C H ROBINSON WORLDWIDE INC
Form 10-Q
November 09, 2010
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

OR

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

FOR THE TRANSITION PERIOD FROM ______ TO ______

Commission File Number 000-23189

C.H. ROBINSON WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**41-1883630** **(I.R.S. Employer** **Identification No.)**
14701 Charlson Road, Eden Prairie, Minnesota **(Address of principal executive offices)**	**55347** **(Zip Code)**

(952) 937-8500

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No ¨

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	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 x

As of November 3, 2010, the number of shares outstanding of the registrant s Common Stock, par value $.10 per share, was 166,015,708.

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C.H. ROBINSON WORLDWIDE, INC.

FORM 10-Q

For the Quarter Ended September 30, 2010

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 249,433	$ 337,308
Available-for-sale securities	34,123	48,310
Receivables, net of allowance for doubtful accounts of $30,250 and $30,651	1,142,457	885,543
Deferred tax asset	4,142	6,454
Prepaid expenses and other	36,785	29,654
Total current assets	1,466,940	1,307,269
Property and equipment, net	116,259	117,699
Goodwill	359,713	361,666
Intangible and other assets, net	31,297	33,192
Deferred tax asset	7,875	14,422
Total assets	$ 1,982,084	$ 1,834,248
LIABILITIES AND STOCKHOLDERS INVESTMENT		
Current liabilities:		
Accounts payable and outstanding checks	$ 670,910	$ 606,514
Accrued expenses:		
Compensation and profit-sharing contribution	77,092	90,855
Other accrued liabilities	41,483	34,438
Total current liabilities	789,485	731,807
Long term liabilities:		
Noncurrent income taxes payable	13,286	10,546
Other long term liabilities	8,733	11,995
Total liabilities	811,504	754,348
Stockholders investment:		
Preferred stock, $0.10 par value, 20,000 shares authorized; no shares issued or outstanding	0	0
Common stock, $0.10 par value, 480,000 shares authorized; 176,664 and 176,686 shares issued; 165,977 and 167,098 shares outstanding	16,598	16,710
Retained earnings	1,559,738	1,402,306

Additional paid-in capital	167,176	165,104
Accumulated other comprehensive loss	(4,551)	(1,636)
Treasury stock at cost (10,687 and 9,588 shares)	(568,381)	(502,584)
Total stockholders investment	1,170,580	1,079,900
Total liabilities and stockholders investment	$ 1,982,084	$ 1,834,248

See accompanying notes.

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C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
REVENUES:				
Transportation	$ 2,026,154	$ 1,563,335	$ 5,629,334	$ 4,369,438
Sourcing	380,108	379,594	1,278,837	1,165,738
Information Services	14,095	11,874	40,785	33,647
Total revenues	2,420,357	1,954,803	6,948,956	5,568,823
COSTS AND EXPENSES:				
Purchased transportation and related services	1,689,590	1,253,503	4,697,978	3,455,689
Purchased products sourced for resale	348,187	348,734	1,171,164	1,070,261
Personnel expenses	161,947	148,750	462,793	453,716
Other selling, general, and administrative expenses	54,300	49,015	158,226	147,104
Total costs and expenses	2,254,024	1,800,002	6,490,161	5,126,770
Income from operations	166,333	154,801	458,795	442,053
Investment and other income	149	439	986	1,658
Income before provision for income taxes	166,482	155,240	459,781	443,711
Provision for income taxes	63,855	59,780	175,916	170,615
Net income	102,627	95,460	283,865	273,096
Other comprehensive income (loss)	6,480	1,755	(2,916)	(1,961)
Comprehensive income	$ 109,107	$ 97,215	$ 280,949	$ 271,135
Basic net income per share	$ 0.62	$ 0.57	$ 1.72	$ 1.62
Diluted net income per share	$ 0.62	$ 0.57	$ 1.71	$ 1.61
Basic weighted average shares outstanding	164,691	167,191	164,968	168,168
Dilutive effect of outstanding stock awards	885	1,457	1,017	1,578
Diluted weighted average shares outstanding	165,576	168,648	165,985	169,746

See accompanying notes.

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C.H. ROBINSON WORLDWIDE, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Nine Months Ended September 30,	
	2010	2009
OPERATING ACTIVITIES		
Net income	$ 283,865	$ 273,096
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	22,568	17,187
Depreciation and amortization	22,113	22,195
Provision for doubtful accounts	11,442	13,626
Deferred taxes and other	10,782	(2,238)
Changes in operating elements:		
Receivables	(267,873)	(52,983)
Prepaid expenses and other	(2,570)	(15,127)
Accounts payable and outstanding checks	64,882	8,007
Accrued compensation and profit-sharing contribution	(12,912)	(12,216)
Accrued income taxes and other	4,839	(9,176)
Net cash provided by operating activities	137,136	242,371
INVESTING ACTIVITIES		
Purchases of property and equipment	(14,000)	(26,120)
Purchases and development of software	(7,715)	(2,873)
Purchases of available-for-sale-securities	(10,752)	(11,915)
Sales/maturities of available-for-sale-securities	28,230	2,763
Cash paid for acquisitions	0	(43,537)
Restricted cash	(5,000)	0
Other investing activities	(12)	213
Net cash used for investing activities	(9,249)	(81,469)
FINANCING ACTIVITIES		
Proceeds from stock issued for employee benefit plans	13,232	14,248
Repurchase of common stock	(110,054)	(176,971)
Excess tax benefit on stock-based compensation plans	9,497	8,052
Cash dividends	(126,709)	(122,023)
Net cash used for financing activities	(214,034)	(276,694)
Effect of exchange rates on cash	(1,728)	(2,677)
Net change in cash and cash equivalents	(87,875)	(118,469)
Cash and cash equivalents, beginning of period	337,308	494,743
Cash and cash equivalents, end of period	$ 249,433	$ 376,274

See accompanying notes.

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C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General

Basis of Presentation

C.H. Robinson Worldwide, Inc. and our subsidiaries (the company, we, us, or our) are a global provider of multimodal transportation services and logistics solutions through a network of 232 branch offices operating in North America, Europe, Asia, South America, Australia, and the Middle East. The condensed 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 condensed consolidated financial statements.

The condensed consolidated financial statements, which are unaudited, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

Consistent with SEC rules and regulations, we have condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. You should read the condensed consolidated financial statements and related notes in conjunction with the consolidated financial statements and notes in our Annual Report on Form 10-K for the year ended December 31, 2009.

2. Goodwill and Intangible Assets

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

Balance December 31, 2009	361,666
Foreign currency translation	(1,953)
Balance September 30, 2010	$ 359,713

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

	September 30, 2010	**December 31, 2009**
Gross	$ 25,569	$ 43,519
Accumulated amortization	(12,758)	(26,947)
Net	$ 12,811	$ 16,572

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

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Trademarks	$ 1,800	$ 1,800

Amortization expense for other intangible assets is as follows (in thousands):

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Amortization expense	$ 3,854	$ 5,162

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C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Estimated amortization expense for each of the five succeeding fiscal years based on the intangible assets at September 30, 2010 is as follows (in thousands):

Remainder of 2010	$ 1,101
2011	3,813
2012	3,048
2013	2,865
2014	1,984
Total	$ 12,811

3. Litigation

On March 20, 2009, a jury in Will County, Illinois, entered a verdict of $23.75 million against us, a federally authorized motor carrier with which we contracted, and the motor carrier s driver. The award was entered in favor of three named plaintiffs following a consolidated trial, stemming from an accident that occurred on April 1, 2004. The motor carrier and the driver both admitted that at the time of the accident the driver was acting as an agent for the motor carrier, and that the load was being transported according to the terms of our contract with the motor carrier. Our contract clearly defined the motor carrier as an independent contractor. The verdict has the effect of holding us vicariously liable for the damages caused by the admitted negligence of the motor carrier and its driver. There were no claims that our selection or retention of the motor carrier was negligent.

Given our prior experience with claims of this nature, we believe the court erred in allowing these claims to be considered by a jury. As a result, we are vigorously pursuing all available legal avenues by which we may obtain relief from the verdict. On September 15, 2009, the trial court entered an order denying substantially all of the relief which we had requested in our post-trial motions. Now that the trial court has concluded its handling of the matter, we have sought relief from the verdict from the Illinois Court of Appeals.

Under the terms of the insurance program which we had in place in 2004, we would be responsible for the first $5.0 million of claims of this nature plus post judgment interest on that amount. Because there are multiple potential outcomes, many of which are reasonably possible, but none of which we believe is probable, we have not recorded a liability for this claim at this time.

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

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 tables present information as of September 30, 2010 and December 31, 2009, 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
September 30, 2010				
Debt securities- Available-for-sale:				
State and municipal obligations	$ 0	$ 33,203	$ 0	$ 33,203
Corporate bonds	0	920	0	920
Total assets at fair value	**$ 0**	**$ 34,123**	**$ 0**	**$ 34,123**
Contingent purchase price related to acquisitions	**$ 0**	**$ 0**	**$ 15,917**	**$ 15,917**

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C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2009				
Debt securities- Available-for-sale:				
State and municipal obligations	$ 0	$ 50,216	$ 0	$ 50,216
Corporate bonds	0	1,120	0	1,120
Total assets at fair value	**$ 0**	**$ 51,336**	**$ 0**	**$ 51,336**
Contingent purchase price related to acquisitions	**$ 0**	**$ 0**	**$ 14,658**	**$ 14,658**

Cash and cash equivalents are recorded at amortized cost which approximates fair value as maturities are three months or less. 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.

	Three Months Ended September 30,	
	2010	2009
Balance June 30	$ 15,403	$ 0
Acquisition related contingent purchase price	0	14,436
Total unrealized losses included in earnings	514	0
Balance September 30	**$ 15,917**	**$ 14,436**

	Nine Months Ended September 30,	
	2010	2009
Balance December 31	$ 14,658	$ 0
Acquisition related contingent purchase price	0	14,436
Payment of contingent purchase price	(445)	0
Total unrealized losses included in earnings	1,704	0
Balance September 30	**$ 15,917**	**$ 14,436**

5. 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Stock-based compensation expense	$ 10,187	$ 5,520	$ 22,568	$ 17,187

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, directors, and other third parties. A maximum of 28,000,000 shares can be granted under this plan; approximately 7,768,000 shares were available for stock awards as of September 30, 2010, 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.

Stock Options The contractual lives of all options as originally granted are ten years. Options vested over a five-year period from the date of grant, with none vesting the first year and one quarter vesting each year after that. Recipients are able to exercise options using a stock swap which results in a new, fully-vested restoration option with a grant price established based on the date of the swap and a remaining contractual life equal to the remaining life of the original option. Options issued to non-employee directors vest immediately. The fair value per option is established using the Black-Scholes option pricing model, with the resulting expense being recorded over the vesting period of the award. Other than restoration options, we have not issued any new stock options since 2003. As of September 30, 2010, there was no unrecognized compensation expense related to stock options since all outstanding options were fully vested.

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C.H. ROBINSON WORLDWIDE INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Restricted Stock Awards 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 percent to 22 percent and are calculated using the Black-Scholes option pricing model. The variation in the calculated discount is primarily due to stock price volatility. These grants are being expensed based on the terms of the awards.

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.

We have also issued to certain key employees and non-employee directors restricted shares and units which are fully vested upon issuance. These shares and units contain restrictions on the awardees ability to sell or transfer vested shares and 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.

As of September 30, 2010, there was unrecognized compensation expense of $135.6 million related to previously granted restricted equity. The amount of future expense will be based primarily on company performance 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 table summarizes employee stock purchase plan activity for the period:

Three Months Ended September 30, 2010		
Shares purchased by employees	Aggregate cost to employees	Expense recognized by the company
37,754	$ 2,244,000	$ 396,000

6. 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.

	Three Months Ended September 30,	
	2010	2009
Effective income tax rate	38.4%	38.5%

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.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and related notes.

Forward-looking Information

Our quarterly report on Form 10-Q, including this discussion and analysis of our financial condition and results of operations and our disclosures about market risk, contains certain forward-looking statements. These statements represent our expectations, beliefs, intentions, or strategies concerning future events and by their nature involve risks and uncertainties. Forward looking statements include, among others, statements about our future performance, the continuation of historical trends, the sufficiency of our sources of capital for future needs, the effects of acquisitions, the expected impact of recently issued accounting pronouncements, and the outcome or effects of litigation. Risks that could cause actual results to differ materially from our current expectations include changes in economic conditions such as the strength of the current recovery and uncertain consumer demand; 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 increasing costs and availability of truck capacity or alternative means of transporting freight, and changes in relationships with

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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 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 shortages; the impact of war on the economy; and other risks and uncertainties detailed in our Annual and Quarterly Reports. Therefore, actual results may differ materially from our expectations based on these and other risks and uncertainties, including those described in Item 1A. Risk Factors of our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2009, filed on March 1, 2010.

Overview

Our company. We are a global provider of multimodal transportation services and logistics solutions, operating through a network of branch offices in North America, Europe, Asia, South America, Australia, and the Middle East. We do not own the transportation equipment that is used to transport our customers freight. We work with approximately 47,000 transportation companies worldwide, and through those relationships we select and hire the appropriate transportation providers to meet our customers needs. As an integral part of our transportation services, we provide a wide range of value added logistics services, such as supply chain analysis, freight consolidation, core carrier program management, and information reporting.

In addition to multimodal transportation services, we also offer fresh produce sourcing and fee-based information 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 Information 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 a service company. We act primarily to 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 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 so dynamic and market-driven.

Our branches work together to complete transactions and collectively meet the needs of our customers. Approximately one-third of our truckload shipments are shared transactions between branches. For many of our significant customer relationships, we coordinate our efforts in one branch and rely on multiple branch locations to deliver specific geographic or modal needs. In addition, our methodology of providing services is very similar across all branches. Our North American branches have a common technology platform that they use 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.

During the third quarter of 2010, we combined one branch with an existing branch. We did not open any new branches. We do not expect to open any new branches for the remainder of the year.

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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 as of September 30, 2010 increased 3.3 percent compared to our headcount as of December 31, 2009. 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 sales employees more service-oriented, focused, and creative. In 2003, we implemented a restricted stock program to better align the interests of our key employees with the interests of our shareholders, and to motivate and retain them for the long term. These restricted stock awards vest over a five-year period based on the company s earnings growth, and have been awarded annually since 2003.

Our customers. In 2009, we worked with more than 35,000 customers, up from approximately 32,000 in 2008. 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. In 2009, our top 100 customers represented approximately 35 percent of our total revenues and approximately 30 percent of our net revenues. Our largest customer was approximately seven percent of our total revenues and approximately three 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 2009, our carrier base was approximately 47,000, down from approximately 50,000 in 2008. Motor carriers that had fewer than 100 tractors transported approximately 75 percent of our truckload shipments in 2009. In our Transportation business, our largest contracted carrier represents approximately one 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. This goal was based on an analysis of our performance in the previous 20 years, during which our compounded annual growth rate was 15 percent, and also on the size of our markets and available market share.

Although there have been periods where we have not achieved these goals, 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.

Due to net revenue margin compression, we did not achieve our long-term growth goal of 15 percent during the third quarter of 2010. Our net revenues increased 8.5 percent to $382.6 million. Our income from operations increased 7.4 percent to $166.3 million and our diluted earnings per share increased 8.8 percent to $0.62. During the third quarter, our net revenue margins (net revenues as a percentage of total revenues) decreased to 15.8 percent in 2010 from 18.0 percent in 2009. Net revenue margins decreased largely due to higher transportation costs and higher fuel prices, partially offset by increased pricing to our customers.

Through October 25, 2010, our fourth quarter transportation volume growth rate has slowed slightly compared to the third quarter of 2010. Our total net revenues per business day have grown in the mid-teens, faster than our transportation volume growth. Because variances in business days, business activity, and seasonality can change overall growth rates significantly through a quarter, our results through October 25, 2010 are not necessarily indicative of our potential results for the full fourth quarter of 2010.

Results of Operations

The following table summarizes our total revenues by service line:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	% change	2010	2009	% change
Revenues (in thousands)						
Transportation	$ 2,026,154	$ 1,563,335	29.6%	$ 5,629,334	$ 4,369,438	28.8%

Sourcing	380,108	379,594	0.1%	1,278,837	1,165,738	9.7%
Information Services	14,095	11,874	18.7%	40,785	33,647	21.2%
Total	$ 2,420,357	$ 1,954,803	23.8%	$ 6,948,956	$ 5,568,823	24.8%

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The following table illustrates our net revenue margins, or net revenues as a percentage of total revenues, between services and products:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Transportation	16.6%	19.8%	16.5%	20.9%
Sourcing	8.4	8.1	8.4	8.2
Information Services	100.0	100.0	100.0	100.0
Total	15.8%	18.0%	15.5%	18.7%

The following table summarizes our net revenues by service line:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	% change	2010	2009	% change
Net revenues (in thousands)						
Transportation:						
Truck	$ 284,200	$ 268,055	6.0%	$ 785,782	$ 790,640	-0.6%
Intermodal	9,188	8,350	10.0%	27,109	26,608	1.9%
Ocean	17,057	13,404	27.3%	44,049	40,578	8.6%
Air	11,453	8,309	37.8%	31,559	23,394	34.9%
Miscellaneous	14,666	11,714	25.2%	42,857	32,529	31.8%
Total transportation	336,564	309,832	8.6%	931,356	913,749	1.9%
Sourcing	31,921	30,860	3.4%	107,673	95,477	12.8%
Information Services	14,095	11,874	18.7%	40,785	33,647	21.2%
Total net revenues	$ 382,580	$ 352,566	8.5%	$ 1,079,814	$ 1,042,873	3.5%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses				
Personnel expenses	42.3	42.2	42.9	43.5
Other selling, general, and administrative expenses	14.2	13.9	14.7	14.1
Total operating expenses	56.5	56.1	57.5	57.6
Income from operations	43.5	43.9	42.5	42.4
Investment and other income	0.0	0.1	0.1	0.2

Income before provision for income taxes	43.5	44.0	42.6	42.5
Provision for income taxes	16.7	17.0	16.3	16.4
Net income	26.8%	27.1%	26.3%	26.2%

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Total revenues and direct costs. Our consolidated total revenues increased 23.8 percent in the third quarter of 2010 compared to the third quarter of 2009. Total Transportation revenues increased 29.6 percent to $2.0 billion in the third quarter of 2010 from $1.6 billion in the third quarter of 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 34.8 percent in the third quarter of 2010 to $1.7 billion from $1.3 billion in the third quarter of 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 0.1 percent to $380.1 million in the third quarter of 2010, including the previously announced acquisition of Rosemont Farms, Inc. (Rosemont) on September 15, 2009. The incremental revenues of this acquisition were offset primarily by declines in our business with a large customer. Purchased products sourced for resale decreased 0.2 percent in the third quarter of 2010 to $348.2 million from $348.7 million in the third quarter of 2009. Our Information Services revenue increased 18.7 percent to $14.1 million in the third quarter of 2010 from $11.9 million in the third quarter of 2009. The increase was driven by an increase in transactions and increases in some fees that are impacted by fuel prices.

Net revenues. Total Transportation net revenues increased 8.6 percent to $336.6 million in the third quarter of 2010 from $309.8 million in the third quarter of 2009. Our Transportation net revenue margin decreased to 16.6 percent in 2010 from 19.8 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 to our business. Therefore, in times of increasing fuel prices, our net revenue margin percentage declines as it did in the third quarter of 2010.

Our truck net revenues, which consist of truckload and less-than-truckload (LTL) services, comprise approximately 74 percent of our total net revenues. Our truck net revenues increased 6.0 percent to $284.2 million in the third quarter of 2010 from $268.1 million in the third quarter of 2009. Our truckload volumes increased approximately 14 percent. Our truckload net revenue margin decreased in the third quarter due to higher transportation costs and higher fuel prices, partially offset by increased pricing to our customers. Consistent with past periods of increased transportation demand, our cost of capacity increased faster than our customer rates. Excluding the estimated impacts of the change in fuel, our truckload pricing to our customers increased approximately eight percent in the third quarter of 2010 compared to the third quarter of 2009. Our truckload transportation costs increased approximately 12 percent, excluding the estimated impacts of fuel.

During the third quarter of 2010, our LTL net revenues increased approximately 18 percent. The increase was driven by an increase in total shipments of approximately 17 percent, partially offset by a small decline in our net revenue margin. Our LTL net revenue margin declined in the third quarter of 2010 compared with the third quarter of 2009 due to higher transportation costs.

Our intermodal net revenue increase of 10.0 percent to $9.2 million in the third quarter was driven by increased volume. Our intermodal net revenue margin declined in the third quarter of 2010 compared to the third quarter of 2009 due to higher transportation costs. While we were pleased with our results, limited access to container capacity constrained our volume growth this quarter. To adjust to the market conditions of high shipper demand and limited capacity, in the third quarter of 2010 we entered into a two-year lease of 300 containers, which is about ten percent of our anticipated capacity needs.

Our ocean transportation net revenue increase of 27.3 percent to $17.1 million in the third quarter of 2010 was driven by 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.

Our air transportation net revenue increased 37.8 percent to $11.5 million in the third quarter of 2010 due to increased volumes. Our air net revenue margins decreased in the third quarter of 2010 due to higher transportation costs.

Other logistics services net revenues consist primarily of transportation management fees and customs brokerage fees. The increase of 25.2 percent was driven primarily by an increase in management fees.

For the third quarter, Sourcing net revenue increased 3.4 percent to $31.9 million in 2010 from $30.9 million in 2009, including the acquisition of Rosemont. Excluding the Rosemont acquisition, Sourcing net revenues decreased approximately 11 percent in the third quarter of 2010. This decline is 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. We continue to help them through the transition and believe that there may be new opportunities for us to grow our business with them in the future. As a result of this change, we believe our Sourcing volumes and net revenues could decline over the next few quarters as this transition will initially lead to more declines than new opportunities available to us. Our net revenue margin increased to 8.4 percent in 2010 from 8.1 percent in 2009.

Our Information Services net revenue increased 18.7 percent in the third quarter of 2010 to $14.1 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. For the third quarter, operating expenses increased 9.3 percent to $216.2 million in 2010 from $197.8 million in 2009. This was due to an increase of 8.9 percent in personnel expenses and an increase of 10.8 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses increased to 56.5 percent in the third quarter of 2010 from 56.1 percent in the third quarter of 2009.

Personnel expenses related to our restricted stock program and various other incentive plans increased as many are variable, based on growth in our earnings. For the third quarter, stock based compensation expense increased 84.5 percent to $10.2 million in 2010 from $5.5 million in 2009. In addition to our variable compensation plans, our headcount as of September 30, 2010 increased 3.0 percent over September 30, 2009. Our personnel expenses as a percentage of net revenue increased in the third quarter of 2010 to 42.3 percent compared to 42.2 percent in the third quarter of 2009.

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For the third quarter, other selling, general, and administrative expenses increased 10.8 percent to $54.3 million in 2010 from $49.0 million in 2009. A significant portion of the increase in our other selling, general, and administrative expenses was related to our acquisition of Rosemont. We also had increased expenses related to travel and entertainment, freight claims, and provision for doubtful accounts during the quarter.

Income from operations. Income from operations increased 7.4 percent to $166.3 million for the three months ended September 30, 2010. Income from operations as a percentage of net revenues was 43.5 percent and 43.9 percent for the three months ended September 30, 2010 and 2009.

Investment and other income. Investment and other income decreased 66.1 percent to $0.1 million for the three months ended September 30, 2010. Our investment income is down due to a decrease in our average invested portfolio balance and lower investment yields during the third quarter of 2010 compared to the third quarter of 2009.

Provision for income taxes. Our effective income tax rate was 38.4 percent for the third quarter of 2010 and 38.5 percent for the third quarter of 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 7.5 percent to $102.6 million for the three months ended September 30, 2010. Basic net income per share was $0.62 and $0.57 for the three months ended September 30, 2010 and 2009. Diluted net income per share was $0.62 and $0.57 for the three months ended September 30, 2010 and 2009.

Nine Months Ended September 30, 20010 Compared to Nine Months Ended September 30, 2009

Total revenues and direct costs. Our consolidated total revenues increased 24.8 percent for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009. Total Transportation revenues increased 28.8 percent to $5.6 billion in first nine months of 2010 from $4.4 billion in the first nine months of 2009. Total purchased transportation services increased 35.9 percent in the nine months ended September 30, 2010 to $4.7 billion from $3.5 billion in the nine months ended September 30, 2009. These increases were driven by higher transportation rates, higher fuel prices, and volume increases in all of our transportation modes. Our Sourcing revenue increased 9.7 percent to $1.3 billion in the nine months ended September 30, 2010. Purchased products sourced for resale increased 9.4 percent in the nine months ended September 30, 2010 to $1.2 billion from $1.1 billion in the nine months ended September 30, 2009. These increases were primarily due to the previously announced acquisition of Rosemont and volume growth. Our Information Services revenue increased 21.2 percent to $40.8 million in the nine months ended September 30, 2010 from $33.6 million in the nine months ended September 30, 2009. The increase was driven by an increase in transactions and increases in some fees that are impacted by fuel prices.

Net revenues. Total Transportation net revenues increased 1.9 percent to $931.4 million in the nine months ended September 30, 2010 from $913.7 million in the nine months ended September 30, 2009. Our Transportation net revenue margin decreased to 16.5 percent in 2010 from 20.9 percent in 2009 largely driven by higher transportation costs and higher fuel costs. 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 to our business. Therefore, in times of increasing fuel prices, our net revenue margin percentage declines as they did in the first nine months of 2010.

Our truck net revenues, which consist of truckload and LTL services, comprise approximately 73 percent of our total net revenues. Our truck net revenues decreased 0.6 percent to $785.8 million in the nine months ended September 30, 2010 from $790.6 million in the nine months ended September 30, 2009. Our truckload volumes increased 18 percent. Our truckload rates increased approximately 9 percent. Excluding the estimated impacts of fuel, on average our truckload rates increased approximately four percent in the nine months ended September 30, 2010. Our truckload net revenue margin decreased due to higher fuel prices and higher cost of capacity. Consistent with past periods of increased transportation demand, our cost of capacity increased faster than our customer rates. Excluding the estimated impacts of fuel, our cost of truckload capacity increased approximately nine percent as carriers increased their rates.

During the nine months ended September 30, 2010, our LTL net revenues increased approximately 18 percent. The increase was driven by an increase in total shipments of approximately 27 percent, partially offset by net revenue margin declines. Our LTL net revenue margin declined during the nine months ended September 30, 2010 compared with the same period of 2009 due to higher transportation costs.

Our intermodal net revenue increase of 1.9 percent to $27.1 million in the nine months ended September 30, 2010 was driven by volume increases, offset substantially by net revenue margin declines.

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Our ocean transportation net revenue increased 8.6 percent to $44.0 million in the nine months ended September 30, 2010 driven by large volume increases. For the nine months ended September 30, 2010, we experienced a net revenue margin decline due to increased cost of capacity, which was partially offset by increased pricing to our customers.

Our air transportation net revenue increase of 34.9 percent to $31.6 million in the nine months ended September 30, 2010 was driven by both increased volumes and pricing to customers, partially offset by decreased net revenue margins.

Other logistics services net revenues consist primarily of transportation management fees and customs brokerage fees. The increase of 31.8 percent was driven by an increase in management fees and customs brokerage fees.

For the nine months ended September 30, 2010, Sourcing net revenue increased 12.8 percent to $107.7 million in 2010 from $95.5 million in 2009. This increase was driven primarily by the acquisition of Rosemont. Excluding this acquisition, Sourcing net revenues declined 3.1 percent in the nine months ended September 30, 2010 compared to 2009. Our margin increased slightly to 8.4 percent in 2010.

Our Information Services net revenue increased 21.2 percent in the nine months ended September 30, 2010 to $40.8 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. For the first nine months of 2010, operating expenses increased 3.4 percent to $621.0 million from $600.8 million in 2009. This was due to an increase of 2.0 percent in personnel expenses and an increase of 7.6 percent in other selling, general, and administrative expenses. As a percentage of net revenues, operating expenses decreased slightly to 57.5 percent in the nine months ended September 30, 2010 from 57.6 percent in the nine months ended September 30, 2009.

Personnel expenses related to our restricted stock program and various other incentive plans increased as many are variable, based on growth in our earnings. For the nine month period ended September 30, 2010, stock based compensation expense increased 31.3 percent to $22.6 million in 2010 from $17.2 million in 2009. In addition to our variable compensation plans, our average headcount for the nine months ended September 30, 2010 decreased 0.1 percent over the same period of 2009. Personnel expenses as a percentage of net revenues decreased to 42.9 percent for the nine months ended September 30, 2010 compared to 43.5 percent during the same period of 2009.

For the nine month period ended September 30, 2010 other selling, general, and administrative expenses increased 7.6 percent to $158.2 million from $147.1 million in 2009. This increase was primarily related to the acquisitions we completed in 2009.

Income from operations. Income from operations increased 3.8 percent to $458.8 million for the nine months ended September 30, 2010. Income from operations as a percentage of net revenues was 42.5 percent and 42.4 percent for the nine months ended September 30, 2010 and 2009.

Investment and other income. Investment and other income decreased 40.5 percent to $1.0 million for the nine months ended September 30, 2010. Our investment income is down due to a decrease in our average invested portfolio balance and lower investment yields in 2010 compared to 2009.

Provision for income taxes. Our effective income tax rate was 38.3 percent for the nine months ended September 30, 2010 and 38.5 percent for the nine months ended September 30, 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 3.9 percent to $283.9 million for the nine months ended September 30, 2010. Basic net income per share was $1.72 and $1.62 for the nine months ended September 30, 2010 and 2009. Diluted net income per share was $1.71 and $1.61 for the nine months ended September 30, 2010 and 2009.

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 $249.4 million and $376.3 million as of September 30, 2010 and 2009. Available-for-sale securities consisting primarily of highly liquid investments totaled $34.1 million and $11.9 million as of September 30, 2010 and 2009. Working capital at September 30, 2010 and 2009 was $677.5 million and $614.3 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 investments are split primarily between municipal money markets and municipal bonds.

Cash flow from operating activities. We generated $137.1 million and $242.4 million of cash flow from operations during the nine months ended September 30, 2010 and 2009. Accounts receivable increased by $267.9 million from December 31, 2009 to September 30, 2010. This increase was driven by growth in total revenues and transaction volumes during the same period. Accounts payable increased by $64.9 million from December 31, 2009 to September 30, 2010. Our investment in working capital increased during the year, primarily due to increased activity in our Quick Pay program. This increase was driven by both our increased volume and transportation rates as well as increased usage as a percentage of the total payments. This increased investment in working capital resulted in a decrease in our cash flow from operating activities.

Cash flow from investing activities. We used $9.2 million and $81.5 million of cash flow for investing activities during the nine months ended September 30, 2010 and 2009. We used $21.7 million and $29.0 million of cash for capital expenditures, including the purchase and development of software, during the nine months ended September 30, 2010 and 2009. During the first nine months of 2009, we used $13.9 million for capital expenditures related to our data center which was completed in August, 2009. We had $17.5 million of cash provided from net purchases, sales, and maturities of available-for-sale securities during the nine months ended September 30, 2010.

Cash flow from financing activities. We used $214.0 million and $276.7 million of cash flow for financing activities during the nine months ended September 30, 2010 and 2009.

We used $126.7 million and $122.0 million to pay cash dividends during the nine months ended September 30, 2010 and 2009, with the increase in 2010 due to a four percent increase in our quarterly dividend rate to $0.25 per share in 2010 from $0.24 per share in 2009.

We also used $110.1 million and $177.0 million of cash flow for share repurchases during the nine months ended September 30, 2010 and 2009. The decrease is due to a decline of approximately 44 percent in the number of shares purchased during the first nine months of 2010 compared to the same period of 2009. 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 condensed 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 condensed 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 in our Annual Report on Form 10-K for the year ended December 31, 2009, 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 our total revenues less purchased transportation and related services, including motor carrier, rail, ocean, air, and other costs, and the purchase price and services related to the products we source. 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 are a principal to the transaction, we have all credit risk, we maintain substantially all risks and rewards, 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 Information 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 $30.3 million as of September 30, 2010, decreased compared to the allowance of $30.7 million as of December 31, 2009. 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.

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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.

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. The variation in the calculated discount is primarily due to stock price volatility. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had $283.6 million of cash and investments on September 30, 2010, consisting of $249.4 million of cash and cash equivalents and $34.1 million of short-term available-for-sale securities. 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 consisting of treasury and tax exempt bonds. All of our available-for-sale securities are high-quality bonds and substantially all are exempt from U.S. federal income taxes. 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.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of 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.

(b) Changes in internal controls over financial reporting.

There were no changes that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect the company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

On March 20, 2009, a jury in Will County, Illinois, entered a verdict of $23.75 million against us, a federally authorized motor carrier with which we contracted, and the motor carrier s driver. The award was entered in favor of three named plaintiffs following a consolidated trial, stemming from an accident that occurred on April 1, 2004. The motor carrier and the driver both admitted that at the time of the accident the driver was acting as an agent for the motor carrier, and that the load was being transported according to the terms of our contract with the motor carrier. Our contract clearly defined the motor carrier as an independent contractor. The verdict has the effect of holding us vicariously liable for the damages caused by the admitted negligence of the motor carrier and its driver. There were no claims that our selection or retention of the motor carrier was negligent.

Given our prior experience with claims of this nature, we believe the court erred in allowing these claims to be considered by a jury. As a result, we are vigorously pursuing all available legal avenues by which we may obtain relief from the verdict. On September 15, 2009, the trial court entered an order denying substantially all of the relief which we had requested in our post-trial motions. Now that the trial court has concluded its handling of the matter, we have sought relief from the verdict from the Illinois Court of Appeals.

Under the terms of the insurance program which we had in place in 2004, we would be responsible for the first $5.0 million of claims of this nature plus post judgment interest on that amount. Because there are multiple potential outcomes, many of which are reasonably possible, but none of which we believe is probable, we have not recorded a liability for this claim at this time.

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

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases by the company during the quarter ended September 30, 2010 of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2010 July 31, 2010	355,800	$ 58.78	355,800	9,149,749
August 10, 2010 August 31, 2010	0	$ 0	0	9,149,749
September 1, 2010 September 30, 2010	0	$ 0	0	9,149,749
Total:	355,800	$ 58.78	355,800	9,149,749

(1) In August 2009, the C.H. Robinson Board of Directors authorized management to repurchase an additional 10,000,000 shares. These repurchases are expected to take place over multiple years. During the third quarter of 2010, we purchased 355,800 shares under the 2009 authorization.

ITEM 3. Defaults on Senior Securities

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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	Financial statements from the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2010, formatted in XBRL

(b) Reports on Form 8-K

We filed a report on Form 8-K July 27, 2010; this report contained information under Item 12 (Results of Operations and Financial Condition) and included as an exhibit under Item 7 a copy of our earnings release for the quarter ended June 30, 2010.

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We filed a report on Form 8-K on August 12, 2010; this report contained information regarding our announcement that our Board of Directors declared a regular quarterly cash dividend.

We filed a report on Form 8-K on May 17, 2010, as amended on Form 8-K/A on August 12, 2010; this report contained information regarding our announcement that our Board of Directors elected effective August 12, 2010, a new director, David W. McLennan, who will serve as a member of the Governance Committee.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 9, 2010

C.H. ROBINSON WORLDWIDE, INC.

By /s/ JOHN P. WIEHOFF
John P. Wiehoff
Chief Executive Officer

By /s/ CHAD M. LINDBLOOM
Chad M. Lindbloom
Chief Financial Officer (principal accounting officer)