.** Most balance sheet accounts of foreign subsidiaries are translated or remeasured 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.

**SEGMENT REPORTING AND GEOGRAPHIC INFORMATION.** We operate in the transportation and logistics industry. We provide a wide range of products and services to our customers and contract carriers including transportation services, produce sourcing, freight consolidation, contract warehousing, and information services. Each of these is a significant component to optimizing logistics solutions for our customers.

These services are performed throughout our branch offices by the same group of people, as an integrated offering for which our customers are typically provided a single invoice. Our branches work together to complete transactions and collectively meet the needs of our customers. For large multi-location customers, we often coordinate our efforts in one branch and rely on multiple branch locations to deliver specific geographic or modal needs. As an example, approximately 40 percent of our truckload transactions are shared transactions between branches. In addition, our methodology of providing services is very similar across all branches. The majority of our global network operates on a common technology platform that is used to match customer needs with supplier capabilities, to collaborate with other branch locations, and to utilize centralized support resources to

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complete all facets of the transaction. Accordingly, our chief operating decision maker analyzes our business as a single segment relying on net revenues and operating income across our network of branch offices as the primary performance measures.

The following table presents our total 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):

|                 | 2011          | 2010         | 2009         |
|-----------------|---------------|--------------|--------------|
| Total revenues  |               |              |              |
| United States   | \$ 9,488,165  | \$ 8,298,324 | \$ 6,800,523 |
| Other locations | 848,181       | 975,981      | 776,666      |
|                 | \$ 10,336,346 | \$ 9,274,305 | \$ 7,577,189 |

|                   | 2011       | 2010       | 2009       |
|-------------------|------------|------------|------------|
| Long-lived assets |            |            |            |
| United States     | \$ 156,471 | \$ 135,312 | \$ 136,742 |
| Other locations   | 10,337     | 11,667     | 14,148     |
|                   | \$ 166,808 | \$ 146,979 | \$ 150,890 |

**CASH AND CASH EQUIVALENTS.** Cash and cash equivalents consist primarily of tax exempt and treasury money market funds. The carrying amount approximates fair value due to the short maturity of the instruments.

**PREPAID EXPENSES AND OTHER.** Prepaid expenses and other include such items as prepaid rent, software maintenance contracts, insurance premiums, other prepaid operating expenses, and inventories, consisting primarily of produce and related products held for resale.

**PROPERTY AND EQUIPMENT.** Property and equipment are recorded at cost. Maintenance and repair expenditures are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated lives of the assets of 3 to 30 years. Amortization of leasehold improvements is computed over the shorter of the lease term or the estimated useful lives of the improvements.

We recognized the following depreciation expense (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 23,410 |
| 2010 | 20,393    |
| 2009 | 19,296    |

A summary of our property and equipment as of December 31 is as follows (in thousands):

|                                    | 2011       | 2010       |
|------------------------------------|------------|------------|
| Furniture, fixtures, and equipment | \$ 115,751 | \$ 136,731 |
| Buildings                          | 55,682     | 55,529     |
| Corporate aircraft                 | 11,334     | 9,184      |
| Leasehold improvements             | 17,781     | 15,800     |
| Land                               | 14,841     | 14,841     |
| Construction in progress           | 4,684      | 1,145      |
| Less accumulated depreciation      | (93,243)   | (118,897)  |

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|                            |            |            |
|----------------------------|------------|------------|
| Net property and equipment | \$ 126,830 | \$ 114,333 |
|----------------------------|------------|------------|

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In 2011, we acquired a new corporate aircraft which also involved the trade-in of our existing aircraft. The total purchase price of the new aircraft was \$11.3 million, and included a \$4.0 million trade-in allowance. The total cash paid for the new aircraft was \$7.3 million.

**INTANGIBLE ASSETS.** Goodwill is the difference between the purchase price of a company and the fair market value of the acquired company's net identifiable assets. Other intangible assets include customer lists, contract carrier lists, and non-competition agreements. These intangible assets are being amortized using the straight-line method over their estimated lives, ranging from three to five years. Goodwill is not amortized, but is tested for impairment using a fair value approach. Goodwill is tested for impairment annually or more frequently if events warrant. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See Note 3.

**OTHER ASSETS.** Other assets include such items as purchased and internally developed software, and the investments related to our nonqualified deferred compensation plan. We amortize software using the straight-line method over three years. We recognized the following amortization expense of purchased and internally developed software (in thousands):

|      |          |
|------|----------|
| 2011 | \$ 5,180 |
| 2010 | 4,047    |
| 2009 | 3,957    |

A summary of our purchased and internally developed software as of December 31 is as follows (in thousands):

|                               | 2011      | 2010      |
|-------------------------------|-----------|-----------|
| Purchased software            | \$ 14,111 | \$ 22,161 |
| Internally developed software | 28,140    | 16,882    |
| Less accumulated amortization | (17,392)  | (24,716)  |
| Net software                  | \$ 24,859 | \$ 14,327 |

**INCOME TAXES.** Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued.

The financial statement effects of an uncertain income tax position are recognized when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Other tax contingencies are accrued for when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The current portion of uncertain income tax positions is included in *Income taxes and other* and the long-term portion is included in *Noncurrent income taxes payable* in the consolidated balance sheets.

Provisions are made for U.S. taxes on undistributed earnings of foreign subsidiaries and related companies.

**COMPREHENSIVE INCOME.** Comprehensive income includes any changes in the equity of an enterprise from transactions and other events and circumstances from non-owner sources. Our two components of other comprehensive income are foreign currency translation adjustment and unrealized gains and losses from investments. They are presented on our consolidated statements of stockholders' investment.

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**STOCK-BASED COMPENSATION.** The fair value of each share-based payment award is established on the date of grant. For grants of restricted shares and restricted units, the fair value is established based on the market price on the date of the grant, discounted for post-vesting holding restrictions. The discounts have varied from 12 percent to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in measured stock volatility and interest rates are the primary reason for changes in the discount.

For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate, and expected dividends.

**NOTE 2: AVAILABLE-FOR-SALE SECURITIES**

Our investments consist of investment-grade marketable debt securities. The majority of these investments are classified as short-term based on their highly liquid nature and because these securities represent the investment of cash that is available for current operations. They are classified as available-for-sale and recorded at fair value. As of December 31, 2011 we had no available-for-sale securities. As of December 31, 2010, we had \$9.3 million in available-for-sale securities. Unrealized holding gains and losses are recorded, net of any tax effect, as a separate component of accumulated other comprehensive income. Unrealized gains and losses on available-for-sale securities were not material as of December 31, 2011 and 2010. The total realized gains and losses on sales of available-for-sale securities were not material for the years ended December 31, 2011, 2010, and 2009.

**NOTE 3: GOODWILL AND OTHER INTANGIBLE ASSETS**

The change in the carrying amount of goodwill is as follows (in thousands):

|                            | 2011       | 2010       |
|----------------------------|------------|------------|
| Balance, beginning of year | \$ 359,116 | \$ 361,666 |
| Acquisitions               | 2,009      | 0          |
| Translation                | (1,437)    | (2,550)    |
| Balance, end of year       | \$ 359,688 | \$ 359,116 |

We complete an impairment test on goodwill annually. This impairment test did not result in any impairment losses. There is no aggregate goodwill impairment for any of the periods presented in our financial statements.

A summary of our other intangible assets, with finite lives, which include primarily non-competition agreements and customer relationships, as of December 31 is as follows (in thousands):

|                          | 2011      | 2010      |
|--------------------------|-----------|-----------|
| Gross                    | \$ 17,862 | \$ 25,569 |
| Accumulated amortization | (9,708)   | (13,874)  |
| Net                      | \$ 8,154  | \$ 11,695 |

Other intangible assets, with indefinite lives, are as follows (in thousands):

|            | 2011     | 2010     |
|------------|----------|----------|
| Trademarks | \$ 1,875 | \$ 1,800 |



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Amortization expense for other intangible assets was:

|      |          |
|------|----------|
| 2011 | \$ 3,908 |
| 2010 | 4,929    |
| 2009 | 7,262    |

Intangible assets at December 31, 2011 will be amortized over the next five years, and that expense is as follows (in thousands):

|      |          |
|------|----------|
| 2012 | \$ 3,194 |
| 2013 | 2,986    |
| 2014 | 1,851    |
| 2015 | 70       |
| 2016 | 53       |

|       |          |
|-------|----------|
| Total | \$ 8,154 |
|-------|----------|

**NOTE 4: FAIR VALUE MEASUREMENT**

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets. A financial asset or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The following table presents information as of December 31, 2011, about our financial assets and liabilities that are measured at fair value on a recurring basis, according to the valuation techniques we used to determine their fair values.

|   | Level 1 | Level 2 | Level 3   | Total Fair Value |
|---|---------|---------|-----------|------------------|
| December 31, 2011                                 |         |         |           |                  |
| Contingent purchase price related to acquisitions | \$ 0    | \$ 0    | \$ 13,070 | \$ 13,070        |
| Total liabilities at fair value                   | \$ 0    | \$ 0    | \$ 13,070 | \$ 13,070        |

|                   | Level 1 | Level 2 | Level 3 | Total Fair Value |
|-------------------|---------|---------|---------|------------------|
| December 31, 2010 |         |         |         |                  |

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Debt securities- available-for-sale:

|   |             |                 |                  |                  |
|---|-------------|-----------------|------------------|------------------|
| State and municipal obligations                   | \$ 0        | \$ 8,370        | \$ 0             | \$ 8,370         |
| Corporate bonds                                   | 0           | 920             | 0                | 920              |
| <b>Total assets at fair value</b>                 | <b>\$ 0</b> | <b>\$ 9,290</b> | <b>\$ 0</b>      | <b>\$ 9,290</b>  |
| Contingent purchase price related to acquisitions | 0           | 0               | 16,623           | 16,623           |
| <b>Total liabilities at fair value</b>            | <b>\$ 0</b> | <b>\$ 0</b>     | <b>\$ 16,623</b> | <b>\$ 16,623</b> |

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The estimated fair values of debt securities held as available-for-sale are based on other market data for comparable instruments and the transactions related in establishing the prices. In measuring the fair value of the contingent payment liability, we used an income approach that considers the expected future earnings of the acquired businesses and the resulting contingent payments, discounted at a risk-adjusted rate.

The table below sets forth a reconciliation of our beginning and ending Level 3 financial liability balance.

|   | 2011             | 2010             | 2009             |
|---|------------------|------------------|------------------|
| Balance, beginning of period                  | \$ 16,623        | \$ 14,658        | \$ 0             |
| Acquisition related contingent purchase price | 0                | 0                | 14,015           |
| Payments of contingent purchase price         | (4,318)          | (445)            | 0                |
| Total unrealized losses included in earnings  | 765              | 2,410            | 643              |
| <b>Balance, end of period</b>                 | <b>\$ 13,070</b> | <b>\$ 16,623</b> | <b>\$ 14,658</b> |

**NOTE 5: INCOME TAXES**

C.H. Robinson Worldwide, Inc. and its 80 percent (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. With few exceptions, we are no longer subject to audits of U.S. federal, state and local, or non-U.S. income tax returns before 2005.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in thousands):

|  | 2011            | 2010            | 2009            |
|--|-----------------|-----------------|-----------------|
| Unrecognized tax benefits, beginning of period               | \$ 7,595        | \$ 7,776        | \$ 7,214        |
| Additions based on tax positions related to the current year | 1,476           | 1,891           | 1,827           |
| Additions for tax positions of prior years                   | 290             | 1,565           | 0               |
| Reductions for tax positions of prior years                  | (1,005)         | (1,544)         | (60)            |
| Lapse in statute of limitations                              | (688)           | (2,093)         | (1,191)         |
| Settlements  | 0               | 0               | (14)            |
| <b>Unrecognized tax benefits, end of the period</b>          | <b>\$ 7,668</b> | <b>\$ 7,595</b> | <b>\$ 7,776</b> |

As of December 31, 2011, we had \$10.5 million of unrecognized tax benefits and related interest and penalties, all of which would affect our effective tax rate if recognized. We are not aware of any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefit will significantly increase or decrease in the next twelve months.

Income tax expense considers amounts which may be needed to cover exposures for open tax years. We do not expect any material impact related to open tax years; however, actual settlements may differ from amounts accrued.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes. During the years ended December 31, 2011, 2010, and 2009, we recognized approximately \$0.8 million, and \$1.5 million, and \$0.7 million in interest and penalties. We had approximately \$2.8 million and \$3.1 million for the payment of interest and penalties accrued within noncurrent taxes payable as of December 31, 2011 and 2010. These amounts are not included in the reconciliation above.

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The components of the provision for income taxes consist of the following for the years ended December 31 (in thousands):

|                              | 2011              | 2010              | 2009              |
|------------------------------|-------------------|-------------------|-------------------|
| Tax provision:               |                   |                   |                   |
| Federal                      | \$ 219,124        | \$ 195,843        | \$ 191,154        |
| State                        | 28,260            | 25,492            | 25,436            |
| Foreign                      | 9,958             | 8,167             | 10,271            |
|                              | 257,342           | 229,502           | 226,861           |
| Deferred provision (benefit) | 5,750             | 7,574             | (630)             |
| <b>Total provision</b>       | <b>\$ 263,092</b> | <b>\$ 237,076</b> | <b>\$ 226,231</b> |

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

|  | 2011  | 2010  | 2009  |
|--|-------|-------|-------|
| Federal statutory rate                     | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 2.7   | 2.7   | 2.8   |
| Other                                      | 0.2   | 0.3   | 0.7   |
|  | 37.9% | 38.0% | 38.5% |

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

|  | 2011            | 2010             |
|--|-----------------|------------------|
| Deferred tax assets:                           |                 |                  |
| Compensation                                   | \$ 80,577       | \$ 70,915        |
| Receivables                                    | 10,375          | 10,430           |
| Other  | 7,992           | 5,307            |
| Deferred tax liabilities:                      |                 |                  |
| Intangible assets                              | (59,122)        | (49,447)         |
| Prepaid assets                                 | (8,476)         | (8,997)          |
| Long-lived assets                              | (18,463)        | (10,095)         |
| Undistributed earnings of foreign subsidiaries | (5,324)         | (4,807)          |
| Other  | (7)             | (4)              |
| <b>Net deferred tax assets</b>                 | <b>\$ 7,552</b> | <b>\$ 13,302</b> |

We have foreign net operating loss carryforwards with a tax effect of \$3.8 million. A full valuation allowance has been established for these net operating loss carryforwards due to the uncertainty of the use of the tax benefit in future periods.

**NOTE 6: CAPITAL STOCK AND STOCK AWARD PLANS**

**PREFERRED STOCK.** Our Certificate of Incorporation authorizes the issuance of 20,000,000 shares of Preferred Stock, par value \$.10 per share. There are no shares of Preferred Stock outstanding. The Preferred Stock may be issued by resolution of our Board of Directors at any time without any action of the stockholders. The Board of Directors may issue the Preferred Stock in one or more series and fix the designation and relative powers. These include voting powers, preferences, rights, qualifications, limitations, and restrictions of each series. The issuance of any such series may have an adverse effect on the rights of holders of Common Stock and may impede the completion of a merger, tender offer, or

other takeover attempt.

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**COMMON STOCK.** Our Certificate of Incorporation authorizes 480,000,000 shares of Common Stock, par value \$.10 per share. Subject to the rights of Preferred Stock which may from time to time be 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 their share of the net assets of the company legally available for distribution upon liquidation or dissolution.

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

**STOCK AWARD PLANS.** Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense as it vests. A summary of our total compensation expense recognized in our statements of operations for stock-based compensation is as follows (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 38,601 |
| 2010 | 37,047    |
| 2009 | 21,267    |

Our 1997 Omnibus Stock Plan allows us to grant certain stock awards, including stock options at fair market value and restricted shares and units, to our key employees and outside directors. A maximum of 28,000,000 shares can be granted under this plan; approximately 5,509,000 shares were available for stock awards as of December 31, 2011, which cover stock options and restricted stock awards. Awards that expire or are cancelled without delivery of shares generally become available for issuance under the plans.

We have awarded performance-based stock options to certain key employees. These options are subject to certain vesting requirements over a five-year period, based on the company's earnings growth. Any options remaining unvested at the end of the five year vesting period are forfeited to the company. Although participants can exercise options via a stock swap exercise, we do not issue reloads (restoration options) on the grants from 2011.

The fair value of these options is established based on the market price on the date of grant, discounted for post-vesting holding restrictions, calculated using the Black-Scholes option pricing model. Changes in measured stock price volatility and interest rates are the primary reasons for changes in the discount. These grants are being expensed based on the terms of the awards. As of December 31, 2011, unrecognized compensation expense related to stock options was \$14.3 million. The amount of future expense to be recognized will be based on the company's earnings growth and certain other conditions.

The following schedule summarizes stock option activity in the plan. All outstanding unvested options as of December 31, 2011 relate to the performance-based grants from 2011.

|                                  | Shares    | Weighted<br>Average<br>Exercise<br>Price | Aggregate<br>Intrinsic<br>Value<br>(in thousands) | Average<br>Remaining<br>Life<br>(years) |
|----------------------------------|-----------|--|---|---|
| December 31, 2010                | 971,393   | \$ 23.79                                 |   |   |
| Grants                           | 924,300   | 68.82                                    |   |   |
| Exercised                        | (371,169) | 20.72                                    |   |   |
| Terminated                       | (1,900)   | 76.69                                    |   |   |
| Outstanding at December 31, 2011 | 1,522,624 | \$ 51.81                                 | \$ 27,368   | 6.31                                    |
| Vested at December 31, 2011      | 610,407   | \$ 26.41                                 | \$ 26,483   | 0.89                                    |
| Exercisable at December 31, 2011 | 610,407   | \$ 26.41                                 | \$ 26,483   | 0.89                                    |



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Information on the intrinsic value of options exercised is as follows (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 20,097 |
| 2010 | 43,485    |
| 2009 | 41,007    |

The fair value per option was estimated using the Black-Scholes option pricing model with the following assumptions:

|   | 2011 Grants     | 2010 Grants    | 2009 Grants    |
|---|-----------------|----------------|----------------|
| Risk-free interest rate                       | .12-1.22%       | .47-1.07%      | .92-1.3%       |
| Dividend per share (quarterly amounts)        | \$ .29-.33      | \$ .25-.29     | \$ .24-.25     |
| Expected volatility factor                    | 27.5-29.93%     | 30.2-31.2%     | 32.7-33.8%     |
| Expected option term                          | .01-6 years     | .01-3 years    | .02-4 years    |
| <b>Weighted average fair value per option</b> | <b>\$ 15.58</b> | <b>\$ 9.43</b> | <b>\$ 9.06</b> |

**RESTRICTED STOCK GRANTS.** We have awarded performance-based restricted shares and restricted units to certain key employees and non-employee directors. These restricted shares and restricted units are subject to certain vesting requirements over a five-year period, based on the company's earnings growth. The awards also contain restrictions on the awardees' ability to sell or transfer vested shares or units for a specified period of time. The fair value of these shares is established based on the market price on the date of grant, discounted for post-vesting holding restrictions. The discounts have varied from 12 to 22 percent and are calculated using the Black-Scholes option pricing model. Changes in measured stock price volatility and interest rates are the primary reasons for changes in the discount. These grants are being expensed based on the terms of the awards.

The following table summarizes our nonvested performance-based restricted stock grants as of December 31, 2011:

|                                       | Number of Restricted Shares and Units | Weighted Average Grant Date Fair Value |
|---------------------------------------|---------------------------------------|--|
| Nonvested at December 31, 2010        | 3,673,879                             | \$ 45.57                               |
| Granted                               | 681,726                               | 53.80                                  |
| Vested                                | (741,931)                             | 44.72                                  |
| Forfeitures                           | (168,423)                             | 42.09                                  |
| <b>Nonvested at December 31, 2011</b> | <b>3,445,251</b>                      | <b>\$ 47.56</b>                        |

The following table summarizes performance-based shares and units by year of grant:

| Year of grant | First vesting date | Last vesting date | Shares and units granted, net of forfeitures | Weighted average grant date fair value | Shares and units nonvested |
|---------------|--------------------|-------------------|--|--|----------------------------|
| 2008          | December 31, 2008  | December 31, 2012 | 7,848  | \$ 42.60                               | 3,610                      |
| 2008          | December 31, 2009  | December 31, 2013 | 2,356,784                                    | 39.66                                  | 1,484,774                  |
| 2009          | December 31, 2010  | December 31, 2014 | 936,713                                      | 44.06                                  | 655,698                    |
| 2010          | December 31, 2011  | December 31, 2015 | 758,315                                      | 63.28                                  | 629,400                    |
| 2011          | December 31, 2012  | December 31, 2016 | 671,769                                      | 53.73                                  | 671,769                    |
|               |                    |                   | 4,731,429                                    | \$ 47.56                               | 3,445,251                  |



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We have also awarded restricted shares and units to certain key employees that vest primarily based on their continued employment. The value of these awards is established by the market price on the date of the grant and is being expensed over the vesting period of the award. The following table summarizes these nonvested restricted stock grants as of December 31, 2011:

|                                | Number of Restricted<br>Shares and Units | Weighted Average<br>Grant Date Fair Value |
|--------------------------------|--|---|
| Nonvested at December 31, 2010 | 138,391                                  | \$ 19.33                                  |
| Granted                        | 4,527                                    | 66.27                                     |
| Vested                         | (43,456)                                 | 27.11                                     |
| Nonvested at December 31, 2011 | 99,462                                   | \$ 18.07                                  |

We have also issued to certain key employees and non-employee directors restricted units which are fully vested upon issuance. These shares and units contain restrictions on the awardees' ability to sell or transfer vested shares or units for a specified period of time. The fair value of these shares is established using the same method discussed above. These grants have been expensed during the year they were earned.

A summary of the fair value of restricted stock vested (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 35,663 |
| 2010 | 34,056    |
| 2009 | 18,223    |

As of December 31, 2011, there is unrecognized compensation expense of \$165.6 million related to previously granted restricted shares and units. The amount of future expense to be recognized will be based on the company's earnings growth and certain other conditions.

**EMPLOYEE STOCK PURCHASE PLAN.** Our 1997 Employee Stock Purchase Plan allows our employees to contribute up to \$10,000 of their annual cash compensation to purchase company stock. Purchase price is determined using the closing price on the last day of the quarter discounted by 15 percent. Shares are vested immediately. The following is a summary of the employee stock purchase plan activity (dollar amounts in thousands):

|      | Shares purchased<br>by employees | Aggregate cost<br>to employees | Expense recognized<br>by the company |
|------|----------------------------------|--------------------------------|--------------------------------------|
| 2011 | 196,332                          | \$ 12,183                      | \$ 2,150                             |
| 2010 | 215,054                          | 11,273                         | 1,989                                |
| 2009 | 240,505                          | 10,472                         | 1,848                                |

**SHARE REPURCHASE PROGRAMS.** During 2007 and 2009, our Board of Directors authorized stock repurchase programs that allow management to repurchase 10,000,000 shares under each authorization for reissuance upon the exercise of employee stock options and other stock plans. There are no shares remaining to repurchase under the 2007 authorization. The activity under those programs for each of the periods reported is as follows (dollar amounts in thousands):

|                | Shares repurchased | Total value of shares<br>repurchased |
|----------------|--------------------|--------------------------------------|
| 2007 Program   |                    |                                      |
| 2008 Purchases | 3,720,704          | \$ 200,800                           |
| 2009 Purchases | 5,101,747          | 266,900                              |
| 2010 Purchases | 1,114,849          | 60,600                               |



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|                | Shares repurchased | Total value of shares repurchased |
|----------------|--------------------|-----------------------------------|
| 2009 Program   |                    |                                   |
| 2010 Purchases | 1,394,831          | \$ 90,500                         |
| 2011 Purchases | 3,540,171          | 246,935                           |

As of December 31, 2011, there were 5,064,998 shares remaining for repurchase under this authorization. We are currently purchasing shares under this 2009 authorization.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**EMPLOYEE BENEFIT PLANS.** We offer a defined contribution profit-sharing and savings plan which qualifies under section 401(k) of the Internal Revenue Code and covers all eligible U.S. employees. Annual profit-sharing contributions are determined by us, in accordance with the provisions of the plan. We can also elect to make matching contributions to the plan. Profit-sharing plan expense, including matching contributions, was approximately (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 30,550 |
| 2010 | 28,293    |
| 2009 | 24,152    |

We have committed to a profit sharing match of four percent of eligible compensation in 2012.

**NONQUALIFIED DEFERRED COMPENSATION PLAN.** The Robinson Companies Nonqualified Deferred Compensation Plan provided certain employees the opportunity to defer a specified percentage or dollar amount of their cash and stock compensation. Participants could elect to defer up to 100 percent of their cash compensation. The accumulated benefit obligation was \$1.0 million as of December 31, 2011 and 2010. We have purchased investments to fund the future liability. The investments had an aggregate market value of \$1.0 million as of December 31, 2011 and 2010 and are included in other assets in the consolidated balance sheets. In addition, all restricted shares granted but not yet delivered or not yet forfeited are also held within this plan.

**LEASE COMMITMENTS.** We lease certain facilities and equipment under operating leases.

Information regarding our lease expense is as follows (in thousands):

|      |           |
|------|-----------|
| 2011 | \$ 40,375 |
| 2010 | 36,945    |
| 2009 | 35,345    |

Minimum future lease commitments under noncancelable lease agreements in excess of one year as of December 31, 2011, are as follows (in thousands):

|              |                   |
|--------------|-------------------|
| 2012         | 31,787            |
| 2013         | 28,755            |
| 2014         | 25,400            |
| 2015         | 20,222            |
| 2016         | 15,470            |
| Thereafter   | 20,913            |
| <b>Total</b> | <b>\$ 142,547</b> |

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In addition to minimum lease payments, we are typically responsible under our lease agreements to pay our pro rata share of maintenance expenses, common charges, and real estate taxes of the buildings we lease space in.

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**LITIGATION.** We are not subject to any pending or threatened litigation other than routine litigation arising in the ordinary course of our business operations, including five contingent auto liability cases. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the inconsistent treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations, or cash flows.

**NOTE 8: ACQUISITIONS**

In September 2011, we acquired substantially all of the assets of Timco Worldwide in exchange for the assumption of approximately \$3.8 million of liabilities. Timco Worldwide was a melon category provider in Davis, California. We recorded \$2.4 million of goodwill and other intangible assets related to this acquisition. All goodwill and other intangible assets related to this acquisition are tax deductible over 15 years.

In June 2009, we acquired the operating subsidiaries of Walker, an international freight forwarder headquartered in London, England. The purchase price, net of cash acquired, was \$9.8 million. Goodwill recognized in this transaction amounted to \$9.0 million. Other intangible assets amounted to \$2.2 million. All goodwill and other intangible assets related to this acquisition are tax deductible over 15 years.

In July 2009, we acquired certain assets of ITC, based in Laredo, Texas. ITC was a United States customs brokerage company specializing in warehousing and distribution and cross-border services between the United States and Mexico. The purchase price was \$7.0 million. Goodwill recognized in this transaction amounted to \$3.9 million. Other intangible assets amount to \$0.8 million. All goodwill and other intangible assets related to this acquisition are tax deductible over 15 years.

In September 2009, we acquired certain assets of Rosemont Farms Corporation, Inc., a produce marketing company, and an affiliated company Quality Logistics, LLC, a transportation provider that focused on produce transportation, both headquartered in Boca Raton, Florida. Cash paid at acquisition was \$29.0 million. Goodwill recognized in this transaction amounted to \$23.6 million. Other intangible assets amount to \$8.0 million. All goodwill and other intangible assets related to this acquisition are tax deductible over 15 years.

Our results of operations were not materially impacted by any of these acquisitions individually or in aggregate. The results of operations and financial condition of these acquisitions have been included in our consolidated financial statements since their acquisition dates.

**Table of Contents****NOTE 9: SUPPLEMENTARY DATA**

Our unaudited results of operations for each of the quarters in the years ended December 31, 2011 and 2010 are summarized below (in thousands, except per share data).

| <b>2011</b>   | <b>March 31</b>  | <b>June 30</b>   | <b>September 30</b> | <b>December 31</b> |
|---|------------------|------------------|---------------------|--------------------|
| <b>Total revenues:</b>                              |                  |                  |                     |                    |
| Transportation                                      | \$ 1,991,022     | \$ 2,269,036     | \$ 2,280,208        | \$ 2,200,258       |
| Sourcing  | 360,028          | 423,536          | 399,220             | 352,744            |
| Payment Services                                    | 14,422           | 15,090           | 15,500              | 15,282             |
| <b>Total revenues</b>                               | <b>2,365,472</b> | <b>2,707,662</b> | <b>2,694,928</b>    | <b>2,568,284</b>   |
| <b>Costs and expenses:</b>                          |                  |                  |                     |                    |
| Purchased transportation and related services       | 1,648,102        | 1,901,189        | 1,905,731           | 1,841,586          |
| Purchased products sourced for resale               | 327,029          | 388,607          | 366,131             | 325,313            |
| Personnel expenses                                  | 175,109          | 178,945          | 178,117             | 164,062            |
| Other selling, general, and administrative expenses | 58,517           | 58,826           | 60,984              | 65,368             |
| <b>Total costs and expenses</b>                     | <b>2,208,757</b> | <b>2,527,567</b> | <b>2,510,963</b>    | <b>2,396,329</b>   |
| Income from operations                              | 156,715          | 180,095          | 183,965             | 171,955            |
| Net income  | \$ 97,028        | \$ 111,023       | \$ 114,347          | \$ 109,214         |
| Basic net income per share                          | \$ 0.59          | \$ 0.67          | \$ 0.70             | \$ 0.67            |
| Diluted net income per share                        | \$ 0.59          | \$ 0.67          | \$ 0.70             | \$ 0.67            |
| Basic weighted average shares outstanding           | 165,124          | 164,607          | 163,948             | 162,919            |
| Dilutive effect of outstanding stock awards         | 640              | 587              | 523                 | 906                |
| Diluted weighted average shares outstanding         | 165,764          | 165,194          | 164,471             | 163,825            |
| <b>Market price range of common stock:</b>          |                  |                  |                     |                    |
| High  | \$ 82.05         | \$ 81.53         | \$ 82.61            | \$ 76.76           |
| Low   | \$ 70.32         | \$ 73.30         | \$ 62.30            | \$ 63.21           |

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| <b>2010</b>   | <b>March 31</b>  | <b>June 30</b>   | <b>September 30</b> | <b>December 31</b> |
|---|------------------|------------------|---------------------|--------------------|
| <b>Total revenues:</b>                              |                  |                  |                     |                    |
| Transportation                                      | \$ 1,639,236     | \$ 1,963,944     | \$ 2,026,154        | \$ 1,946,325       |
| Sourcing  | 422,655          | 476,074          | 380,108             | 364,337            |
| Payment Services                                    | 12,726           | 13,964           | 14,095              | 14,687             |
| <b>Total revenues</b>                               | <b>2,074,617</b> | <b>2,453,982</b> | <b>2,420,357</b>    | <b>2,325,349</b>   |
| <b>Costs and expenses:</b>                          |                  |                  |                     |                    |
| Purchased transportation and related services       | 1,354,299        | 1,654,089        | 1,689,590           | 1,604,552          |
| Purchased products sourced for resale               | 387,717          | 435,260          | 348,187             | 332,633            |
| Personnel expenses                                  | 146,755          | 154,091          | 161,947             | 169,271            |
| Other selling, general, and administrative expenses | 49,839           | 54,087           | 54,300              | 54,828             |
| <b>Total costs and expenses</b>                     | <b>1,938,610</b> | <b>2,297,527</b> | <b>2,254,024</b>    | <b>2,161,284</b>   |
| <b>Income from operations</b>                       | <b>136,007</b>   | <b>156,455</b>   | <b>166,333</b>      | <b>164,065</b>     |
| <b>Net income</b>                                   | <b>\$ 84,012</b> | <b>\$ 97,226</b> | <b>\$ 102,627</b>   | <b>\$ 103,161</b>  |
| <b>Basic net income per share</b>                   | <b>\$ 0.51</b>   | <b>\$ 0.59</b>   | <b>\$ 0.62</b>      | <b>\$ 0.63</b>     |
| <b>Diluted net income per share</b>                 | <b>\$ 0.50</b>   | <b>\$ 0.59</b>   | <b>\$ 0.62</b>      | <b>\$ 0.62</b>     |
| <b>Basic weighted average shares outstanding</b>    | <b>165,440</b>   | <b>164,749</b>   | <b>164,691</b>      | <b>164,729</b>     |
| <b>Dilutive effect of outstanding stock awards</b>  | <b>1,135</b>     | <b>1,016</b>     | <b>885</b>          | <b>1,346</b>       |
| <b>Diluted weighted average shares outstanding</b>  | <b>166,575</b>   | <b>165,765</b>   | <b>165,576</b>      | <b>166,075</b>     |
| <b>Market price range of common stock:</b>          |                  |                  |                     |                    |
| High  | \$ 63.65         | \$ 62.15         | \$ 70.87            | \$ 81.02           |
| Low   | \$ 51.16         | \$ 53.89         | \$ 54.50            | \$ 68.74           |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**  
None.

**ITEM 9A. CONTROLS AND PROCEDURES**  
**Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

**Management's Report on Internal Controls Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

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Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of

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Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8.

**Changes in Internal Controls Over Financial Reporting**

There have not been any changes to the company's internal control over financial reporting during the fourth quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

**Table of Contents****PART III****ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information with respect to our Board of Directors contained under the heading "Election of Directors," and information contained under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement are incorporated in this Form 10-K by reference. Information with respect to our executive officers is provided in Part I, Item 1.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, directors, and all other company employees performing similar functions. This code of ethics, which is part of our corporate compliance program, is posted on the Investors page of our website at [www.chrobinson.com](http://www.chrobinson.com) under the caption "Code of Ethics."

We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the web address specified above.

**ITEM 11. EXECUTIVE COMPENSATION**

The information contained under the heading "Executive Compensation" in the Proxy Statement (except for the information set forth under the subcaption "Compensation Committee Report on Executive Compensation") is incorporated in this Form 10-K by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****(a) Equity Compensation Plans**

The following table summarizes share and exercise price information about our equity compensation plans as of December 31, 2011:

| <b>Plan Category</b>  | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</b> |
|---|--|--|--|
| Equity compensation plans approved by security holders <sup>(1)</sup> | 6,149,412  | \$ 51.81   | 5,508,999  |
| Equity compensation plans not approved by security holders            |  |  |  |
| <b>Total</b>  | <b>6,149,412</b>   | <b>\$ 51.81</b>  | <b>5,508,999</b>   |

(1) Includes stock available for issuance under our Employee Stock Purchase Plan, as well as options, restricted stock granted and shares that may become subject to future awards under our 1997 Omnibus Stock Plan. Specifically, 4,626,788 shares remain available under our Employee Stock Purchase Plan, and 1,522,624 options remain outstanding for future exercise. Under our 1997 Omnibus Stock Plan, 5,508,999 shares may become subject to future awards in the form of stock option grants or the issuance of restricted stock.

**(b) Security Ownership**

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The information contained under the heading Security Ownership of Certain Beneficial Owners and Management in the Proxy Statement is incorporated in this Form 10-K by reference.

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**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information contained under the heading "Related Party Transactions" in the Proxy Statement is incorporated in this Form 10-K by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information contained under the heading "Proposal Four: Ratification of Independent Auditors" in the Proxy Statement is incorporated in this Form 10-K by reference.

**Table of Contents****PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

(a) The following documents are filed as part of this report:

(1) The Company's 2011 Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.

(2) Financial Statement Schedules The following Financial Statement Schedule should be read in conjunction with the Consolidated Financial Statements and Report on Independent Registered Public Accounting Firm included in Part II, Item 8 of this Annual report on Form 10-K:

Schedule II Valuation and Qualifying Accounts

Schedules other than the one listed above are omitted due to the absence of conditions under which they are required or because the information called for is included in Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.

(3) Index to Exhibits See Exhibit Index on page 59 for a description of the documents that are filed as Exhibits to this report on Form 10-K or incorporated by reference herein. Any document incorporated by reference is identified by a parenthetical referencing the SEC filing which included the document. We will furnish a copy of any Exhibit at no cost to a security holder upon request.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

Report on Form 8-K, dated October 25, 2011, filed in connection with our release of earnings for the three months ended September 30, 2011.

Report on Form 8-K, dated December 8, 2011, announced that its Board of Directors today declared an increase to the regular quarterly cash dividend from 29 cents (\$0.29) per share to 33 cents (\$0.33) per share, payable on January 3, 2012, to shareholders of record on December 20, 2011.

(c) See Item 15(a)(3) above.

**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS**

Allowance for Doubtful Accounts

The transactions in the allowance for doubtful accounts for the years ended December 31, 2011, 2010, and 2009 were as follows (in thousands):

|                            | December 31,<br>2011 | December 31,<br>2010 | December 31,<br>2009 |
|----------------------------|----------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 30,945            | \$ 30,651            | \$ 29,263            |
| Provision                  | 9,052                | 13,922               | 16,685               |
| Write-offs                 | (8,669)              | (13,628)             | (15,297)             |
| Balance, end of year       | \$ 31,328            | \$ 30,945            | \$ 30,651            |



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**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 February 29, 2012.

**C.H. ROBINSON WORLDWIDE, INC.**

By: /s/ BEN G. CAMPBELL  
 Ben G. Campbell  
 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 February 29, 2012.

| Signature                                      | Title  |
|--|--|
| /s/ JOHN P. WIEHOFF<br><br>John P. Wiehoff     | Chief Executive Officer and Chairman of the Board (Principal Executive Officer)                                  |
| /s/ CHAD M. LINDBLOOM<br><br>Chad M. Lindbloom | Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |
| *<br><br>Scott P. Anderson                     | Director   |
| *<br><br>Robert Ezrilov                        | Director   |
| *<br><br>Wayne M. Fortun                       | Director   |
| *<br><br>David W. MacLennan                    | Director   |
| *<br><br>ReBecca Koenig Roloff                 | Director   |
| *<br><br>Brian P. Short                        | Director   |
| *<br><br>James B. Stake                        | Director   |

\*

Director

Michael W. Wickham

\*By: /s/ BEN G. CAMPBELL  
Ben G. Campbell  
Attorney-in-Fact

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**INDEX TO EXHIBITS**

| <b>Number</b> | <b>Description</b>   |
|---------------|--|
| 3.1           | Certificate of Incorporation of the Company (as amended on February 18, 2010) (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009)   |
| 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)  |
| 3.3           | Certificate of Designation of Series A Junior Participating Preferred Stock of the Company (Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)   |
| 4.1           | Form of Certificate for Common Stock (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)   |
| 4.2           | Amended and Restated Rights Agreement between the Company and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated September 10, 2007)  |
| 10.1          | 1997 Omnibus Stock Plan (as amended May 18, 2006) (Incorporated by reference to Appendix A to the Proxy Statement on Form DEF 14A filed on April 6, 2006)  |
| 10.2          | 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)   |
| 10.3          | C.H. Robinson Worldwide, Inc. Directors' Stock Plan (Incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998)   |
| 10.4          | Form of Management-Employee Agreement (Key Employee) (Incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007)   |
| 10.5          | Form of Management Confidentiality and Noncompetition Agreement (Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007)  |
| 10.6          | Form of Management Confidentiality and Noncompetition Agreement (Incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1, Registration No. 333-33731)  |
| 10.7          | C.H. Robinson Worldwide, Inc. 2010 Non-Equity Incentive Plan (Incorporated by reference to Appendix A to the Proxy Statement on Form DEF 14A filed on April 1, 2010)   |
| 10.8          | Robinson Companies Nonqualified Deferred Compensation Plan (Incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-8, Registration No. 333-47080 filed on September 29, 2000)   |
| 10.9          | Robinson Companies Nonqualified Deferred Compensation Plan Trust Agreement, dated January 1, 2001, by and between C.H. Robinson Worldwide, Inc. and American Express Trust Company (Incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000)      |
| 10.10         | Award of Deferred Shares into the Robinson Companies Nonqualified Deferred Compensation Plan, dated December 21, 2000, by and between C.H. Robinson Worldwide, Inc. and John P. Wiehoff (Incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000) |
| 10.11         | Form of Restricted Stock Award for U.S. Managerial Employees (Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008)  |

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| <b>Number</b> | <b>Description</b>  |
|---------------|---|
| 10.12         | Form of Restricted Unit Award for U.S. Managerial Employees(Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008)   |
| *10.13        | 2012 Form of Incentive Stock Option Agreement   |
| *10.14        | 2012 Form of Restricted Stock Award for U.S. Managerial Employees   |
| *10.15        | 2012 Form of Restricted Stock Award for Officers  |
| *21           | Subsidiaries of the Company   |
| *23.1         | Consent of Deloitte & Touche LLP  |
| *24           | Powers of Attorney  |
| *31.1         | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| *31.2         | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| *32.1         | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| *32.2         | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| *101          | The following financial statements from our Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 29, 2012, formatted in XBRL: (i) Consolidated Statement of Operations for the years ended December 31, 2011, 2010, and 2009, (ii) Consolidated Balance Sheets as of December 31, 2011 and 2010, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010, (iv) Consolidated Statements of Stockholders' Investment for the years ended 2011, 2010, and 2009, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text. |

\* Filed herewith  
Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K pursuant to Item 15(c) of the Form 10-K Report