

**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, 2019

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 55347

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 952-937-8500

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.10 per share	CHRW	The Nasdaq Global Select Market

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

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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 28, 2019, was approximately \$11,391,890,865 (based upon the closing price of \$84.35 per common share on that date as quoted on The Nasdaq Global Select Market).

As of February 14, 2020, the number of shares outstanding of the registrant's common stock, par value \$0.10 per share, was 134,892,810.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 7, 2020 (the "Proxy Statement"), are incorporated by reference in Part III.

**C.H. ROBINSON WORLDWIDE, INC.  
ANNUAL REPORT ON FORM 10-K  
For the Year Ended December 31, 2019**

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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 consolidated total revenues of \$15.3 billion in 2019. We provide freight transportation services and logistics solutions to companies of all sizes in a wide variety of industries. During 2019, we handled approximately 18 million shipments and worked with more than 119,000 customers. We operate through a network of offices in North America, Europe, Asia, Oceania, and South America. 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. We have two reportable segments: North American Surface Transportation (“NAST”) and Global Forwarding, with our remaining operating segments reported under All Other and Corporate. For financial information concerning our reportable segments and geographic regions, refer to Note 9, *Segment Reporting*, of our consolidated financial statements.

As a third party logistics provider, we enter into contractual relationships with a wide variety of transportation companies and utilize those relationships to efficiently and cost-effectively arrange the transport of our customers’ freight. We utilized approximately 78,000 contracted transportation companies, including contracted motor carriers, railroads (primarily intermodal service providers), and air and ocean carriers in 2019. Depending on the needs of our customers and their supply chain requirements, we select and hire the appropriate mode of transportation for each shipment. Our model enables us to be flexible and provide solutions that optimize service for our customers. As an integral part of our transportation services, we may also provide a wide range of value-added logistics services, such as freight consolidation, customs brokerage, supply chain consulting and analysis, optimization, and reporting.

In addition to transportation and logistics services, we provide sourcing services under the trade name Robinson Fresh® (“Robinson Fresh”). Our sourcing services consist primarily of the buying, selling, and/or marketing of fresh fruits, vegetables, and other value-added perishable items. This 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 a network of independent produce growers and suppliers. Our customers include grocery retailers, restaurants, foodservice distributors, and produce wholesalers. 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 managed procurement services. We have developed proprietary brands of produce and have exclusive licensing agreements to distribute fresh and value-added produce under recognized consumer brand names. The produce for these brands is sourced through a 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.

Our flexible business model has been the main driver of our historical results, and we believe it has positioned us for continued growth. One of our competitive advantages is our network of offices. Our 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. Employees act as a team in their sales efforts, customer service, and operations. A significant portion of most employees’ compensation is performance-oriented, based on profitability and their contributions to the success of the company. We believe this makes our employees more service-oriented and focused on driving growth and maximizing team productivity.

Our network of offices work together to meet our customers’ needs and cross-sell our services. For large, multi-location customers, we often coordinate our efforts in global account centers or in one office and rely on multiple offices to deliver specific geographic or modal needs. Most of our global network operates on a single global technology platform called Navisphere® that is used to match customer needs with supplier capabilities, to collaborate with other offices, and to utilize centralized support resources to complete all facets of the transaction.

We have grown primarily through internal growth by increasing 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, hiring additional employees, and leveraging our technology. We continually look to grow through selective acquisitions. In February 2019, we acquired The Space Cargo Group (“Space Cargo”), a provider of international freight forwarding, customs brokerage, and other logistics services to expand our offerings in Spain and Colombia. Space Cargo operates in our Global Forwarding operating segment.

In January 2020, we entered into a definitive agreement to acquire Prime Distribution Services, a leading provider of retail consolidation services in North America, for approximately \$225 million in cash. The agreement is subject to certain customary closing conditions, including regulatory approval.

In May 2019, we acquired Dema Service S.p.A. (“Dema Service”), a provider of European road transportation to expand our offerings primarily in Italy. Dema Service operates in our European Surface Transportation operating segment.

In August 2017, we acquired Milgram & Company Ltd. (“Milgram”), a provider of freight forwarding, customs brokerage, and surface transportation, to strengthen our freight forwarding and customs brokerage offerings in Canada. Milgram operates primarily in our Global Forwarding operating segment.

### **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 investing in and retaining talented employees, developing innovative proprietary systems and processes, and utilizing a network of contracted transportation providers, including, but not limited to, contracted motor carriers, railroads, and air and ocean carriers. We make a profit driven by the value we provide our customers and the resulting 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 contracting to create a flexible network of solutions, we are generally referred to in the industry as a third party logistics company.

We provide 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 connect our customers with contracted motor carriers who specialize in their transportation lanes and product types, and we help contracted motor carriers optimize the usage of their equipment.
- **Less than Truckload (“LTL”):** LTL transportation involves the shipment of single or multiple pallets of freight. We primarily focus on shipments of a single pallet or larger, although we handle any size shipment. Through our contracts with motor carriers and use of Navisphere, 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 I railroads in North America, and we arrange local pickup and delivery (known as drayage) through local contracted motor carriers. In addition, we own approximately 1,500 and lease approximately 1,100 intermodal containers.
- **Ocean:** As a non-vessel ocean common carrier (“NVOCC”) and freight forwarder, we consolidate shipments, determine routing, select ocean carriers, contract for ocean shipments, and/or provide for local pickup and delivery of shipments.
- **Air:** As a certified Indirect Air Carrier (“IAC”) and freight forwarder, we organize air shipments and provide door-to-door service.
- **Customs:** Our customs brokers are licensed and regulated by U.S. Customs and Border Protection and other authoritative governmental agencies to assist importers and exporters in meeting legal requirements governing imports and exports.
- **Other Logistics Services:** We provide fee-based managed services, warehousing services, small parcel, and other services.

Customers communicate their freight needs, typically on an order-by-order basis, to the C.H. Robinson team responsible for their account. The team ensures that all necessary information regarding each shipment is available in Navisphere. This information is received electronically by Navisphere from the customers' system, entered by our employees into Navisphere, or by the customer through our web tools. We utilize the information from Navisphere and other available sources to select the best contracted carrier based upon factors such as their service score, equipment availability, freight rates, and other relevant factors.



Once the contracted carrier is selected, we receive the contracted carrier's commitment to provide the transportation. During the time when a shipment is executed, we connect frequently, either electronically or manually, with the contracted carrier to track the status of the shipment to meet the unique needs of our customers.

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 managed services business, we are acting as the shipper's agent. In those cases, the carrier's contract is typically 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 employees price our services to provide a profit to us for the totality of services performed for the customer. Our services to the customer may be priced on a spot market, or transactional basis, or prearranged contractual rates. Most of our contractual rate commitments are for one year or less and 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 which allow for fuel to primarily act as a pass-through cost, in addition to the underlying line-haul portion of the rate.

We purchase most of our truckload services from our contracted truckload carriers on a spot market, or transactional basis, even when we are working with the customer on a contractual basis. In a small number of cases, we may get advance commitments from one or more contracted motor carriers to transport contracted shipments for the length of our customer contract. In those cases, where we have prearranged rates with contracted motor carriers, there is a calculated fuel surcharge based on a mutually agreed-upon formula.

While providing day-to-day transportation services, our 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 global basis that reduce or eliminate supply chain inefficiencies. We analyze customers' current transportation rate structures, modes of shipping, and carrier selection. We identify opportunities to consolidate shipments for cost savings. We suggest ways to improve operating and shipping procedures and manage claims. We help customers minimize storage through crossdocking and other flow-through operations. Many of these services are provided in connection with providing the transportation services 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.

We have broadened our relationship with many of our customers through an emphasis on integrated logistics solutions resulting in us managing a greater portion of their supply chains. We often serve our customers through specially created teams and through multiple locations. Our transportation and logistics services are provided to numerous international customers through our worldwide network.

Transportation services accounted for approximately 96 percent of net revenues in 2019 and 2018, respectively, and 95 percent in 2017. Net revenues are a non-GAAP financial measure calculated as total revenues less the total of purchased transportation and related services and the cost of purchased products sourced for resale. For additional information, see Item 7 of Part II, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The table below shows our net revenues by transportation mode, for the years ended December 31 (in thousands):

	2019	2018	2017	2016	2015
Truckload	\$ 1,348,878	\$ 1,445,916	\$ 1,229,999	\$ 1,257,191	\$ 1,316,533
LTL	477,348	471,275	407,012	381,817	360,706
Intermodal	27,670	32,469	29,145	33,482	41,054
Ocean	308,367	312,952	290,630	244,276	223,643
Air	106,777	120,540	100,761	82,167	79,096
Customs	91,828	88,515	70,952	50,509	43,929
Other Logistics Services	121,994	122,077	117,117	105,369	82,548
Total	<u>\$ 2,482,862</u>	<u>\$ 2,593,744</u>	<u>\$ 2,245,616</u>	<u>\$ 2,154,811</u>	<u>\$ 2,147,509</u>

## 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 our customers. In many instances, we consolidate an individual customer's 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, restaurants, foodservice distributors, and produce wholesalers.

Our sourcing services include inventory forecasting and replenishment, brand management, and category development services. We have various national and regional branded produce programs, including both proprietary brands and nationally licensed brands. These programs contain a wide variety of high quality, fresh bulk, and value added fruits and vegetables. 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 four percent of our net revenues in 2019 and 2018, respectively, and five percent in 2017.

## Organization

*Segment information.* We have two reportable segments: NAST and Global Forwarding with our remaining operating segments reported as All Other and Corporate. The All Other and Corporate segment includes Robinson Fresh, Managed Services, Other Surface Transportation outside of North America, and other miscellaneous revenues and unallocated corporate expenses. See additional disclosure in Note 9, *Segment Reporting*, to our consolidated financial statements.

NAST provides freight transportation services across North America through a network of offices in the United States, Canada, and Mexico. The primary services provided by NAST are truckload, LTL, and intermodal.

Global Forwarding provides global logistics services through an international network of offices in North America, Europe, Asia, Oceania, and South America; and also contracts with independent agents worldwide. The primary services provided by Global Forwarding include ocean freight services, air freight services, and customs brokerage.

All Other and Corporate primarily consists of Robinson Fresh, Managed Services and Other Surface Transportation outside of North America. Robinson Fresh provides sourcing services which primarily include the buying, selling, and marketing of fresh fruits, vegetables, and other perishable items. Robinson Fresh sources products from around the world.

Managed Services is primarily comprised of our TMC division which offers Managed TMS<sup>®</sup>. Managed TMS combines the use of Navisphere, logistics process expertise, and consulting services in relation to the use of motor carriers chosen by our customers. Customers can access Navisphere, logistics experts, and supply chain engineers to manage their day-to-day operations and optimize supply chain performance.

Other Surface Transportation revenues are primarily earned by our Europe Surface Transportation operating segment. Europe Surface Transportation provides services similar to NAST across Europe.

*Office Network.* To keep us close to our customers and markets, we operate through a network of offices in North America, Europe, Asia, Oceania, and South America.

Our employees 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, employees are often called upon to handle customers' unusual, seasonal, and emergency needs. We have developed complex proprietary pricing algorithms that guide our employees regarding establishing competitive pricing with our customers and contracted motor carriers based on the unique characteristics of each customer's shipment. Employees typically rely on expertise in other offices when contracting and executing truckload, LTL, intermodal, ocean and air shipments. Multiple network offices often also work together to service larger, global accounts where the expertise and resources of more than one office are required to meet the customer's needs. Their efforts are usually coordinated by one "lead" office on the account.

*Network Employees.* Employees are generally specialized into roles on new customer sales opportunities, account managing existing customer relationships, managing contracted carrier/supplier relationships for procuring capacity, or ongoing service and operations of shipments. Customer sales opportunities are identified through our internal database, referrals from current customers, leads generated by people through knowledge of their local and regional markets, company marketing efforts, and

access to transportation industry shipment databases. Employees who are responsible for recruiting new motor carriers refer them to our centralized carrier services group to confirm they are properly licensed and insured, have acceptable Federal Motor Carrier Safety Administration (“FMCSA”) issued safety ratings, and will enter into a contract for transportation services with C.H. Robinson.

Working with their regional or divisional leaders, each team makes hiring and staffing decisions, based on balancing business needs with personnel investment and meeting targeted productivity and profitability goals. 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 talent acquisition team that develops a pipeline of qualified candidates that managers can draw from. Our applicants typically have college degrees, and may have some business experience, although not necessarily within the transportation industry.

Our employees go through centralized onboarding that emphasizes development of the skills necessary to become productive employees, including technology training on our proprietary systems and our customer service philosophy. Centralized training is followed by ongoing, on-the-job training.

Compensation programs include performance-based metrics and cash incentives directly tied to productivity and performance. A significant portion of network management compensation is dependent on the growth and profitability of their team. They are paid a performance-based bonus, which is measured based on balanced growth in top and bottom line performance of the team they represent for that calendar year. The percentage they can potentially earn is predetermined in an annual bonus contract and is based on their role and the overall success of the team.

All of our managers and certain other employees who have significant responsibilities are eligible to receive equity awards because we believe these awards are an effective tool for creating long-term ownership and alignment between employees and our shareholders. Generally, these awards are eligible to vest over five-year periods and may also include financial performance-based requirements for management employees.

Employees benefit both through the growth and profitability of their team and by achieving individual goals. They are motivated by the opportunity to advance in a variety of career paths, including management, corporate sales, and customer and carrier account management.

*Shared Services.* Our network offices are supported by our shared and centralized services. Approximately 12 percent of our employees provide shared services in centralized centers. Over 55 percent of these shared services employees are technology personnel who enhance and maintain our proprietary operating system software and our technology infrastructure.

### **Customer Relationships**

We work 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 2019, we served over 119,000 customers worldwide, ranging from Fortune 100 companies to small businesses in a wide variety of industries.

During 2019, our largest customer accounted for approximately two percent of total 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.

We seek additional business from existing customers and pursue new customers based on our knowledge of the marketplace and the range of logistics services that we can provide. We believe that our account management disciplines, expertise and technology enable our employees 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 and shared services teams, offices are given significant latitude to pursue opportunities and to commit our resources to serve our customers.

### **Relationships with Transportation Providers**

We continually work on establishing contractual relationships with qualified transportation providers that also meet both ours and our customers’ service requirements to provide dependable services, favorable pricing, and available capacity during periods when demand for transportation equipment is greater than the supply. We own very little transportation equipment and do not employ the people directly involved with the delivery of our customers’ freight, so these relationships are critical to our success.

In 2019, we worked with approximately 78,000 transportation providers worldwide, of which the vast majority are contracted motor carriers. To strengthen and maintain our relationships with contracted motor carriers, our employees regularly communicate with contracted motor carriers and try to assist them by increasing their equipment utilization, reducing their

empty miles, and repositioning their equipment. To make it easier for contracted motor carriers to work with us, we have a policy of contracted motor carrier invoice payment upon receipt of proof of delivery in accordance with our standard payment terms. For those contracted motor carriers who would like a faster payment, we also offer expedited payment upon receipt of proof of delivery in exchange for a discount, along with offering in-trip cash advances.

Contracted motor carriers provide access to dry vans, temperature controlled vans, flatbeds, and bulk capacity. These contracted motor 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 contracted motor carrier. Our largest truck transportation provider was less than two percent of our total cost of transportation in 2019. Contracted motor carriers that had fewer than 100 tractors transported approximately 81 percent of our truckload shipments in 2019. Every United States and Canadian motor carrier with which we do business with is required to execute a contract that establishes that the motor carrier is acting as an independent contractor. At the time the contract is executed, and thereafter, through subscriptions with a third party service, we confirm that each United States contracted motor carrier is properly licensed and insured, has the necessary federally-issued authority to provide transportation services, and can provide the necessary level of service on a dependable basis. Our motor carrier contracts require that the contracted 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 typically the initial contract rate is modified each time we confirm an individual shipment with a contracted motor 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 own approximately 1,500 53-foot containers and lease approximately 1,100 containers. We believe that these containers have helped us better serve our customers, and we will continue to analyze the strategy of controlling containers.

In our NVOCC ocean transportation 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 lanes. 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 IAC in the United States and internationally. We select air carriers and provide for local pickup and delivery of shipments. 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 many logistics companies, including technology-based service companies, trucking companies, property freight brokers, carriers offering logistics services, NVOCCs, IACs, 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.

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

- **People:** Smart, dedicated, empowered people act as an extension of our customers' teams to innovate and execute their supply chain strategies;
- **Process:** Proven processes and solutions combine strategy with practical experience for customized action plans that succeed in the real world;
- **Technology:** Navisphere, our proprietary technology, provides flexibility, global visibility, customized solutions, easy integration, broad connectivity, and advanced security;

- **Network:** Our customers gain local presence, regional expertise, and multiple global logistics options from one of the world's largest providers of logistics services;
- **Relationships:** A large number of unique, strong relationships provide global connections and valuable market knowledge;
- **Portfolio of Services:** A wide selection of services and products help provide our customers with consistent capacity and service levels;
- **Scale:** Our customers leverage our industry-leading capacity, broad procurement options, and substantial shipment volumes for better efficiency, service, and marketplace advantages; and
- **Stability:** Our financial strength, discipline, and consistent track record of success for strategic support of our customers' supply chains.

#### **Seasonality**

Our operating results have been subject to seasonal trends as a result of, or influenced by, numerous factors, including national holidays, weather patterns, consumer demand, economic conditions, and other similar and subtle forces. 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.

#### **Proprietary Information Technology and Intellectual Property**

We rely on a combination of cyber security, trademarks, copyrights, trade secrets, and nondisclosure and non-competition agreements to establish and protect our intellectual property and proprietary technology. Additionally, we have numerous registered trademarks, trade names, and logos in the United States and international locations.

Our software systems are essential to service our customers and contracted carriers, and manage our business. In 2019, we executed approximately 18 million shipments for more than 119,000 customers with more than 78,000 contracted carriers.

Our operational systems help our employees service customer orders, select the optimal mode of transportation, build and consolidate shipments, identify appropriate carriers and manage exceptions, all based on customer-specific service parameters. Our data estate provides our organization with the necessary business intelligence to allow for the necessary decision support in all areas of our business.

Our operations primarily use Navisphere, a global, multi modal transportation management system that allows customers to communicate worldwide with parties in their supply chain across languages, currencies, and continents. Navisphere offers sophisticated business analytics to help improve supply chain performance and meet increasing customer demands.

The Navisphere Vision product allows our customers to see their freight across all modes and services globally in a single view. Details of shipment contents, status of shipments based on milestones, disruptions to shipments, and resulting estimated time of arrival adjustment using artificial intelligence are provided for the customer to manage their supply chain exceptions. Collaboration, intelligent notifications, and performance score carding allow customers to manage their supply chain and identify inefficiencies.

The Navisphere Carrier platform provides contracted motor carriers access to the functionality necessary to manage their relationship with C.H. Robinson. Contracted motor carriers can access available freight, provide online status updates, keep track of receivables, and upload scanned documentation. Many of our contracted motor carriers' favorite features from Navisphere Carrier are also available through our Navisphere Carrier mobile application available for Android and iOS mobile operating systems.

The Navisphere Driver mobile application provides contracted motor carriers' drivers with load status automation capabilities. Drivers can elect to allow the application to automated location services and updates while in-transit. Drivers can also capture and upload bill of lading documentation to initiate payment processes. The track and trace capabilities give our systems and customers frequent load status information.

Freightquote by C.H. Robinson is a web-based, mobile-responsive offering designed to streamline the shipping process for small business customers allowing the booking of freight without any shipping knowledge or expertise. Freightquote's small business customers can go online with their phone, tablet, or computer to book their LTL or truckload freight, track shipments, get proactive notifications and pay for transportation services with a credit card.

## **Government Regulation**

Our operations may be regulated and licensed by various federal, state, and local transportation agencies in the United States and similar governmental agencies in foreign countries in which we operate.

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 (“FMC”) as an ocean freight forwarder and a NVOCC and we maintain separate bonds and licenses for each. We operate as a Department of Homeland Security certified IAC, providing air freight services, subject to commercial standards set forth by the International Air Transport Association (“IATA”) and federal regulations issued by the Transportation Security Administration (“TSA”). We provide customs brokerage services as a customs broker under a license issued by the U.S. Customs and Border Protection and other authoritative governmental agencies. 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 contractually require and rely on the motor carrier transporting the shipment to ensure compliance with these types of requirements. We, along with the contracted motor 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 buy and sell fresh produce under licenses issued by the U.S. Department of Agriculture (“USDA”) 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.

We are subject to a variety of other U.S. and foreign laws and regulations including, but not limited to, the Foreign Corrupt Practices Act and other similar anti-bribery and anti-corruption statutes.

## **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 contracted motor carriers to maintain workers compensation and other insurance coverage as required by law. Most contracted motor carriers have insurance exceeding these minimum requirements. Railroads, which are generally self-insured, provide limited common carrier cargo loss or damage liability protection, generally up to \$250,000 per shipment.

In North America, as a property freight broker, we are not legally liable for loss or damage to our customers’ cargo. In our customer contracts, we may agree to assume cargo liability up to a stated maximum. We typically do not assume cargo liability to our customers above minimum industry standards in our international freight forwarding, ocean transportation, or air freight businesses on international or domestic air shipments. With regards to international freight forwarding, certain ocean transportation, international domestic air freight shipments, and NAST LTL shipments, we offer our customers the option to purchase shippers’ interest insurance 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 typically contract for warehousing services from companies that provide us the same degree of coverage.

We maintain a broad cargo liability insurance policy to help 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 where we carry a \$15 million retention. Our contingent automobile liability coverage has a primary retention of \$5 million per incident.

As a seller of produce, we may, under certain circumstances, have legal responsibility arising from produce sales. We carry product liability coverage under our general liability and umbrella policies to cover tort claims. The deductible on our general liability coverage is \$500,000 per incident. 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. We carry product recall insurance coverage of \$50 million. This policy has a retention of \$5 million per incident.

We maintain a cyber liability insurance policy with coverage of \$10 million to help protect us against losses that may result from a cyber-related security breach or similar event. This policy has a retention of \$1 million per incident.

### Environmental, Social, and Governance (“ESG”)

We integrate ESG into our business, driven by our “EDGE” values of Evolving constantly, Delivering excellence, Growing together and Embracing integrity, to help to ensure we deliver value to our customers, employees, suppliers, shareholders and communities. We incorporate these principles into our business in a number of ways, including:

- **Environmental Sustainability:** By leveraging our scope, size and scale, we work with customers to help optimize their supply chain, eliminate empty miles on the road, and reduce their carbon footprint. C.H. Robinson has been an active member of SmartWay,<sup>®</sup> a transportation program of the U.S. Environmental Protection Agency since 2005. In 2019, we announced a goal to reduce our Scope 1 and 2 carbon intensity 40% by 2025. Additionally, we joined the Sustainable Packaging Coalition in an effort to reduce waste in packaging for our fresh produce sourcing services.
- **Diversity and Inclusion:** We are committed to fostering an inclusive workplace that attracts and retains high-performing diverse talent. This commitment is demonstrated by integrating diversity and inclusion initiatives into our talent strategies and across our business. Last year, this included integration into employee training programs and ensuring our employee benefit programs meet the needs of our diverse employee workforce.
- **Community Engagement:** Through our company and the C.H. Robinson Foundation, we contributed to more than 800 charities operating around the globe and our employees donated more than 11,000 hours to nonprofits in their local communities in 2019. We proudly support organizations that matter most to our people through employee match programs, grantmaking, disaster relief efforts, employee hardship and scholarship fund programs. We also make a difference in our industry through our carrier scholarship program and our support of Truckers Against Trafficking, which works with the transportation industry to fight human trafficking.

### Information about our Executive Officers

The Board of Directors designates the executive officers annually. Below are the names, ages, and positions of the executive officers as of February 19, 2020:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Robert C. Biesterfeld, Jr.	44	President and Chief Executive Officer
Ben G. Campbell	54	Chief Legal Officer and Secretary
Michael Castagnetto	43	President of Robinson Fresh
Jeroen Eijnsink	47	President of C.H. Robinson Europe
Angela K. Freeman	52	Chief Human Resources and ESG Officer
Jordan T. Kass	47	President of Managed Services
Michael W. Neill	49	Chief Technology Officer
Christopher J. O’Brien	51	Chief Commercial Officer
Mac Pinkerton	46	President of NAST
Michael J. Short	49	President of Global Freight Forwarding
John P. Wiehoff	58	Executive Chairman of the Board
Michael P. Zechmeister	53	Chief Financial Officer

Robert C. Biesterfeld, Jr. was named Chief Executive Officer in May 2019. Prior to becoming CEO, he held the positions of Chief Operating Officer from February 2018 to May 2019, President of NAST from January 2016 to December 2018, Vice President of Truckload from January 2014 to December 2015, Vice President of Sourcing and Temperature Controlled Transportation from January 2013 to December 2014, and General Manager for the U.S. West Sourcing Region for the company’s Robinson Fresh division from 2003 to 2011. He began his career with C.H. Robinson in 1999 in the Corporate Procurement and Distribution Services office. Bob serves on the Board of Directors for the Transportation Intermediaries Association and is trustee of the Winona State University Foundation. Bob graduated from Winona State University with a Bachelor of Arts degree.

Ben G. Campbell was named Chief Legal Officer and Secretary in January 2015. Previous positions with the company include Vice President, General Counsel and Secretary from January 2009 to December 2014 and Assistant General Counsel from February 2004 to December 2008. Ben joined C.H. Robinson in 2004. 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 College of Law.

Michael Castagnetto was named President of Robinson Fresh in January 2020. Prior executive positions with the company include Vice President, General Manager, and Director of Sourcing from 2013 to 2019. Prior to his executive roles, Michael held various customer facing roles within the company. He began his career with C.H. Robinson through the acquisition of FoodSource, Inc. in 2005. He is a board member of the United Fresh Produce Association and the Pinky Swear Foundation. He holds a Bachelor of Arts from Saint Mary's College of California.

Jeroen Eijnsink was named President of C.H. Robinson Europe in September 2015. Jeroen previously served as Chief Executive Officer of DHL Freight Germany, where he was responsible for the road and rail transport activities for DHL in Germany from March 2013 to August 2015. He also served as Chief Executive Officer of DHL Freight Belgium, Netherlands, and United Kingdom from January 2011 to February 2013 and managing director of DHL Freight United Kingdom and Ireland from May 2006 to December 2010. Prior to joining Deutsche Post DHL, Jeroen held various management positions at Siemens in Germany.

Angela K. Freeman was named Chief Human Resources Officer in January 2015, and in October 2019 also became ESG Officer. Prior to becoming CHRO, she served as Vice President of Human Resources from August 2012 to December 2014. Previous positions with C.H. Robinson include Vice President of Investor Relations and Public Affairs from January 2009 to August 2012 and Director of Investor Relations, and Director of Marketing Communications. She also serves as the president of the C.H. Robinson Worldwide Foundation. In addition to her responsibilities at C.H. Robinson, Angie currently serves on the Board of Directors of Spartan Motors, Inc. (Nasdaq: SPAR) and on the Board of the University of North Dakota Alumni Association & Foundation. Prior to joining C.H. Robinson in 1998, Angela was with McDermott/O'Neill & Associates, a Boston-based public affairs firm. Angie holds a Bachelor of Arts degree and a Bachelor of Science degree from the University of North Dakota, and a Master of Science degree from the London School of Economics.

Jordan T. Kass was named President of Managed Services in January 2015. He previously served as Vice President of Management Services from January 2013 to January 2015. Previous positions with C.H. Robinson include Director of the TMC division. Jordan began his career in 1994 at American Backhaulers and subsequently joined C.H. Robinson in 2000 following our acquisition of American Backhaulers. Jordan holds a Bachelor of Arts degree from Indiana University.

Michael W. Neill was named Chief Technology Officer in June 2018. Previous positions with the company include IT Director, Application Development from 2010 to 2018, IT Director, Infrastructure and Security from 2005 to 2010, and Software Development Manager from 2002 to 2004. Prior to joining C.H. Robinson in 2002, Mike held IT management positions at ADC Telecommunications and Trans Consolidated Incorporated. Mike also serves as an industry advisory board member to the University of Minnesota, Duluth, Computer Science Department and on the Board of Advisors of AbeTech. Mike holds a Bachelor of Science degree from the University of Minnesota, Duluth and a Master of Science from the University of Minnesota.

Christopher J. O'Brien was named Chief Commercial Officer in January 2015. Prior to that, he served as a Senior Vice President from May 2012 to December 2014. He has served as a Vice President since May 2003. Additional previous positions with C.H. Robinson include President of the company's European division and manager of the Raleigh, North Carolina, office. Christopher joined the company in 1993. He holds a Bachelor of Arts degree from Alma College in Michigan.

Mac Pinkerton was named President of NAST in January 2019. Prior executive positions with the company include Vice President, Service Lines from July 2017 to December 2018 and Vice President, Transportation from October 2010 to June 2017. Prior to his executive roles, Mac was General Manager in the Mobile, Alabama and Dallas, Texas offices. Mac began his career with C.H. Robinson in 1997 as a transportation representative. He holds a Bachelor of Science degree from Mississippi State University.

Michael J. Short was named President of Global Freight Forwarding in May 2015. He joined C.H. Robinson through the acquisition of Phoenix International ("Phoenix") in 2012 and is a 21-year veteran of the global forwarding industry. Prior to being named President, Mike served as Vice President, Global Forwarding - North America. Prior to joining C.H. Robinson, he held a number of roles at Phoenix, including Regional Manager, Sales Manager, and General Manager of the St. Louis office. He graduated from the University of Missouri in 1993 with a Bachelor of Science degree in Business.

John P. Wiehoff has served as Chairman of the Board since 2007, and intends to retire from the company, including as a director, on May 7, 2020. John served as Chief Executive Officer from May 2002 to May 2019, 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. Prior to joining C.H. Robinson, John was employed by Arthur Andersen LLP. John also serves on the Boards of Directors of Polaris Inc. (NYSE: PII) and Donaldson Company, Inc. (NYSE: DCI). He holds a Bachelor of Science degree from St. John's University.

Michael P. Zechmeister was named Chief Financial Officer in August 2019. Before coming to C.H. Robinson, Mike served as Chief Financial Officer of United Natural Foods, Inc., a food wholesaler, from 2015 to August 2019. Prior to joining United Natural Foods, Inc., Mike spent 25 years at General Mills, Inc. holding a variety of leadership roles, including Vice President of Finance for the Pillsbury Division, Vice President of Finance for U.S. Retail Sales, and Treasurer. Mike holds a Bachelor of Science in Business degree from the Carlson School of Management at the University of Minnesota and earned a MBA in Finance, Marketing, and Strategy from the Kellogg School of Management at Northwestern University. Mike also serves on the Board of Overseers for the Carlson School of Management at the University of Minnesota.

### **Employees**

As of December 31, 2019, we had a total of 15,427 employees, approximately 13,600 of whom were in our network offices. Our remaining employees centrally serve our network of offices in areas such as finance, information technology, legal, marketing, and human resources.

### **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. Information contained on our website is not part of this report.

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

This Annual Report on Form 10-K, including our financial statements, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 of Part II 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.

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, including 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; 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 successfully integrate the operations of acquired companies with our historic operations; risks associated with litigation, including contingent auto liability and insurance coverage; risks associated with operations outside of the United States; risks associated with the potential impact of changes in government regulations; risks associated with the produce industry, including food safety and contamination issues; fuel price increases or decreases, or fuel shortages; cyber-security related risks; the impact of war on the economy; changes to our capital structure; risks related to the elimination of LIBOR, and other risks and uncertainties, including those described below. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update these statements in light of subsequent events or developments.

## ITEM 1A. RISK FACTORS

The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this 10-K. We may also refer to this disclosure to identify factors that may cause actual results to differ from those expressed in other forward-looking statements, including those made in oral presentations such as telephone conferences and webcasts open to the public.

**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, currency fluctuations, and other economic factors beyond our control. Deterioration in the economic environment subjects our business to various risks, which may have a material and adverse 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 are transactional or “spot” market opportunities. The transactional market may be more impacted than the contractual freight market by overall economic conditions. 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, ecommerce, or printing industries, our operating results could be adversely affected.
- **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 contracted 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. 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 levels 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.

**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 over-the-road transportation services and changes in regulations may reduce available capacity and increase motor carrier pricing. In some instances where we have entered into contract freight rates with customers, in the event market conditions change and those contracted rates are below market rates, we may be required to provide transportation services at a net revenue loss.

**Changing fuel costs and interruptions of fuel supplies may have an impact on our net revenue margins.** In our truckload transportation business, which is the largest source of our net revenues, fluctuating fuel prices may result in decreased net revenue margin. While our different pricing arrangements with customers and contracted motor 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 fluctuating fuel prices, our net revenue margin may also fluctuate.

**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 depend on independent third parties to provide truck, rail, ocean, and air services and to report certain events to us, including, but not limited to, shipment status 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 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 motor carriers;
- changes in regulations impacting transportation;
- disruption in the supply or cost of fuel;
- reduction or deterioration in rail service; and
- unanticipated changes in freight markets.

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

- changes in 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 catastrophic events.** A disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, heightened security measures, actual or threatened terrorist attack, strike, civil unrest, pandemic, or other catastrophic event could cause delays in providing services or performing other critical functions. A catastrophic event that results in the destruction or disruption of any of our critical business or information systems could harm our ability to conduct normal business operations and adversely impact our operating results.

In addition, the ongoing coronavirus outbreak emanating from China at the beginning of 2020 has resulted in increased travel restrictions and extended shutdown of certain businesses in the region. These or any further political or governmental developments or health concerns in China or other countries in which we operate could adversely impact our operating results but at this point, the extent to which the coronavirus may impact our results is uncertain.

**Our international operations subject us to operational and financial risks.** We provide services within and between foreign countries 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 that 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 continue to expand our business internationally, we expose the company to increased risk of loss from foreign currency fluctuations and exchange controls, as well as longer accounts receivable payment cycles. Foreign currency fluctuations could result in currency exchange gains or losses or could affect the book value of our assets and liabilities. Furthermore, we may experience unanticipated changes to our income tax liabilities resulting from changes in geographical income mix and changing international tax legislation. 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.

**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 salespeople 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 traditional and non-traditional logistics companies, including transportation providers that own equipment, third party freight brokers, technology matching services, internet freight brokers, carriers offering logistics services, and on-demand transportation service providers. 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. In some instances where we have entered into contract freight rates with customers, in the event market conditions change and those contracted rates are below market rates, we may be required to provide transportation services at a net revenue loss.

**We rely 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 and users. We rely on our technology staff and vendors to successfully implement changes to and maintain our operating systems in an efficient manner. If we fail to maintain, protect, and enhance our operating systems, we may be at a competitive disadvantage and lose customers.

As demonstrated by recent material and high-profile data security breaches, computer malware, viruses, and computer hacking and phishing attacks have become more prevalent, have occurred on our operating systems in the past, and may occur on our operating systems in the future. Previous attacks on our operating systems have not had a material financial impact on our operations, but we cannot guarantee that future attacks will have little to no impact on our business. Furthermore, given the interconnected nature of the supply chain and our significant presence in the industry, we believe that we may be an attractive target for such attacks.

Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, a significant impact on the performance, reliability, security, and availability of our operating systems and technical infrastructure to the satisfaction of our users may harm our reputation, impair our ability to retain existing customers or attract new customers, and expose us to legal claims and government action, each of which could have a material adverse impact on our financial condition, results of operations, and growth prospects.

**Our operations may be materially adversely affected by inconsistent management practices.** We manage our business through a network of offices throughout North America, Europe, Asia, Oceania, and South America, supported by executives and shared and centralized services, with local management responsible for day-to-day operations, personnel decisions, and adherence to applicable local laws. Inconsistent management practices could 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. Historically, income from operations and earnings are lower in the first quarter than in the other three quarters. We believe this historical pattern has been the result of, or influenced by, numerous factors, including national holidays, weather patterns, consumer demand, economic conditions, and other similar and subtle forces. 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 motor 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 motor carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for motor 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 automobile liability policy has a primary retention of \$5 million per incident. 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 motor 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 including but not limited to flood, drought, freeze, insects, 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. To assure access to certain commodities, we occasionally make monetary advances to growers to finance their operations. Repayment of these advances is dependent upon the growers' ability to grow and harvest marketable crops.

**Buying 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. We may face claims for a variety of damages arising from the sale of produce, which may include potentially uninsured consequential damages. While we are insured for up to \$200 million for product liability claims subject to a \$500,000 per incident deductible, settlement of class action claims is often costly, and we cannot guarantee that our 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 associated consequential damages. 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.** Our operations may be regulated and licensed by various federal, state, and local transportation agencies in the United States and similar governmental agencies in foreign countries in which we operate.

We are subject to licensing and regulation as a property freight broker and are licensed by the 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 FMC as an ocean freight forwarder and a NVOCC, and we maintain separate bonds and licenses for each. We operate as a Department of Homeland Security certified IAC, providing air freight services, subject to commercial standards set forth by the IATA and federal regulations issued by the TSA. We provide customs brokerage services as a customs broker under a license issued by the U.S. Customs and Border Protection and other authoritative governmental agencies. We also have and maintain other licenses as required by law.

We source fresh produce under a license issued by the USDA as required by PACA. We are also subject to various regulations and requirements promulgated by other international, domestic, state, and local agencies and port authorities. 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 owned or leased warehouse facilities. Our operations at these facilities include both warehousing and distribution services, and we are subject to various federal, state, and international environmental, work safety, and hazardous materials regulations. We may experience an increase in operating costs, such as security costs, 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, and our operations and profitability may suffer as a result.

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.

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.

**Our contracted motor carriers are subject to increasingly stringent laws protecting the environment, including those relating to climate change, which could directly or indirectly have a material adverse effect on our business.** Future and existing environmental regulatory requirements in the U.S. and abroad could adversely affect operations and increase operating expenses, which in turn could increase our purchased transportation costs. If we are unable to pass such costs along to our customers, our business could be materially and adversely affected. Even without any new legislation or regulation, increased public concern regarding greenhouse gases emitted by transportation carriers could harm the reputations of companies operating in the transportation logistics industries and shift consumer demand toward more locally sourced products and away from our services.

**We derive a significant portion of our total revenues and net revenues from our largest customers.** Our top 100 customers comprise approximately 32 percent of our consolidated total revenues and 24 percent of consolidated net revenues. Our largest customer comprises approximately two percent of our consolidated total revenues. The sudden loss of major customers 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. The timing and number of acquisitions we pursue may also cause volatility in our financial results. 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.

**We may have difficulties integrating acquired companies.** For acquisitions, success depends upon efficiently integrating the acquired business into our existing operations. These risks could be heightened if we complete a large acquisition or multiple acquisitions within a short period of time. We are required to integrate these businesses into our internal control environment, which may present challenges that are different than those presented by organic growth and that may be difficult to manage. If we are unable to successfully integrate and grow these acquisitions and to realize contemplated revenue synergies and cost savings, our business, prospects, results of operations, financial position, and cash flows could be materially and adversely affected.

**Our growth and profitability may not continue, which may result in a decrease in our stock price.** Our long-term growth objective is to grow earnings per share by 10 percent annually. Long-term growth targets represent an over time perspective and do not necessarily represent an expected annual growth rate. 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.

**Changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate could increase our borrowing costs.** A substantial portion of our borrowing capacity bears interest at a variable rate based on LIBOR. In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the United Kingdom, stated that they will plan for a phase out of regulatory oversight of LIBOR interest rates indices. The FCA has indicated they will support the LIBOR indices through 2021, to allow for an orderly transition to an alternative reference rate. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities.

We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the dominant replacement. Introduction of an alternative rate also may introduce additional basis risk for market participants as an alternative index is utilized along with LIBOR. There can be no guarantee that SOFR will become widely used and that alternatives may or may not be developed with additional complications. We are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition to SOFR may be on our business, financial condition, and results of operations.

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

None.

## **ITEM 2. PROPERTIES**

Our corporate headquarters is in Eden Prairie, Minnesota. The total square footage of our five buildings, three of which we own, in Eden Prairie is 400,000. This total includes a data center of approximately 18,000 square feet.

We also own an office in Kansas City, MO of approximately 208,000 square feet and a data center in Oronoco, MN of approximately 32,000 square feet. We lease approximately 300 locations used for office space in approximately 265 cities around the world, most notably a fifteen year lease of approximately 207,000 square feet in Chicago, IL. In addition, we lease warehouse space totaling approximately 1.6 million square feet in 20 locations primarily within the United States.

Most of our offices and warehouses 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 208,000 square feet. Because we are a global enterprise characterized by substantial intersegment cooperation, properties are often used by multiple business segments.

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 to new offices as leases expire.

## **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 some 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 adverse effect on our consolidated financial position, results of operations, or cash flows.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **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 on October 15, 1997, and currently trades on the Nasdaq Global Select Market under the symbol "CHRW".

On February 14, 2020, the closing sales price per share of our common stock as quoted on the Nasdaq Global Select Market was \$72.01 per share. On February 14, 2020, there were approximately 136 holders of record. On February 11, 2020, there were approximately 208,709 beneficial owners of our common stock.

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.

The following table provides information about company purchases of common stock during the quarter ended December 31, 2019:

	<b>Total Number of Shares Purchased</b> <sup>(1)</sup>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs</b> <sup>(2)</sup>
October 2019	200,247	\$ 84.96	194,622	10,652,792
November 2019	452,142	75.63	450,700	10,202,092
December 2019	210,707	76.77	208,409	9,993,683
Fourth quarter 2019	<u>863,096</u>	<u>\$ 78.07</u>	<u>853,731</u>	<u>9,993,683</u>

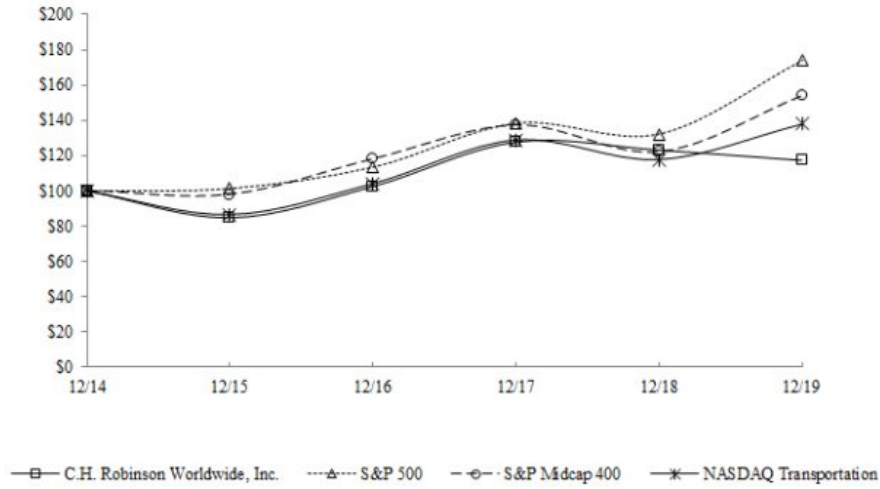
<sup>(1)</sup> The total number of shares purchased includes: (i) 853,731 shares of common stock purchased under the authorization described below; and (ii) 9,365 shares of common stock surrendered to satisfy statutory tax withholding obligations under our stock incentive plans.

<sup>(2)</sup> In May 2018, the Board of Directors increased the number of shares authorized to be repurchased by 15,000,000 shares. As of December 31, 2019, there were 9,993,683 shares remaining for future repurchases under this authorization. Purchases can be made in the open market or in privately negotiated transactions, including Rule 10b5-1 plans and accelerated share repurchase programs.



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 December 31, 2014 to December 31, 2019.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
**Among C.H. Robinson Worldwide, Inc., the S&P 500 Index,**  
**the S&P Midcap 400 Index and the NASDAQ Transportation Index**



\*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.  
 Fiscal year ending December 31.

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	December 31,					
	2014	2015	2016	2017	2018	2019
<b>C.H. Robinson Worldwide, Inc.</b>	\$ 100.00	84.78	102.58	127.74	123.12	117.32
<b>S&amp;P 500</b>	\$ 100.00	101.38	113.51	138.28	132.23	173.86
<b>S&amp;P Midcap 400</b>	\$ 100.00	97.82	118.11	137.30	122.08	154.07
<b>Nasdaq Transportation</b>	\$ 100.00	86.61	104.22	128.89	117.83	137.84

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

**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 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**

Year Ended December 31,	2019 <sup>(1)</sup>	2018 <sup>(1)</sup>	2017	2016	2015
Total revenues	\$ 15,309,508	\$ 16,631,172	\$ 14,869,380	\$ 13,144,413	\$ 13,476,084
Net revenues	2,586,310	2,705,235	2,368,050	2,277,528	2,268,480
Income from operations	789,976	912,083	775,119	837,531	858,310
Net income	576,968	664,505	504,893	513,384	509,699
Net income per share					
Basic	\$ 4.21	\$ 4.78	\$ 3.59	\$ 3.60	\$ 3.52
Diluted	\$ 4.19	\$ 4.73	\$ 3.57	\$ 3.59	\$ 3.51
Weighted average number of shares outstanding (in thousands)					
Basic	136,955	139,010	140,610	142,706	144,967
Diluted	137,735	140,405	141,382	142,991	145,349
Dividends per share	\$ 2.01	\$ 1.88	\$ 1.81	\$ 1.74	\$ 1.57

**BALANCE SHEET DATA**

As of December 31,	2019	2018	2017	2016	2015
Working capital	\$ 1,084,080	\$ 1,319,751	\$ 523,487	\$ 162,384	\$ 282,101
Total assets	4,641,060	4,427,412	4,235,834	3,687,758	3,184,358
Current portion of debt	142,885	5,000	715,000	740,000	450,000
Long-term debt	1,092,448	1,341,352	750,000	500,000	500,000
Total stockholders' investment	1,670,730	1,595,087	1,425,745	1,257,847	1,150,450

**OPERATING DATA**

As of December 31,	2019	2018	2017	2016	2015
Employees	15,427	15,262	15,074	14,125	13,159

<sup>(1)</sup>We adopted ASU 2014-09, *Revenue from Contracts with Customers*, in 2018 which impacted the presentation and timing of revenue recognition. The comparative information for previous periods has not been restated and continues to be reported under the accounting standards in effect for those periods. Refer to Note 10, *Revenue Recognition*, for further information.

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

**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. As a third party logistics provider, we enter into contractual relationships with a wide variety of transportation companies and utilize those relationships to efficiently and cost-effectively arrange the transport of our customers’ freight. We provide freight transportation services and logistics solutions to companies of all sizes, in a wide variety of industries. We operate through a network of offices in North America, Europe, Asia, Oceania, and South America. 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.

Our net revenues are a non-GAAP financial measure calculated as total revenues less the cost of purchased transportation and related services and the cost of purchased products sourced for resale. We believe net revenues are a useful measure of our ability to source, add value, and sell services and products that are provided by third parties, and we consider net revenues to be our primary performance measurement. Accordingly, the discussion of our results of operations often focuses on the changes in our net revenues. The reconciliation of total revenues to net revenues is presented below (in thousands):

	Twelve Months Ended December 31,		
	2019	2018	2017
<b>Revenues:</b>			
Transportation	\$ 14,322,295	\$ 15,515,921	\$ 13,502,906
Sourcing	987,213	1,115,251	1,366,474
Total Revenues	15,309,508	16,631,172	14,869,380
<b>Costs and expenses:</b>			
Purchased transportation and related services	11,839,433	12,922,177	11,257,290
Purchased products sourced for resale	883,765	1,003,760	1,244,040
Total direct costs	12,723,198	13,925,937	12,501,330
Net revenues	\$ 2,586,310	\$ 2,705,235	\$ 2,368,050

**MARKET TRENDS**

The North America truckload market has faced significant cyclical changes in the last year attributable to weakening demand and excess capacity resulting in pricing and volume declines during the second half of 2019. One of the metrics we use to measure market conditions is the truckload routing guide depth from our Managed Services business. Routing guide depth represents the number of carriers contacted prior to an acceptance when procuring a transportation provider. Routing guide depth is calculated as a simple average of all accepted shipments over all tender instances for any shipment facilitated by our Managed Services business. The average routing guide depth of tender was 1.2 during 2019, representing that on average, the first carrier in a shipper’s routing guide was executing the shipment in most cases. This compared to an average depth of tender of 1.7 during 2018. The 2019 routing guide penetration is among the lowest levels we have experienced this decade and is a reflection of both softening demand and reduced pricing and costs over the course of 2019. The global forwarding market was negatively impacted for much of 2019 by excess capacity and reduced demand due to tariff activity and macroeconomic uncertainty especially in trade lanes between China and the United States. In addition, growth rates were negatively impacted by comparisons to 2018 which included shipments to build inventory ahead of tariffs enacted in early 2019. This reduced demand has also significantly reduced air freight volumes as there is inherently less demand for expedited and more expensive air freight.

**BUSINESS TRENDS**

Our 2019 results are largely consistent with the overall market trends summarized above. As a result of the softening freight environment over the course of 2019, our volumes shifted from spot-market pricing towards contractual business. In the first half of 2019, this shift resulted in margin expansion as contractual pricing decreased at a slower rate than spot-market driven carrier costs. In the second half of 2019, the continued shift to contractual business began to lead to margin compression as spot-market driven carrier pricing declines began to decelerate as compared to our contractual pricing declines. Given the soft freight environment, we continued to see competitive levels of pricing activity to reflect current market conditions which resulted in significant pricing declines in most of our transportation service lines compared to 2018. Our pricing strategies continue to reflect the current market conditions and our intention to be near the top of our customers’ routing guide. In

addition, the reduced pricing in truckload has resulted in a volume shift from intermodal to truckload while our sourcing revenues declined in 2019 driven by case volume declines with large retailers.

On February 28, 2019, we acquired The Space Cargo Group (“Space Cargo”) for the purpose of expanding our presence and capabilities in Spain and Colombia. Our consolidated results include the results of Space Cargo since March 1, 2019. On May 22, 2019, we acquired Dema Service S.p.A (“Dema Service”) to strengthen our existing footprint in Italy. Our consolidated results include the results of Dema Service since May 23, 2019.

#### **SELECTED OPERATING PERFORMANCE AND OTHER SIGNIFICANT ITEMS**

The following summarizes select 2019 year-over-year operating comparisons to 2018:

- Total revenues decreased 7.9 percent to \$15.3 billion, driven by lower pricing and volumes across most transportation service lines and decreased sourcing revenue pricing and case volumes.
- Net revenues decreased 4.4 percent to \$2.6 billion, primarily driven by margin decline in truckload services.
- Personnel expenses decreased 3.4 percent to \$1.3 billion, driven primarily by declines in performance-based compensation, partially offset by a 2.3 percent increase in average headcount.
- Selling, general, and administrative (“SG&A”) expenses increased 10.7 percent to \$497.8 million, due primarily to increases in purchased services, particularly commercial off-the-shelf software, and occupancy, partially offset by a reduction in bad debt expense.
- Income from operations totaled \$790.0 million, down 13.4 percent due to declining net revenues and increased SG&A expense.
- Operating margin of 30.5 percent decreased 320 basis points.
- Diluted earnings per share (EPS) decreased 11.4 percent to \$4.19.
- Cash flow from operations increased 5.4 percent to \$835.4 million.

## CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes our results of operations (dollars in thousands, except per share data):

	Twelve Months Ended December 31,				
	2019	2018	% change	2017	% change
<b>Revenues:</b>					
Transportation	\$ 14,322,295	\$ 15,515,921	(7.7)%	\$ 13,502,906	14.9 %
Sourcing	987,213	1,115,251	(11.5)%	1,366,474	(18.4)%
<b>Total revenues</b>	<b>15,309,508</b>	<b>16,631,172</b>	<b>(7.9)%</b>	<b>14,869,380</b>	<b>11.8 %</b>
<b>Costs and expenses:</b>					
Purchased transportation and related services	11,839,433	12,922,177	(8.4)%	11,257,290	14.8 %
Purchased products sourced for resale	883,765	1,003,760	(12.0)%	1,244,040	(19.3)%
Personnel expenses	1,298,528	1,343,542	(3.4)%	1,179,527	13.9 %
Other selling, general, and administrative expenses	497,806	449,610	10.7 %	413,404	8.8 %
<b>Total costs and expenses</b>	<b>14,519,532</b>	<b>15,719,089</b>	<b>(7.6)%</b>	<b>14,094,261</b>	<b>11.5 %</b>
<b>Income from operations</b>	<b>789,976</b>	<b>912,083</b>	<b>(13.4)%</b>	<b>775,119</b>	<b>17.7 %</b>
Interest and other expense	(47,719)	(31,810)	50.0 %	(46,656)	(31.8)%
<b>Income before provision for income taxes</b>	<b>742,257</b>	<b>880,273</b>	<b>(15.7)%</b>	<b>728,463</b>	<b>20.8 %</b>
Provision for income taxes	165,289	215,768	(23.4)%	223,570	(3.5)%
<b>Net income</b>	<b>\$ 576,968</b>	<b>\$ 664,505</b>	<b>(13.2)%</b>	<b>\$ 504,893</b>	<b>31.6 %</b>
<b>Diluted net income per share</b>	<b>\$ 4.19</b>	<b>\$ 4.73</b>	<b>(11.4)%</b>	<b>\$ 3.57</b>	<b>32.5 %</b>
<b>Net revenue margin percentage</b>					
Transportation	17.3 %	16.7 %	0.6 pts	16.6 %	0.1 pts
Sourcing	10.5 %	10.0 %	0.5 pts	9.0 %	1.0 pts
Total net revenue margin	16.9 %	16.3 %	0.6 pts	15.9 %	0.4 pts
<b>Average headcount</b>	<b>15,551</b>	<b>15,204</b>	<b>2.3 %</b>	<b>14,687</b>	<b>3.5 %</b>

A reconciliation of our reportable segments to our consolidated results can be found in Note 9, *Segment Reporting*, in Part II, Financial Information of this Annual Report on Form 10-K.

### Consolidated Results of Operations—Twelve Months Ended December 31, 2019 Compared to Twelve Months Ended December 31, 2018

**Total revenues and direct costs.** Total transportation revenues decreased driven by lower pricing and volumes in truckload and, to a lesser extent, decreased intermodal volumes and decreased pricing in our ocean and air service lines. Total purchased transportation and related services decreased due to decreased cost of transportation in most of our transportation services resulting from softening market demand over the course of 2019 and excess carrier capacity. Our sourcing total revenues and purchased products sourced for resale decreased due to lower pricing and costs per case in addition to lower case volume.

**Net revenues.** Our transportation net revenue margin increased driven by margin expansion in truckload services as we benefited from a shift to contractual volume in a falling cost market for the first half of 2019. The margin expansion in the first half of 2019 was largely offset by margin compression in the second half of 2019 as discussed above. Sourcing net revenue margin increased driven by the strategic decision to exit unprofitable business.

**Operating expenses.** Personnel expenses decreased primarily due to declines in performance-based compensation, partially offset by an increase in average headcount. Other SG&A expenses increased driven primarily by increases in purchased services, particularly commercial off-the-shelf software and occupancy, partially offset by a reduction in bad debt expense.

**Interest and other expense.** Interest and other expense increased driven by a \$4.2 million unfavorable impact of foreign currency revaluation and realized foreign currency gains and losses in 2019 compared to a \$16.9 million favorable impact in 2018.

**Provision for income taxes.** Our effective income tax rate was 22.3 percent and 24.5 percent. The effective income tax rate for the twelve months ended December 31, 2019, was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit, and foreign income taxes, but was partially offset by the tax impact of excess foreign tax credits and share-based payment awards. The effective income tax rate for the twelve months ended December 31, 2018, was higher than the statutory federal income tax rate due to state income taxes, net of federal benefit and foreign income taxes, but was partially offset by the tax impact of share-based payment awards.

**Consolidated Results of Operations—Twelve Months Ended December 31, 2018 Compared to Twelve Months Ended December 31, 2017**

**Total revenues and direct costs.** Total transportation revenues increased driven by increased pricing in most of our transportation services, most notably truckload and LTL. Total purchased transportation and related services increased due to increased truckload and LTL purchased transportation costs and higher ocean volumes, which were partially offset by the impact of decreased truckload volumes. Our sourcing total revenue and purchased products sourced for resale decreased \$120.5 million as a result of our adoption of ASU 2014-09, *Revenue from Contracts with Customers*.

**Net revenues.** Our transportation net revenues increased primarily due to increases in customer pricing, including fuel. Sourcing net revenues decreased due to decreases in net revenue per case and a case volume decrease across a variety of commodities and services, most notably in our restaurant and food service customers. Sourcing net revenue margin increased 1.0 percentage point as a result of our adoption of ASU 2014-09.

**Operating expenses.** Personnel expenses increased primarily due to an increase in performance-based compensation due to our strong earnings growth and growth in our average headcount. Other SG&A expenses increased driven primarily by increases in occupancy and other professional services expenses, claims and the provision for bad debt.

**Interest and other expense.** Interest and other expense decreased driven by a \$16.9 million favorable impact of foreign currency revaluation and realized foreign currency gains and losses in 2018 compared to a \$9.4 million unfavorable impact in 2017. The impact of foreign currency revaluation and realized foreign currency gains was partially offset by increased interest expense due to a higher average debt balance and higher interest rates in 2018 compared to 2017.

**Provision for income taxes.** Our effective income tax rate was 24.5 percent in 2018 and 30.7 percent in 2017, driven primarily by an \$83.1 million benefit from the Tax Act.

**NAST Segment Results of Operations**

(dollars in thousands)	Twelve Months Ended December 31,				
	2019	2018	% change	2017	% change
Total revenues	\$ 11,283,692	\$ 12,346,757	(8.6)%	\$ 10,728,835	15.1 %
Purchased transportation and related services	9,486,323	10,440,496	(9.1)%	9,102,661	14.7 %
<b>Net revenues</b>					
Truckload	1,275,199	1,375,361	(7.3)%	1,168,721	17.7 %
LTL	471,616	466,725	1.0 %	402,609	15.9 %
Intermodal	27,092	31,979	(15.3)%	28,867	10.8 %
Other	23,462	32,196	(27.1)%	25,977	23.9 %
Total net revenues	1,797,369	1,906,261	(5.7)%	1,626,174	17.2 %
Personnel expenses	698,187	749,120	(6.8)%	641,018	16.9 %
Other selling, general, and administrative expenses	376,419	335,297	12.3 %	324,048	3.5 %
Income from operations	\$ 722,763	\$ 821,844	(12.1)%	\$ 661,108	24.3 %
<b>Average headcount</b>	7,354	7,387	(0.4)%	7,316	1.0 %
<b>Service line volume statistics</b>					
Truckload			(2.0)%		(3.5)%
LTL			3.5 %		7.5 %
Intermodal			(25.5)%		1.0 %

**Twelve Months Ended December 31, 2019 Compared to Twelve Months Ended December 31, 2018**

**Total revenues and direct costs.** NAST revenues decreased due to lower pricing and volumes in truckload and, to a lesser extent, decreased intermodal volume. These decreases were partially offset by increased LTL volumes. NAST cost of transportation and related services decreased driven by lower cost per mile in truckload services.

**Net revenues.** NAST net revenues decreased driven primarily by lower net revenue per shipment and lower volumes in truckload services. Excluding the estimated impacts of the decrease in fuel costs, our average truckload rate per mile charged to our customers decreased approximately 10.0 percent due to pricing changes resulting from the marketplace conditions discussed above. Our truckload transportation costs per mile decreased approximately 10.5 percent, excluding the estimated decrease in fuel costs.

NAST LTL net revenues increased primarily due to increased volume partially offset by reduced margins.

NAST intermodal net revenues decreased primarily due to reduced volume driven by the impact of lower truckload pricing resulting in an industry volume shift from intermodal to lower priced truckload services.

**Operating expenses.** NAST personnel expense decreased primarily related to reduced performance-based compensation as average headcount was essentially flat. NAST SG&A expenses increased primarily due to continued investments in technology and higher occupancy costs.

**Twelve Months Ended December 31, 2018 Compared to Twelve Months Ended December 31, 2017**

**Total revenues and direct costs.** NAST revenues increased primarily due to increased pricing to our customers, including fuel, most notably in truckload and LTL services. This increase was partially offset by the impact of decreased truckload volumes. NAST cost of transportation and related services increased following the increase in total revenues.

**Net revenues.** NAST net revenues increased driven by double digit net revenue percentage increases from all services. NAST net revenue margin increased primarily due to transportation customer pricing growing faster than transportation costs in 2018 compared to 2017.

Truckload net revenues increased driven by higher customer pricing and the impact of moderating freight costs. This increase was partially offset by decreased truckload volumes. Excluding the estimated impacts of the change in fuel prices, our average North America truckload rate per mile charged to our customers increased approximately 21.5 percent in 2018 compared to 2017. Our truckload transportation costs per mile increased approximately 21.0 percent in 2018 compared to 2017 excluding the estimated impacts of the change in fuel prices.

NAST LTL net revenues increased primarily due to increased volume. This increase was partially offset by reduced margins resulting from transportation costs increasing at a faster rate than customer pricing.

NAST intermodal net revenues increased as a result of the elevated repositioning costs included in the 2017 period.

**Operating expenses.** NAST personnel expense increased primarily related to performance-based compensation and increased average headcount.

#### Global Forwarding Segment Results of Operations

(dollars in thousands)	Twelve Months Ended December 31,				
	2019	2018	% change	2017	% change
Total revenues	\$ 2,327,913	\$ 2,487,744	(6.4)%	\$ 2,140,987	16.2 %
Purchased transportation and related services	1,793,937	1,943,838	(7.7)%	1,655,707	17.4 %
Net revenues					
Ocean	308,068	312,327	(1.4)%	290,837	7.4 %
Air	101,991	111,038	(8.1)%	94,518	17.5 %
Customs	91,833	88,515	3.7 %	70,949	24.8 %
Other	32,084	32,026	0.2 %	28,976	10.5 %
Total net revenues	533,976	543,906	(1.8)%	485,280	12.1 %
Personnel expenses	276,255	284,586	(2.9)%	241,130	18.0 %
Other selling, general, and administrative expenses	177,194	167,694	5.7 %	152,308	10.1 %
Income from operations	\$ 80,527	\$ 91,626	(12.1)%	\$ 91,842	15.0 %
<b>Average headcount</b>	4,766	4,711	1.2 %	4,310	9.3 %
<b>Service line volume statistics</b>					
Ocean			— %		10.0 %
Air			(7.0)%		8.5 %
Customs			0.5 %		39.5 %

#### Twelve Months Ended December 31, 2019 compared to Twelve Months Ended December 31, 2018

**Total revenues and direct costs.** Total revenues and direct costs decreased driven by reduced pricing in our ocean and air service lines and a decline in air freight volumes. These declines were driven by the tariff and macroeconomic uncertainty discussed above, in addition to the comparisons to 2018 which included shipments to build inventory ahead of tariffs enacted in early 2019. The reduced demand due to tariff and macroeconomic uncertainty has also significantly impacted air freight volumes as there is inherently less demand for expedited and more expensive air freight.

**Net revenues.** Ocean and air transportation net revenues decreased driven by reduced pricing and air freight volumes discussed above. These declines were partially offset by the acquisition of Space Cargo which contributed two percentage points of ocean net revenue growth and five percentage points of air net revenue growth for the twelve-month period of 2019. Customs net revenues increased driven by increased volumes, including a modest impact from Space Cargo.

**Operating expenses.** Personnel expenses decreased driven by reduced performance-based compensation but was partially offset by an increase in average headcount driven by the Space Cargo acquisition. SG&A expenses increased driven by increased investments in technology, partially offset by a reduction in bad debt expense.



**Twelve Months Ended December 31, 2018 compared to Twelve Months Ended December 31, 2017**

**Total revenues and direct costs.** Total revenues and direct costs increased driven by increased volumes in all services and increased customer pricing in ocean and air.

**Net revenues.** Ocean transportation net revenues increased primarily due to increases in volumes, including those from acquisitions, partially offset by a decrease in net revenue margin. Air transportation net revenues increased driven by increases in volumes and an increase in net revenue margin. Customs net revenues increased primarily due to increased volumes including those from acquisitions. The acquisition of Milgram accounted for approximately 15 percentage points of customs net revenue growth.

**Operating expenses.** Personnel expenses increased driven by an increased average headcount, primarily due to the acquisition of Milgram. SG&A expenses increased driven by increased investments in technology, occupancy, and purchased services, including those from acquisitions.

**All Other and Corporate Segment Results of Operations**

All Other and Corporate includes our Robinson Fresh and Managed Services segment, as well as Other Surface Transportation outside of North America and other miscellaneous revenues and unallocated corporate expenses.

(dollars in thousands)	Twelve Months Ended December 31,				
	2019	2018	% change	2017	% change
Total revenues	\$ 1,697,903	\$ 1,796,671	(5.5)%	\$ 1,999,558	(10.1)%
Net revenues					
Robinson Fresh	109,183	116,283	(6.1)%	124,949	(6.9)%
Managed Services	83,365	78,789	5.8 %	72,166	9.2 %
Other Surface Transportation	62,417	59,996	4.0 %	59,481	0.9 %
Total net revenues	\$ 254,965	\$ 255,068	— %	\$ 256,596	(0.6)%

**Twelve Months Ended December 31, 2019 compared to Twelve Months Ended December 31, 2018**

Total revenues decreased driven by Robinson Fresh due to strategic decisions to exit unprofitable business. This decrease was partially offset by an increase in total revenues in Other Surface Transportation related to the acquisition of Dema Service.

Robinson Fresh net revenues decreased driven by reduced case volumes due to strategic decisions to exit unprofitable business. Managed Services net revenues increased driven by a combination of new customer wins and selling additional services to existing customers. Other Surface Transportation net revenues increased primarily driven by the acquisition of Dema Service, which contributed six percentage points of growth in Other Surface Transportation.

**Twelve Months Ended December 31, 2018 compared to Twelve Months Ended December 31, 2017**

Total revenues decreased primarily due to a \$120.5 million decrease in sourcing total revenue and purchased products sourced for resale as a result of our adoption of ASU 2014-09.

Robinson Fresh net revenues decreased driven by a decrease in net revenue per case and a decrease in case volumes. Managed Services net revenues increased primarily due to growth with existing customers. Other Surface Transportation net revenues were essentially flat.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically generated substantial cash from operations, which has enabled us to fund our organic growth while paying cash dividends and repurchasing stock. In addition, we maintain the following debt facilities as described in Note 4, *Financing Arrangements* (dollars in thousands):

Description	Carrying Value as of December 31, 2019	Borrowing Capacity	Maturity
Revolving credit facility	\$ —	\$ 1,000,000	October 2023
Senior Notes, Series A	175,000	175,000	August 2023
Senior Notes, Series B	150,000	150,000	August 2028
Senior Notes, Series C	175,000	175,000	August 2033
Receivables securitization facility <sup>(1)</sup>	142,885	250,000	December 2020
Senior Notes <sup>(1)</sup>	592,448	600,000	April 2018
<b>Total debt</b>	<b>\$ 1,235,333</b>	<b>\$ 2,350,000</b>	

<sup>(1)</sup>Net of unamortized discounts and issuance costs.

We expect to use our current debt facilities and potentially other indebtedness incurred in the future to assist us in continuing to fund working capital, capital expenditures, possible acquisitions, dividends, and share repurchases.

Cash and cash equivalents totaled \$447.9 million as of December 31, 2019, and \$378.6 million as of December 31, 2018. Cash and cash equivalents held outside the United States totaled \$405.1 million as of December 31, 2019, and \$320.0 million as of December 31, 2018. Working capital decreased from \$1.3 billion at December 31, 2018, to \$1.1 billion at December 31, 2019.

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, but those acquisitions must fit our culture and enhance our growth opportunities. On January 28, 2020, we entered into a definitive agreement to acquire Prime Distribution Services, a leading provider of retail consolidation services in North America for approximately \$225 million in cash. The agreement is subject to certain customary closing conditions, including regulatory approval. We anticipate financing the acquisition using cash and existing financing arrangements.

The following table summarizes our major sources and uses of cash and cash equivalents (dollars in thousands):

Twelve months ended December 31,	2019	2018	% change	2017	% change
<b>Sources of cash:</b>					
Cash provided by operating activities	\$ 835,419	\$ 792,896	5.4 %	\$ 384,001	106.5 %
<b>(Uses) / sources of cash:</b>					
Capital expenditures	(70,465)	(63,871)		(57,945)	
Acquisitions	(59,200)	(5,315)		(49,068)	
Other investing activities	16,636	(3,622)		(521)	
Cash used for investing activities	(113,029)	(72,808)	55.2 %	(107,534)	(32.3)%
Repurchase of common stock	(309,444)	(300,991)		(185,485)	
Cash dividends	(277,786)	(265,219)		(258,222)	
Net (payments) / borrowings on debt	(112,000)	(118,988)		225,000	
Other financing activities	47,977	30,021		16,573	
Cash used for financing activities	(651,253)	(655,177)	(0.6)%	(202,134)	224.1 %
Effect of exchange rates on cash and cash equivalents	(1,894)	(20,186)		11,891	
<b>Net change in cash and cash equivalents</b>	<b>\$ 69,243</b>	<b>\$ 44,725</b>		<b>\$ 86,224</b>	

**Cash flow from operating activities.** The increase in cash flow from operating activities in 2019 from 2018 was primarily driven by improved working capital performance and the impact of decreasing total transportation revenues and purchased transportation on our accounts receivable and accounts payable balances. The increase in cash flow from operations in 2018 from 2017 was primarily the result of increased earnings and improved working capital performance including improved collections of accounts receivable.

**Cash used for investing activities.** Our investing activities consist primarily of capital expenditures and cash paid for acquisitions. Capital expenditures consisted primarily of investments in information technology, which are intended to increase employee productivity, automate interactions with our customers and contracted carriers, and improve our internal workflows to help expand our operating margins and grow the business. During 2019, we sold a facility we owned in Chicago, Illinois for approximately \$17.0 million.

In 2019, we used \$45.0 million for the acquisition of Space Cargo and \$14.2 million for the acquisition of Dema Service. In 2017, we used \$47.3 million for the acquisition of Milgram.

We anticipate capital expenditures in 2020 to be approximately \$60 million to \$70 million.

**Cash used for financing activities.** We had net repayments on debt of \$112.0 million in 2019, \$119.0 million in 2018, and net borrowings of \$225.0 million in 2017. The 2019 net repayments were primarily to reduce the outstanding amount on the receivables securitization facility while the 2018 net repayments primarily related to the revolving credit facility partially offset by long-term borrowings on the Senior Notes. The 2017 net borrowings were primarily related to the receivables securitization facility. There was no outstanding balance on the revolving credit facility as of December 31, 2019. As of December 31, 2018, the outstanding balance on the facility was \$5.0 million. As of December 31, 2019, we were in compliance with, or have secured waivers of, all of the covenants under the Credit Agreement, Note Purchase Agreement, Receivables Securitization Facility, and Senior Notes.

The increases in cash dividends paid were the result of higher dividend rates, partially offset by fewer outstanding shares. The increase in share repurchases in 2019 was due to an increase in the number of shares repurchased, partially offset by a decrease in the average price paid per share compared to 2018. In 2018, the increase in shares repurchased was due to an increase in the number of shares repurchased and an increase in the average price paid per share compared to 2017. In May 2018, the Board of Directors increased the number of shares authorized to be repurchased by 15,000,000 shares. As of December 31, 2019, there were 9,993,683 shares remaining for future repurchases. The number of shares we repurchase, if any, during future periods will vary based on our cash position, potential alternative 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, the amount available under our credit facilities, and credit available in the market will be sufficient to satisfy our anticipated needs for working capital, capital expenditures, and cash dividends for at least the next 12 months. We also believe we could obtain funds under lines of credit or other forms of indebtedness on short notice, if needed.

**Recently Issued Accounting Pronouncements.** Refer to Note 13, *Recently Issued Accounting Pronouncements*, of the accompanying consolidated financial statements for a discussion of recently issued accounting pronouncements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1, *Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. We consider the following items in our consolidated financial statements to require significant estimation or judgment.

**REVENUE RECOGNITION.** At contract inception, we assess the goods and services promised in our contracts with customers and identify our performance obligations to provide distinct goods and services to our customers. Our transportation and logistics service arrangements often require management to use judgment and make estimates that impact the amounts and timing of revenue recognition.

*Transportation and Logistics Services* - As a third party logistics provider, our primary performance obligation under our customer contracts is to utilize our relationships with a wide variety of transportation companies to efficiently and cost-effectively transport our customers' freight. Revenue is recognized for these performance obligations as they are satisfied over the contract term, which generally represents the transit period. The transit period can vary based upon the method of transport, generally a number of days for over the road, rail, and air transportation, or several weeks in the case of an ocean shipment.

Recognizing revenue for contracts where the transit period is partially complete or completed and not yet invoiced at period end requires management to make judgments that affect the amounts and timing of revenue recognized. At December 31, 2019 we recorded revenue of \$132.9 million for services we have provided while a shipment was still in-transit but for which we had not yet completed our performance obligation or had not yet invoiced our customer. We utilize our historical knowledge of shipping lanes and estimated transit times to determine the transit period in cases where our customers' freight has not reached its intended destination. In addition, we analyze contract data for the first few days following the reporting date combined with our historical experience of trends related to partially completed contracts as of the reporting date to determine our right to consideration for the services we have provided where the transit period is partially complete or completed and not yet invoiced at period end. Disruptions such as weather events or other delays could cause the actual transit period to differ from these estimates.

Total revenues represent the total dollar value of revenue recognized from contracts with customers for the goods and services we provide. Substantially all of our revenue is attributable to contracts with 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. 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 primarily responsible for fulfilling the promise to provide the specified good or service to our customer and we have discretion in establishing the price for the specified good or service. Additionally, in our sourcing business, in some cases we take inventory risk before the specified good has been transferred to our customer. Customs brokerage, managed services, freight forwarding, and sourcing managed procurement transactions 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. See also Note 1, *Summary of Significant Accounting Policies*, for further information regarding our revenue recognition policies.

**GOODWILL.** Goodwill represents the excess of the cost of acquired businesses over the net of the fair value of identifiable tangible net assets and identifiable intangible assets purchased and liabilities assumed.

Goodwill is tested for impairment annually on November 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting units is less than their respective carrying value ("Step Zero Analysis"). If the Step Zero Analysis indicates it is more likely than not that the fair value of our reporting units is less than their respective carrying value, an additional impairment assessment is performed ("Step One Analysis"). Based on our Step Zero Analysis, we determined that the more likely than not criteria had not been met, and therefore a Step One Analysis was not required.

When we perform a Step One Analysis, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In the Step One Analysis, the fair value of each reporting unit is determined using a discounted cash flow analysis and market approach. Projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital, and the appropriate discount rate. Use of the market approach consists of comparisons to comparable publicly-traded companies that are similar in size and industry. Actual results may differ from those used in our valuations when a Step One Analysis is performed.

**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, 2019 (dollars in thousands):

	2020	2021	2022	2023	2024	Thereafter	Total
Borrowings under credit agreements	\$ 143,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 143,000
Senior notes <sup>(1)</sup>	25,200	25,200	25,200	25,200	25,200	682,950	808,950
Long-term notes payable <sup>(1)</sup>	21,388	21,388	21,388	196,388	14,440	423,008	698,000
Maturity of lease liabilities <sup>(2)</sup>	70,995	60,839	49,717	36,722	25,457	125,163	368,893
Purchase obligations <sup>(3)</sup>	105,420	31,278	15,718	17,833	26,133	182	196,564
Total	\$ 366,003	\$ 138,705	\$ 112,023	\$ 276,143	\$ 91,230	\$ 1,231,303	\$ 2,215,407

<sup>(1)</sup> Amounts payable relate to the semi-annual interest due on the senior and long-term notes and the principal amount at maturity.

<sup>(2)</sup> We maintain operating leases for office space, warehouses, office equipment, and a small number of intermodal containers. See Note 11, *Leases*, for further information.

<sup>(3)</sup> Purchase obligations include agreements for services that are enforceable and legally binding and that specify all significant terms. As of December 31, 2019, such obligations primarily include ocean and air freight capacity, telecommunications services, maintenance contracts and information technology related capacity. In some instances our contractual commitments may be usage based or require estimates as to the timing of cash settlement.

We have no financing lease obligations. Long-term liabilities consist primarily of noncurrent income taxes payable and long-term notes payable. Due to the uncertainty with respect to the amounts or timing of future cash flows associated with our unrecognized tax benefits at December 31, 2019, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, \$39.9 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See Note 5, *Income Taxes*, to the consolidated financial statements for a discussion on income taxes. As of December 31, 2019, 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 \$447.9 million of cash and cash equivalents on December 31, 2019. Substantially all of the cash equivalents are in demand accounts with financial institutions. The primary market risks associated with these investments are liquidity risks.

We are a party to a credit agreement with various lenders consisting of a \$1 billion revolving loan facility. Interest accrues on the revolving loan at a variable rate determined by a pricing schedule or the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50 percent, or (c) the sum of one-month LIBOR plus a specified margin). At December 31, 2019, there was no outstanding balance on the revolving loan.

We are a party to the Note Purchase Agreement, as amended, with various institutional investors with fixed rates consisting of: (i) \$175 million of the company's 3.97 percent Senior Notes, Series A, due August 27, 2023, (ii) \$150 million of the company's 4.26 percent Senior Notes, Series B, due August 27, 2028, and (iii) \$175 million of the company's 4.6 percent Senior Notes, Series C, due August 27, 2033. At December 31, 2019, there was \$500 million outstanding on the notes.

We are a party to a Receivables Securitization Facility, as amended, with various lenders that provides funding of up to \$250 million. Interest accrues on the facility at variable rates based on 30-day LIBOR plus a margin. At December 31, 2019, there was \$142.9 million outstanding, net of unamortized issuance costs, on the securitization facility.

We issued Senior Notes through a public offering on April 9, 2018. The Senior Notes bear an annual interest rate of 4.2 percent payable semi-annually on April 15 and October 15, until maturity on April 15, 2028. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the Senior Notes have an effective yield to maturity of approximately 4.39 percent per annum. The fair value of the Senior Notes, excluding debt discounts and issuance costs, approximated \$659.9 million as of December 31, 2019, based primarily on the market prices quoted from external sources. The carrying value of the Senior Notes was \$592.4 million at December 31, 2019.

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 debt facilities.

### **Foreign Exchange Risk**

We operate through a network of offices in North America, Europe, Asia, Oceania, and South America. As a result, we frequently transact using currencies other than the U.S. Dollar, primarily the Chinese Yuan, Euro, Canadian Dollar, and Mexican Peso. This often results in assets and liabilities, including intercompany balances, denominated in a currency other than the functional currency. In these instances, most commonly, we have balances denominated in U.S. Dollars in regions where the U.S. Dollar is not the functional currency. This results in foreign exchange risk.

Foreign exchange risk can be quantified by performing a sensitivity analysis assuming a hypothetical change in the value of the U.S. Dollar compared to other currencies in which we transact. Our primary foreign exchange risk is associated with balances denominated in U.S. Dollars held in China where the functional currency is the Chinese Yuan. All other things being equal, a hypothetical 10 percent weakening of the U.S. Dollar against the Chinese Yuan during the twelve months ended December 31, 2019, would have decreased our income from operations by approximately \$17.9 million and a hypothetical 10 percent strengthening of the U.S. Dollar against the Chinese Yuan during the twelve months ended December 31, 2019, would have increased our income from operations by approximately \$14.6 million. Our use of derivative financial instruments to manage foreign exchange risk is insignificant.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of C.H. Robinson Worldwide, Inc.

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of C.H. Robinson Worldwide, Inc. and subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, stockholders’ investment, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2020, expressed an unqualified opinion on the Company’s internal control over financial reporting.

#### Change in Accounting Principle

As discussed in Note 13 to the financial statements, effective January 1, 2019, the Company adopted the FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, using the modified retrospective approach.

#### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Revenue Recognition—Refer to Notes 1 and 10 to the financial statements*

##### *Critical Audit Matter Description*

Transportation and Logistics revenue is recognized for performance obligations identified in the customer contract as they are satisfied over the contract term, which generally represents the transit period. Recognizing revenue at period-end for contracts where the transit period is partially complete at period-end or completed and not yet invoiced, requires management to make judgments that affect the amounts and timing of revenue recognized. At December 31, 2019, the Company recorded revenue of \$132.9 million for services it provided while a shipment was still in transit, but for which it had not yet completed its performance obligation or had not yet invoiced the customer.

Auditing the estimate of the Company's revenue recorded for contracts where the transit period is partially complete or completed and not yet invoiced as of the reporting date required a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's estimate of the revenue recorded for contracts where the transit period is partially complete or completed and not yet invoiced as of the reporting date included the following, among others:

- We tested the effectiveness of controls over revenue recognized over time, including management's controls over the identification of shipments in transit, the portion of the transit period completed, and the estimate of contracts completed but not yet invoiced.
- We evaluated management's ability to identify the shipments in transit and to estimate the revenue to be recorded for contracts where the transit period is partially complete or completed and not yet invoiced at the reporting date by:
  - Performing a retrospective review of management's estimate for prior reporting periods
  - Testing the accuracy and completeness of the data in the system-generated report utilized in management's revenue cutoff estimate with the assistance of our information technology specialists
  - Assessing the estimate methodology for reasonableness, in light of recent market events or changes within the Company's operating environment
  - Testing the mathematical accuracy of management's estimate

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota  
February 19, 2020

We have served as the Company's auditor since 2002.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of C.H. Robinson Worldwide, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of C.H. Robinson Worldwide, Inc. and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the fiscal year ended December 31, 2019, of the Company and our report dated February 19, 2020, expressed an unqualified opinion on those consolidated financial statements and financial statement schedule and included an explanatory paragraph regarding the Company’s adoption of the FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*.

### Basis for Opinion

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 Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota  
February 19, 2020

**C.H. ROBINSON WORLDWIDE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	December 31,	
	2019	2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 447,858	\$ 378,615
Receivables, net of allowance for doubtful accounts of \$32,838 and \$41,131	1,974,381	2,162,438
Contract assets	132,874	159,635
Prepaid expenses and other	85,005	52,386
<b>Total current assets</b>	<b>2,640,118</b>	<b>2,753,074</b>
Property and equipment	489,976	498,847
Accumulated depreciation and amortization	(281,553)	(270,546)
Net property and equipment	208,423	228,301
Goodwill	1,291,760	1,258,922
Other intangible assets, net of accumulated amortization of \$156,879 and \$156,246	90,931	108,822
Right-of-use lease assets	310,860	—
Deferred tax assets	13,485	9,993
Other assets	85,483	68,300
<b>Total assets</b>	<b>\$ 4,641,060</b>	<b>\$ 4,427,412</b>
<b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 984,604	\$ 971,023
Outstanding checks	78,231	92,084
Accrued expenses—		
Compensation	112,784	153,626
Transportation expense	101,194	119,820
Income taxes	12,354	28,360
Other accrued liabilities	62,706	63,410
Current lease liabilities	61,280	—
Current portion of debt	142,885	5,000
<b>Total current liabilities</b>	<b>1,556,038</b>	<b>1,433,323</b>
Long-term debt	1,092,448	1,341,352
Noncurrent lease liabilities	259,444	—
Noncurrent income taxes payable	22,354	21,463
Deferred tax liabilities	39,776	35,757
Other long-term liabilities	270	430
<b>Total liabilities</b>	<b>2,970,330</b>	<b>2,832,325</b>
Commitments and contingencies		
<b>Stockholders' investment:</b>		
Preferred stock, \$0.10 par value, 20,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.10 par value, 480,000 shares authorized; 179,380 and 179,400 shares issued, 134,895 and 137,284 outstanding	13,490	13,728
Additional paid-in capital	546,646	521,486
Retained earnings	4,144,834	3,845,593
Accumulated other comprehensive loss	(76,149)	(71,935)
Treasury stock at cost (44,485 and 42,116 shares)	(2,958,091)	(2,713,785)
<b>Total stockholders' investment</b>	<b>1,670,730</b>	<b>1,595,087</b>
<b>Total liabilities and stockholders' investment</b>	<b>\$ 4,641,060</b>	<b>\$ 4,427,412</b>

See accompanying notes to the consolidated financial statements.

**C.H. ROBINSON WORLDWIDE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands, except per share data)

	For the years ended December 31,		
	2019	2018	2017
<b>Revenues:</b>			
Transportation	\$ 14,322,295	\$ 15,515,921	\$ 13,502,906
Sourcing	987,213	1,115,251	1,366,474
<b>Total revenues</b>	<b>15,309,508</b>	<b>16,631,172</b>	<b>14,869,380</b>
<b>Costs and expenses:</b>			
Purchased transportation and related services	11,839,433	12,922,177	11,257,290
Purchased products sourced for resale	883,765	1,003,760	1,244,040
Personnel expenses	1,298,528	1,343,542	1,179,527
Other selling, general, and administrative expenses	497,806	449,610	413,404
<b>Total costs and expenses</b>	<b>14,519,532</b>	<b>15,719,089</b>	<b>14,094,261</b>
<b>Income from operations</b>	<b>789,976</b>	<b>912,083</b>	<b>775,119</b>
Interest and other expenses	(47,719)	(31,810)	(46,656)
<b>Income before provision for income taxes</b>	<b>742,257</b>	<b>880,273</b>	<b>728,463</b>
Provision for income taxes	165,289	215,768	223,570
<b>Net income</b>	<b>576,968</b>	<b>664,505</b>	<b>504,893</b>
Other comprehensive (loss) income	(4,214)	(53,475)	42,982
<b>Comprehensive income</b>	<b>\$ 572,754</b>	<b>\$ 611,030</b>	<b>\$ 547,875</b>
<b>Basic net income per share</b>	<b>\$ 4.21</b>	<b>\$ 4.78</b>	<b>\$ 3.59</b>
<b>Diluted net income per share</b>	<b>\$ 4.19</b>	<b>\$ 4.73</b>	<b>\$ 3.57</b>
<b>Basic weighted average shares outstanding</b>	<b>136,955</b>	<b>139,010</b>	<b>140,610</b>
<b>Dilutive effect of outstanding stock awards</b>	<b>780</b>	<b>1,395</b>	<b>772</b>
<b>Diluted weighted average shares outstanding</b>	<b>137,735</b>	<b>140,405</b>	<b>141,382</b>

See accompanying notes to the consolidated financial statements.

**C.H. ROBINSON WORLDWIDE, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT**  
(In thousands, except per share data)

	Common Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Investment
<b>Balance December 31, 2016</b>	141,258	\$ 14,126	\$ 419,280	\$ 3,190,578	\$ (61,442)	\$ (2,304,695)	\$ 1,257,847
Net income				504,893			504,893
Foreign currency translation					42,982		42,982
Dividends declared, \$1.81 per share				(258,378)			(258,378)
Stock issued for employee benefit plans	612	61	(16,760)			33,271	16,572
Issuance of restricted stock	97	10	(10)				—
Stock-based compensation expense	1	—	41,770			44	41,814
Repurchase of common stock	(2,426)	(243)				(179,742)	(179,985)
<b>Balance December 31, 2017</b>	139,542	13,954	444,280	3,437,093	(18,460)	(2,451,122)	1,425,745
Net income				664,505			664,505
Cumulative Effect Change - ASU 2014-09				9,239			9,239
Foreign currency translation					(53,475)		(53,475)
Dividends declared, \$1.88 per share				(265,244)			(265,244)
Stock issued for employee benefit plans	764	76	(10,547)			40,489	30,018
Issuance of restricted stock	297	30	(30)				—
Stock-based compensation expense	—	—	87,783			8	87,791
Repurchase of common stock	(3,319)	(332)				(303,160)	(303,492)
<b>Balance December 31, 2018</b>	137,284	13,728	521,486	3,845,593	(71,935)	(2,713,785)	1,595,087
Net income				576,968			576,968
Foreign currency translation					(4,214)		(4,214)
Dividends declared, \$2.01 per share				(277,727)			(277,727)
Stock issued for employee benefit plans	1,017	102	(13,920)			61,795	47,977
Issuance of restricted stock	28	3	(3)				—
Stock-based compensation expense	—	—	39,083			—	39,083
Repurchase of common stock	(3,434)	(343)				(306,101)	(306,444)
<b>Balance December 31, 2019</b>	134,895	\$ 13,490	\$ 546,646	\$ 4,144,834	\$ (76,149)	\$ (2,958,091)	\$ 1,670,730

See accompanying notes to the consolidated financial statements.

**C.H. ROBINSON WORLDWIDE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	For the year ended December 31,		
	2019	2018	2017
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 576,968	\$ 664,505	\$ 504,893
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100,449	96,729	92,977
Provision for doubtful accounts	5,853	15,634	13,489
Stock-based compensation	39,083	87,791	41,805
Deferred income taxes	(2,407)	(15,315)	(28,096)
Excess tax benefit on stock-based compensation	(8,492)	(10,388)	(13,657)
Other operating activities	(3,830)	1,815	4,491
Changes in operating elements, net of effects of acquisitions:			
Receivables	208,312	(190,048)	(364,181)
Contract assets	26,761	(11,871)	—
Prepaid expenses and other	(29,871)	16,029	(9,173)
Accounts payable and outstanding checks	(17,968)	36,083	144,041
Accrued compensation	(40,757)	47,011	7,209
Accrued transportation expense	(18,626)	25,175	—
Accrued income taxes	(12,636)	21,176	18,817
Other accrued liabilities	8,937	7,200	(9,515)
Other assets and liabilities	3,643	1,370	(19,099)
<b>Net cash provided by operating activities</b>	<b>835,419</b>	<b>792,896</b>	<b>384,001</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(36,290)	(45,000)	(40,122)
Purchases and development of software	(34,175)	(18,871)	(17,823)
Acquisitions, net of cash acquired	(59,200)	(5,315)	(49,068)
Other investing activities	16,636	(3,622)	(521)
<b>Net cash used for investing activities</b>	<b>(113,029)</b>	<b>(72,808)</b>	<b>(107,534)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from stock issued for employee benefit plans	63,092	51,285	38,130
Stock tendered for payment of withholding taxes	(15,115)	(21,264)	(21,557)
Repurchase of common stock	(309,444)	(300,991)	(185,485)
Cash dividends	(277,786)	(265,219)	(258,222)
Proceeds from long-term borrowings	1,298,000	591,012	250,000
Payments on long-term borrowings	(1,505,000)	—	—
Proceeds from short-term borrowings	185,000	2,674,000	8,784,000
Payments on short-term borrowings	(90,000)	(3,384,000)	(8,809,000)
<b>Net cash used for financing activities</b>	<b>(651,253)</b>	<b>(655,177)</b>	<b>(202,134)</b>
Effect of exchange rates on cash and cash equivalents	(1,894)	(20,186)	11,891
<b>Net change in cash and cash equivalents</b>	<b>69,243</b>	<b>44,725</b>	<b>86,224</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>378,615</b>	<b>333,890</b>	<b>247,666</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 447,858</b>	<b>\$ 378,615</b>	<b>\$ 333,890</b>
<b>Supplemental cash flow disclosures</b>			
Cash paid for income taxes	\$ 219,029	\$ 215,644	\$ 262,861
Cash paid for interest	\$ 50,854	\$ 47,544	\$ 37,871
Accrued share repurchases held in other accrued liabilities	\$ —	\$ 3,000	\$ 500

See accompanying notes to the consolidated financial statements.

**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 offices operating in North America, Europe, Asia, Oceania, and South America. 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best information, and our actual results could differ materially from those estimates.

**REVENUE RECOGNITION.** At contract inception, we assess the goods and services promised in our contracts with customers and identify our performance obligations to provide distinct goods and services to our customers. We have determined that the following distinct goods and services represent our primary performance obligations.

*Transportation and Logistics Services* - As a third party logistics provider, our primary performance obligation under our customer contracts is to utilize our relationships with a wide variety of transportation companies to efficiently and cost-effectively transport our customers’ freight. Revenue is recognized for these performance obligations as they are satisfied over the contract term, which generally represents the transit period. The transit period can vary based upon the method of transport, generally a number of days for over the road, rail, and air transportation, or several weeks in the case of an ocean shipment. Determining the transit period and how much of it has been completed as of the reporting date may require management to make judgments that affect the timing of revenue recognized. When the customers’ freight reaches its intended destination our performance obligation is complete. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

We also provide certain value-added logistics services, such as customs brokerage, fee-based managed services, warehousing services, small parcel, and supply chain consulting and optimization services. These services may include one or more performance obligations which are generally satisfied over the service period as we perform our obligations. The service period may be a very short duration, in the case of customs brokerage and small parcel, or it may be longer in the case of warehousing, managed services and supply chain consulting and optimization services. Pricing for our services is established in the customer contract and is dependent upon the specific needs of the customer but may be agreed upon at a fixed fee per transaction, labor hour, or service period. Payment is typically due within 30 days upon completion of our performance obligation.

*Sourcing Services* - We contract with grocery retailers, restaurants, foodservice distributors, and produce wholesalers to provide sourcing services under the trade name Robinson Fresh. Our primary service obligation under these contracts is the buying, selling, and/or marketing of produce including fresh fruits, vegetables, and other value-added perishable items. Revenue is recognized when our performance obligations under these contracts is satisfied at a point in time, generally when the produce is received by our customer. Pricing under these contracts is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

In many cases, as additional performance obligations, we contract to arrange logistics and transportation of the products we buy, sell, and/or market. These performance obligations are satisfied over the contract term consistent with our other transportation and logistics services. The contract period is typically less than one year. Pricing for our services is generally a fixed amount and is typically due within 30 days upon completion of our performance obligation.

Total revenues represent the total dollar value of revenue recognized from contracts with customers for the goods and services we provide. Substantially all of our revenue is attributable to contracts with 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. 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 primarily responsible for fulfilling the promise to provide the specified good or service to our customer and we have discretion in establishing the price for the specified good or service. Additionally, in our sourcing business, in some cases we take inventory risk before the specified good has been transferred to our customer. Customs brokerage, managed

services, freight forwarding, and sourcing managed procurement transactions 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.

**CONTRACT ASSETS.** Contract assets represent amounts for which we have the right to consideration for the services we have provided while a shipment is still in-transit but for which we have not yet completed our performance obligation or have not yet invoiced our customer. Upon completion of our performance obligations, which can vary in duration based upon the method of transport, and billing our customer these amounts become classified within accounts receivable and are then typically due within 30 days.

**ACCRUED TRANSPORTATION EXPENSE.** Accrued transportation expense represents amounts we owe to vendors, primarily transportation providers, for the services they have provided while a shipment is still in-transit as of the reporting date.

**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 remeasured and translated at the current exchange rate as of the end of the year. Translation adjustments are recorded in other comprehensive (loss) income. Statement of operations items are translated at the average exchange rate during the year.

**CASH AND CASH EQUIVALENTS.** Cash and cash equivalents consist primarily of bank deposits and highly liquid investments with an original maturity of three months or less from the time of purchase. Cash and cash equivalents held outside the United States totaled \$405.1 million and \$320.0 million as of December 31, 2019 and 2018. The majority of our cash and cash equivalents balance is denominated in U.S. dollars although these balances are frequently held in locations where the U.S. dollar is not the functional currency.

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

**RIGHT-OF-USE LEASE ASSETS.** Right-of-use lease assets are recognized upon lease commencement and represent our right to use an underlying asset for the lease term.

**LEASE LIABILITIES.** Lease liabilities are recognized at commencement date and represent our obligation to make the lease payments arising from a lease, measured on a discounted basis.

**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. 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):

2019	\$	45,016
2018		45,155
2017		42,817

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

	2019	2018
Furniture, fixtures, and equipment	\$ 283,378	\$ 272,733
Buildings	112,410	130,959
Corporate aircraft	11,461	11,337
Leasehold improvements	61,539	58,929
Land	20,146	23,648
Construction in progress	1,042	1,241
Less: accumulated depreciation and amortization	(281,553)	(270,546)
Net property and equipment	<u>\$ 208,423</u>	<u>\$ 228,301</u>

**GOODWILL.** Goodwill represents the excess of the cost of acquired businesses over the net of the fair value of identifiable tangible net assets and identifiable intangible assets purchased and liabilities assumed. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (November 30 for us) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. See Note 2, *Goodwill and Other Intangible Assets*.

**OTHER INTANGIBLE ASSETS.** Other intangible assets include definite-lived customer lists, non-competition agreements, and indefinite-lived trademarks. The definite-lived intangible assets are being amortized using the straight-line method over their estimated lives, ranging from five to eight years. Definite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The indefinite-lived trademarks are not amortized. Indefinite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or annually, at a minimum. See Note 2, *Goodwill and Other Intangible Assets*.

**OTHER ASSETS.** Other assets consist primarily of 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):

2019	\$	17,023
2018		14,688
2017		13,887

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

	2019	2018
Purchased software	\$ 34,026	\$ 32,460
Internally developed software	100,894	68,853
Less accumulated amortization	(83,158)	(66,638)
Net software	<u>\$ 51,762</u>	<u>\$ 34,675</u>

**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 benefits of an uncertain income tax position are recognized when more likely than not, based on the technical merits, the position will be sustained upon examination. Unrecognized tax benefits are, more likely than not, owed to a taxing authority, and the amount of the contingency can be reasonably estimated. Uncertain income tax positions are included in "Accrued income taxes" or "Noncurrent income taxes payable" in the consolidated balance sheets.



**COMPREHENSIVE INCOME (LOSS).** Comprehensive income (loss) consists primarily of foreign currency translation adjustments. It is presented on our consolidated statements of operations and comprehensive income gross of related income tax effects.

**STOCK-BASED COMPENSATION.** We issue stock awards, including stock options, performance shares, and restricted stock units, to key employees and outside directors. In general, the awards vest over five years, either based on the company's earnings growth or the passage of time. The related compensation expense for each award is recognized over the appropriate vesting period. The fair value of each share-based payment award is established on the date of grant. For grants of shares and restricted stock 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 on outstanding grants vary from 12 percent to 22 percent and are calculated using the Black-Scholes option pricing model-protective put method. 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 term, risk-free interest rate, and dividend yield.

**NOTE 2: GOODWILL AND OTHER INTANGIBLE ASSETS**

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

	NAST <sup>(1)</sup>	Global Forwarding	All Other and Corporate <sup>(1)</sup>	Total
<b>December 31, 2017 balance</b>	\$ 1,029,122	\$ 185,873	\$ 60,821	\$ 1,275,816
Acquisitions	(40)	33	—	(7)
Foreign currency translation	(12,298)	(3,877)	(712)	(16,887)
<b>December 31, 2018 balance</b>	1,016,784	182,029	60,109	1,258,922
Acquisitions	—	25,892	7,771	33,663
Foreign currency translation	(1,214)	499	(110)	(825)
<b>December 31, 2019 balance</b>	<u>\$ 1,015,570</u>	<u>\$ 208,420</u>	<u>\$ 67,770</u>	<u>\$ 1,291,760</u>

<sup>(1)</sup> Goodwill was reallocated between the NAST and Robinson Fresh segments due to the reorganization discussed in Note 9, *Segment Reporting*. Prior period amounts have been reclassified to conform with the current year presentation.

Goodwill is tested at least annually for impairment on November 30, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting units is less than their respective carrying value ("Step Zero Analysis"). If the Step Zero Analysis indicates it is more likely than not that the fair value of our reporting units is less than their respective carrying value, an additional impairment assessment is performed ("Step One Analysis"). Based on our Step Zero Analysis, we determined that the more likely than not criteria had not been met, and therefore a Step One Analysis was not required.

No goodwill or intangible asset impairment has been recorded in any period presented. Identifiable intangible assets consisted of the following at December 31 (in thousands):

	2019			2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Finite-lived intangibles						
Customer relationships	\$ 237,335	\$ (156,879)	\$ 80,456	\$ 254,293	\$ (156,006)	\$ 98,287
Non-competition agreements	—	—	—	300	(240)	60
Total finite-lived intangibles	237,335	(156,879)	80,456	254,593	(156,246)	98,347
Indefinite-lived intangibles						
Trademarks	10,475	—	10,475	10,475	—	10,475
Total intangibles	<u>\$ 247,810</u>	<u>\$ (156,879)</u>	<u>\$ 90,931</u>	<u>\$ 265,068</u>	<u>\$ (156,246)</u>	<u>\$ 108,822</u>

Amortization expense for other intangible assets was (in thousands):

2019	\$	38,410
2018		36,886
2017		36,273

Finite-lived intangible assets, by reportable segment, as of December 31, 2019, will be amortized over their remaining lives as follows (in thousands):

	NAST	Global Forwarding	All Other and Corporate	Total
2020	\$ 250	\$ 28,023	\$ 610	\$ 28,883
2021	250	14,502	610	15,362
2022	250	14,502	610	15,362
2023	250	11,930	610	12,790
2024	167	3,648	610	4,425
Thereafter	—	2,771	863	3,634
Total				<u>\$ 80,456</u>

### NOTE 3: 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.

We had no Level 3 assets or liabilities as of and during the periods ended December 31, 2019, or December 31, 2018. There were no transfers between levels during the period.

**NOTE 4: FINANCING ARRANGEMENTS**

The components of our short-term and long-term debt and the associated interest rates were as follows (dollars in thousands):

	Average interest rate as of		Maturity	Carrying value as of	
	December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
Revolving credit facility	— %	3.64 %	October 2023	\$ —	\$ 5,000
Senior Notes, Series A	3.97 %	3.97 %	August 2023	175,000	175,000
Senior Notes, Series B	4.26 %	4.26 %	August 2028	150,000	150,000
Senior Notes, Series C	4.60 %	4.60 %	August 2033	175,000	175,000
Receivables securitization facility <sup>(1)</sup>	2.41 %	3.15 %	December 2020	142,885	249,744
Senior Notes <sup>(1)</sup>	4.20 %	4.20 %	April 2028	592,448	591,608
<b>Total debt</b>				<b>1,235,333</b>	<b>1,346,352</b>
Less: Current maturities and short-term borrowing				(142,885)	(5,000)
<b>Long-term debt</b>				<b>\$ 1,092,448</b>	<b>\$ 1,341,352</b>

<sup>(1)</sup> Net of unamortized discounts and issuance costs.

**SENIOR UNSECURED REVOLVING CREDIT FACILITY**

We have a senior unsecured revolving credit facility (the "Credit Agreement") with a total availability of \$1 billion and a maturity date of October 24, 2023. Borrowings under the Credit Agreement generally bear interest at a variable rate determined by a pricing schedule or the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50 percent, or (c) the sum of one-month LIBOR plus a specified margin). As of December 31, 2019, the variable rate equaled LIBOR plus 1.13 percent. In addition, there is a commitment fee on the average daily undrawn stated amount under each letter of credit issued under the facility ranging from 0.075 percent to 0.200 percent. The recorded amount of borrowings outstanding approximates fair value because of the short maturity period of the debt; therefore, we consider these borrowings to be a Level 2 financial liability.

The Credit Agreement contains various restrictions and covenants that require us to maintain certain financial ratios, including a maximum leverage ratio of 3.50 to 1.00. The Credit Agreement also contains customary events of default. If an event of default under the Credit Agreement occurs and is continuing, then the administrative agent may declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if we become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency, or similar law, then any outstanding obligations under the Credit Agreement will automatically become immediately due and payable.

**NOTE PURCHASE AGREEMENT**

On August 23, 2013, we entered into a Note Purchase Agreement with certain institutional investors (the "Purchasers"). On August 27, 2013, the Purchasers purchased an aggregate principal amount of \$500 million of our Senior Notes, Series A, Senior Notes Series B, and Senior Notes Series C, collectively (the "Notes"). Interest on the Notes is payable semi-annually in arrears. The fair value of the Notes approximated \$539.3 million at December 31, 2019. We estimate the fair value of the Notes primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities, and considering our own risk. If the Notes were recorded at fair value, they would be classified as Level 2.

The Note Purchase Agreement contains various restrictions and covenants that require us to maintain certain financial ratios, including a maximum leverage ratio of 3.00 to 1.00, a minimum interest coverage ratio of 2.00 to 1.00, and a maximum consolidated priority debt to consolidated total asset ratio of 15 percent.

The Note Purchase Agreement provides for customary events of default. The occurrence of an event of default would permit certain Purchasers to declare certain Notes then outstanding to be immediately due and payable. Under the terms of the Note Purchase Agreement, the Notes are redeemable, in whole or in part, at 100 percent of the principal amount being redeemed together with a "make-whole amount" (as defined in the Note Purchase Agreement), and accrued and unpaid interest with respect to each Note. The obligations of the company under the Note Purchase Agreement and the Notes are guaranteed by

C.H. Robinson Company, a Delaware corporation and a wholly-owned subsidiary of the company, and by C.H. Robinson Company, Inc., a Minnesota corporation and an indirect wholly-owned subsidiary of the company.

#### **U.S. TRADE ACCOUNTS RECEIVABLE SECURITIZATION**

On April 26, 2017, we entered into a receivables purchase agreement and related transaction documents with The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch and Wells Fargo Bank, N.A. to provide a receivables securitization facility (the "Receivables Securitization Facility"). On December 17, 2018, we entered into an amendment on the Receivables Securitization Facility which changed the lending parties to Wells Fargo Bank, N.A. and Bank of America, N.A. and extended the maturity date from April 26, 2019, to December 17, 2020. The Receivables Securitization Facility is based on the securitization of our U.S. trade accounts receivable and provides funding of up to \$250 million. The interest rate on borrowings under the Receivables Securitization Facility is based on 30 day LIBOR plus a margin. There is also a commitment fee we are required to pay on any unused portion of the facility. The Receivables Securitization Facility expires on December 17, 2020, unless extended by the parties and is recorded as a current liability as of December 31, 2019. The recorded amount of borrowings outstanding on the Receivables Securitization Facility approximates fair value because it can be redeemed on short notice and the interest rate floats. We consider these borrowings to be a Level 2 financial liability.

The Receivables Securitization Facility contains various customary affirmative and negative covenants, and it also contains customary default and termination provisions which provide for acceleration of amounts owed under the Receivables Securitization Facility upon the occurrence of certain specified events.

#### **SENIOR NOTES**

On April 9, 2018, we issued senior unsecured notes ("Senior Notes") through a public offering. The Senior Notes bear an annual interest rate of 4.20 percent payable semi-annually on April 15 and October 15, until maturity on April 15, 2028. The proceeds from the Senior Notes were utilized to pay down the balance on our Credit Agreement. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the Senior Notes have an effective yield to maturity of approximately 4.39 percent per annum. The fair value of the Senior Notes, excluding debt discounts and issuance costs, approximated \$659.9 million as of December 31, 2019, based primarily on the market prices quoted from external sources. The carrying value of the Senior Notes was \$592.4 million as of December 31, 2019. If the Senior Notes were measured at fair value in the financial statements, they would be classified as Level 2 in the fair value hierarchy.

We may redeem the Senior Notes, in whole or in part, at any time and from time to time prior to their maturity at the applicable redemption prices described in the Senior Notes. Upon the occurrence of a "change of control triggering event" as defined in the Senior Notes (generally, a change of control of us accompanied by a reduction in the credit rating for the Senior Notes), we will generally be required to make an offer to repurchase the Senior Notes from holders at 101 percent of their principal amount plus accrued and unpaid interest to the date of repurchase.

The Senior Notes were issued under an indenture that contains covenants imposing certain limitations on our ability to incur liens, enter into sales and leaseback transactions and consolidate, merge or transfer substantial all of our assets and those of our subsidiaries on a consolidated basis. It also provides for customary events of default (subject in certain cases to customary grace and cure periods), which include among other things nonpayment, breach of covenants in the indenture, and certain events of bankruptcy and insolvency. If an event of default occurs and is continuing with respect to the Senior Notes, the trustee or holders of at least 25 percent in principal amount outstanding of the Senior Notes may declare the principal and the accrued and unpaid interest, if any, on all of the outstanding Senior Notes to be due and payable. These covenants and events of default are subject to a number of important qualifications, limitations, and exceptions that are described in the indenture. The indenture does not contain any financial ratios or specified levels of net worth or liquidity to which we must adhere.

As of December 31, 2019, we were in compliance with, or have secured waivers of, all of the covenants under the Credit Agreement, Note Purchase Agreement, Receivables Securitization Facility, and Senior Notes.

#### **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 2012. We are currently under an Internal Revenue Service audit for the 2015-2017 tax years.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code, including but not limited to, reducing the U.S. federal corporate tax rate from 35 percent to 21 percent and requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries and adding new rules for Global Intangible Low-tax Income (“GILTI”) and Foreign Derived Intangible Income (“FDII”). Although enacted more than two years ago, regulatory guidance on the application of FDII has not been finalized. We have included the tax impact of both GILTI and FDII in our income tax expense for the twelve months ended December 31, 2019, based on our understanding of the rules available at the time of this filing. However, our calculations could be impacted by future regulations as guidance is finalized. We will continue to monitor any new guidance related to FDII and determine any impact it may have on our calculations.

In 2019 we removed our assertion, except for regarding the working capital of our largest China subsidiary, that the unremitted earnings of our foreign subsidiaries were permanently reinvested. Following the removal of that assertion, we recorded tax expense of \$13.9 million related to foreign withholding taxes paid and accrued during the fourth quarter of 2019. That expense was partially offset by tax benefits of \$11.1 million related to excess foreign tax credits, and a tax benefit of \$1.8 million related to foreign exchange losses on previously taxed income. If we repatriated all foreign earnings that are still considered to be permanently reinvested, the estimated effect on income taxes payable would be an increase of approximately \$3.9 million as of December 31, 2019.

Income before provision for income taxes consisted of (in thousands):

	2019	2018	2017
Domestic	\$ 649,742	\$ 738,927	\$ 638,718
Foreign	92,515	141,346	89,745
Total	<u>\$ 742,257</u>	<u>\$ 880,273</u>	<u>\$ 728,463</u>

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

	2019	2018	2017
Unrecognized tax benefits, beginning of period	\$ 31,515	\$ 31,806	\$ 12,268
Additions based on tax positions related to the current year	2,212	—	4,014
Additions for tax positions of prior years	2,148	1,662	16,713
Reductions for tax positions of prior years	—	(263)	—
Lapse in statute of limitations	(1,703)	(1,394)	(1,189)
Settlements	(234)	(296)	—
Unrecognized tax benefits, end of the period	<u>\$ 33,938</u>	<u>\$ 31,515</u>	<u>\$ 31,806</u>

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.

As of December 31, 2019, we had \$39.9 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 12 months. The total liability for unrecognized tax benefits is expected to decrease by approximately \$3.1 million in the next 12 months due to lapsing of statutes.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes. During the years ended December 31, 2019, 2018, and 2017, we recognized approximately \$1.0 million, \$1.0 million, and \$0.7 million, respectively, in interest and penalties. We had approximately \$6.0 million and \$6.5 million for the payment of interest and penalties related to uncertain tax positions accrued within noncurrent income taxes payable as of December 31, 2019 and 2018. These amounts are not included in the reconciliation above.

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

	2019	2018	2017
<b>Tax provision:</b>			
Federal	\$ 106,009	\$ 152,627	\$ 189,708
State	25,788	38,626	29,320
Foreign	35,899	39,830	32,638
	<u>167,696</u>	<u>231,083</u>	<u>251,666</u>
<b>Deferred provision (benefit):</b>			
Federal	1,554	(11,969)	(21,389)
State	316	(3,176)	(3,048)
Foreign	(4,277)	(170)	(3,659)
	<u>(2,407)</u>	<u>(15,315)</u>	<u>(28,096)</u>
<b>Total provision</b>	<u>\$ 165,289</u>	<u>\$ 215,768</u>	<u>\$ 223,570</u>

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:

	2019	2018	2017
Federal statutory rate	21.0 %	21.0 %	35.0 %
State income taxes, net of federal benefit	2.8	3.3	2.6
Tax Act impact	—	0.4	(1.7)
Section 199 deduction	—	—	(2.8)
Share-based payment awards	(0.9)	(0.7)	(1.9)
Excess foreign tax credits	(1.5)	—	—
Foreign	1.7	0.6	(0.9)
Other	(0.8)	(0.1)	0.4
<b>Effective income tax rate</b>	<u>22.3 %</u>	<u>24.5 %</u>	<u>30.7 %</u>

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

	2019	2018
<b>Deferred tax assets:</b>		
Lease liabilities	\$ 77,879	\$ —
Compensation	54,226	57,666
Accrued expenses	23,179	27,683
Receivables	5,086	8,093
Other	7,417	6,004
<b>Deferred tax liabilities:</b>		
Right-of-use assets	(75,352)	—
Intangible assets	(73,166)	(77,059)
Accrued revenue	(14,893)	(19,571)
Prepaid assets	(4,660)	(5,798)
Long-lived assets	(15,134)	(15,615)
Other	(10,873)	(7,167)
<b>Net deferred tax liabilities</b>	<u>\$ (26,291)</u>	<u>\$ (25,764)</u>

We had foreign net operating loss carryforwards with a tax effect of \$11.1 million as of December 31, 2019, and \$8.1 million as of December 31, 2018. The net operating loss carryforwards will expire at various dates from 2020 to 2025, with certain jurisdictions having indefinite carryforward terms. We continually monitor and review the foreign net operating loss carryforwards to determine the ability to realize the deferred tax assets associated with the foreign net operating loss carryforwards. As of December 31, 2019, and 2018, we have recorded a valuation allowance of \$8.5 million and \$6.4 million against the deferred tax asset related to the foreign operating loss carryforwards.

#### 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 \$0.10 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.

**COMMON STOCK.** Our Certificate of Incorporation authorizes 480,000,000 shares of common stock, par value \$0.10 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 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 within personnel expenses in our consolidated statements of operations and comprehensive income for stock-based compensation is as follows (in thousands):

	2019	2018	2017
Stock options	\$ 16,073	\$ 23,374	\$ 10,109
Stock awards	20,170	61,826	29,217
Company expense on ESPP discount	2,840	2,591	2,479
Total stock-based compensation expense	\$ 39,083	\$ 87,791	\$ 41,805

On May 9, 2019, our shareholders approved an amendment and restatement of our 2013 Equity Incentive Plan ("the Plan") to increase the number of shares authorized for award by 4,000,000 shares. The Plan allows us to grant certain stock awards, including stock options at fair market value and performance shares and restricted stock units, to our key employees and outside directors. At the time our shareholders approved adding additional shares to the plan, a maximum of 17,041,803 shares are available to be granted under this plan. Approximately 5,300,634 shares were available for stock awards under this plan as of December 31, 2019. Shares subject to awards that expire or are canceled without delivery of shares or that are settled in cash, generally become available again for issuance under the plan.

We awarded performance-based stock options to certain key employees during years prior to 2015. These options were subject to certain vesting requirements over a five-year period, based on the company's earnings growth. These awards are no longer eligible for incremental vesting after 2019. 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.

The following schedule summarizes stock option activity in the plans. All outstanding unvested options as of December 31, 2019, relate to time-based grants from 2015 through 2019.

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Average Remaining Life (years)
Outstanding at December 31, 2018	7,822,514	\$ 74.42	\$ 85,222	7.2
Grants	151,040	82.46		
Exercised	(725,685)	65.58		
Forfeitures	(197,677)	77.87		
Outstanding at December 31, 2019	7,050,192	\$ 75.40	\$ 44,067	6.4
Vested at December 31, 2019	4,507,070	\$ 71.17		5.6
Exercisable at December 31, 2019	4,507,070	\$ 71.17		5.6

As of December 31, 2019, unrecognized compensation expense related to stock options was \$40.4 million. The amount of future expense to be recognized will be based on the passage of time and the employees' continued employment.

Additional potential dilutive stock options totaling 3,348,501 for 2019 have been excluded from our diluted net income per share calculations because these securities' exercise prices were anti-dilutive (e.g., greater than the average market price of our common stock).

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

2019	\$ 15,862
2018	16,209
2017	6,026

We have awarded stock options 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, discounted for post-vesting holding restrictions, calculated using the Black-Scholes option pricing model and is being expensed over the vesting period of the award. The following table summarizes these unvested stock option grants as of December 31, 2019:

First Vesting Date	Last Vesting Date	Options Granted, Net of Forfeitures	Weighted Average Grant Date Fair Value	Unvested Options
December 31, 2016	December 31, 2020	1,421,432	\$ 12.66	280,033
December 31, 2017	December 31, 2021	1,238,090	12.60	484,683
December 31, 2018	December 31, 2022	1,447,294	14.25	855,028
December 31, 2019	December 31, 2023	1,159,662	20.13	923,378
		5,266,478	\$ 14.73	2,543,122

We granted an additional 1,660,548 options on February 5, 2020. These awards had a weighted average exercise price of \$72.74 and a weighted average grant date fair value of \$13.88. These awards will vest over a five-year period with a first vesting date of December 31, 2020.

#### Determining Fair Value

We estimated the fair value of stock options granted using the Black-Scholes option pricing model. We estimate the fair value of restricted shares and units using the Black-Scholes option pricing model-protective put method. A description of significant assumptions used to determine the risk-free interest rate, dividend yield, expected volatility, and expected term are as follows:

**Risk-Free Interest Rate**-The risk-free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues at the date of grant with a term equal to the expected term.

**Dividend Yield**-The dividend yield assumption is based on our history of dividend payouts.



**Expected Volatility**-Expected volatility was determined based on implied volatility of our traded options and historical volatility of our stock price.

**Expected Term**-Expected term represents the period that our stock-based awards are expected to be outstanding and was determined based on historical experience and anticipated future exercise patterns, giving consideration to the contractual terms of unexercised stock-based awards.

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

	2019 Grants	2018 Grants	2017 Grants
Weighted-average risk-free interest rate	2.1%	3.1%	2.3%
Expected dividend yield	2.0%	2.0%	2.5%
Weighted-average volatility	25%	25%	20%
Expected term (in years)	6.08	6.08	6.20
Weighted average fair value per option	\$ 17.52	\$ 20.52	\$ 14.23

**STOCK AWARDS.** We have awarded performance-based and time-based restricted shares and restricted stock units to certain key employees and non-employee directors. Performance-based awards are subject to certain vesting requirements over a five-year period, based on the company's earnings growth. Time-based awards vest primarily based on the passage of time and the employee's continued employment. The awards also contain restrictions on the awardees' ability to sell or transfer vested awards for a specified period of time. The fair value of these awards is established based on the market price on the date of grant, discounted for post-vesting holding restrictions. The discounts on outstanding grants vary from 12 percent to 22 percent and are calculated using the Black-Scholes option pricing model-protective put method. 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 unvested performance-based restricted shares and restricted stock unit grants as of December 31, 2019:

	Number of Restricted Shares and Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2018	846,170	\$ 68.35
Granted	38,340	68.10
Vested	—	—
Forfeitures	(42,717)	63.24
Unvested at December 31, 2019	841,793	\$ 68.68

The following table summarizes performance based restricted shares and restricted stock units by vesting period:

First Vesting Date	Last Vesting Date	Performance Shares and Stock Units Granted, Net of Forfeitures	Weighted Average Grant Date Fair Value <sup>(1)</sup>	Unvested Performance Shares and Restricted Stock Units
December 31, 2016	December 31, 2020	388,578	\$ 51.88	138,268
December 31, 2017	December 31, 2021	338,693	64.91	161,722
December 31, 2018	December 31, 2022	310,713	74.26	176,265
December 31, 2019	December 31, 2023	365,538	73.82	365,538
		1,403,522	\$ 65.59	841,793

<sup>(1)</sup> Amount shown is the weighted average grant date fair value of performance-based restricted shares and restricted stock units granted, net of forfeitures.

We granted an additional 405,776 performance-based restricted shares and restricted stock units on February 5, 2020. These awards had a weighted average grant date fair value of \$59.34 and will vest over a five-year period with a first vesting date of December 31, 2020.

The following table summarizes our unvested time-based restricted share and restricted stock unit grants as of December 31, 2019:

	Number of Restricted Shares and Stock Units	Weighted Average Grant Date Fair Value
Unvested at December 31, 2018	926,692	\$ 67.08
Granted	40,309	72.07
Vested	(291,318)	63.93
Forfeitures	(61,242)	67.66
Unvested at December 31, 2019	614,441	\$ 68.76

We granted an additional 329,586 time-based restricted shares and restricted stock units on February 5, 2020. These awards had a weighted average grant date fair value of \$59.34 and will vest over a five-year period with a first vesting date of December 31, 2020.

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

2019	\$ 20,170
2018	61,826
2017	29,217

As of December 31, 2019, there was unrecognized compensation expense of \$99.3 million related to previously granted stock awards. The amount of future expense to be recognized will be based on the company's earnings growth and the continued employment of certain key employees.

**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 By Employees	Aggregate Cost to Employees	Expense Recognized By the Company
2019	224,596	\$ 16,093	\$ 2,840
2018	191,823	14,682	2,591
2017	215,613	14,048	2,479

**SHARE REPURCHASE PROGRAMS.** During 2013, our Board of Directors authorized a share repurchase program that allows the Company to repurchase 15,000,000 shares. That program was completed in September 2018. In May 2018, the Board of Directors authorized a share repurchase program that allows the Company to repurchase 15,000,000 shares of our common stock. The activity under these authorizations is as follows (dollar amounts in thousands):

	Shares Repurchased	Total Value of Shares Repurchased
2017 Repurchases	2,426,407	\$ 179,985
2018 Repurchases	3,319,077	303,492
2019 Repurchases	3,434,102	306,444

As of December 31, 2019, there were 9,993,683 shares remaining for repurchase under the current authorization.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**EMPLOYEE BENEFIT PLANS.** We offer a defined contribution plan, which qualifies under section 401(k) of the Internal Revenue Code and covers all eligible U.S. employees. We can also elect to make matching contributions to the plan. Annual discretionary contributions may also be made to the plan. Defined contribution plan expense, including matching contributions, was approximately (in thousands):

2019	\$	42,491
2018		43,172
2017		27,530

We have committed to a defined contribution match of six percent of eligible compensation in 2020. We contributed a defined contribution match of six percent in 2019 and four percent in both 2018 and 2017. We made a discretionary profit-sharing contribution of two percent of total recognized compensation for eligible participants in 2018. Following the 2018 contribution, we amended the plan and terminated the discretionary profit-sharing program.

**LEASE COMMITMENTS.** We maintain operating leases for office space, warehouses, office equipment, and a small number of intermodal containers. See Note 11, *Leases*, for further information.

**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 certain contingent auto liability cases as of December 31, 2019. For some 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**

On May 22, 2019, we acquired all of the outstanding shares of Dema Service S.p.A. (“Dema Service”) to strengthen our existing footprint in Italy. Total purchase consideration, net of cash acquired was \$14.2 million, which was paid in cash.

Identifiable intangible assets and estimated useful lives are as follows (dollars in thousands):

	Estimated Life (years)		
Customer relationships	7	\$	4,252

There was \$7.8 million of goodwill recorded related to the acquisition of Dema Service. The Dema Service goodwill is a result of acquiring and retaining the Dema Service workforce and expected synergies from integrating its business into ours. Purchase accounting is considered substantially complete. No goodwill was recognized for Italian tax purposes from the acquisition. The results of operations of Dema Service have been included as part of the All Other and Corporate segment in our consolidated financial statements since May 23, 2019.

On February 28, 2019, we acquired all of the outstanding shares of The Space Cargo Group (“Space Cargo”) for the purpose of expanding our presence and capabilities in Spain and Colombia. Total purchase consideration, net of cash acquired, was \$45.0 million, which was paid in cash.

Identifiable intangible assets and estimated useful lives are as follows (dollars in thousands):

	Estimated Life (years)		
Customer relationships	7	\$	16,439

There was \$25.9 million of goodwill recorded related to the acquisition of Space Cargo. The Space Cargo goodwill is a result of acquiring and retaining the Space Cargo workforce and expected synergies from integrating its business into ours. Purchase accounting is considered substantially complete. No goodwill was recognized for Spanish tax purposes from the acquisition. The results of operations of Space Cargo have been included as part of the Global Forwarding segment in our consolidated financial statements since March 1, 2019.

On August 31, 2017, we acquired all of the outstanding shares of Milgram & Company Ltd. ("Milgram") for the purpose of expanding our global presence and bringing additional capabilities and expertise to our portfolio. Total purchase consideration, net of cash acquired, was \$47.3 million, which was paid in cash. We used advances under the Credit Agreement to fund part of the cash consideration.

Identifiable intangible assets and estimated useful lives are as follows (dollars in thousands):

	Estimated Life (years)		
Customer relationships	7	\$	14,004

There was \$28.3 million of goodwill recorded related to the acquisition of Milgram. The Milgram goodwill is a result of acquiring and retaining the Milgram existing workforce and expected synergies from integrating its business into ours. Purchase accounting is considered final. No goodwill was recognized for Canadian tax purposes from the acquisition. The results of operations of Milgram have been included primarily within our Global Forwarding segment in our consolidated financial statements since September 1, 2017.

On January 28, 2020, we entered into a definitive agreement to acquire Prime Distribution Services, a leading provider of retail consolidation services in North America for approximately \$225 million in cash. The agreement is subject to certain customary closing conditions, including regulatory approval.

#### NOTE 9: SEGMENT REPORTING

On January 1, 2019, we reorganized our enterprise transportation services structure to combine our NAST and Robinson Fresh transportation networks. The newly combined transportation network will be managed by and reported under the NAST reportable segment. We have determined that the remaining Robinson Fresh segment no longer meets the requirements of a reportable segment and will be included in the All Other and Corporate reportable segment. Prior period information has been reclassified to conform with this presentation. Our reportable segments are based on our method of internal reporting, which generally segregates the segments by service line and the primary services they provide to our customers. We identify two reportable segments as follows:

- **North American Surface Transportation:** NAST provides freight transportation services across North America through a network of offices in the United States, Canada, and Mexico. The primary services provided by NAST are truckload, less than truckload ("LTL"), and intermodal.
- **Global Forwarding:** Global Forwarding provides global logistics services through an international network of offices in North America, Asia, Europe, Oceania, and South America and also contracts with independent agents worldwide. The primary services provided by Global Forwarding include ocean freight services, air freight services, and customs brokerage.
- **All Other and Corporate:** All Other and Corporate includes our Robinson Fresh and Managed Services segments, as well as Other Surface Transportation outside of North America and other miscellaneous revenues and unallocated corporate expenses. Robinson Fresh provides sourcing services including the buying, selling, and marketing of fresh fruits, vegetables, and other perishable items. Managed Services provides Transportation Management Services, or Managed TMS<sup>®</sup>. Other Surface Transportation revenues are primarily earned by our Europe Surface Transportation segment. Europe Surface Transportation provides services similar to NAST across Europe.

The internal reporting of segments is defined, based in part, on the reporting and review process used by our chief operating decision maker ("CODM"), our Chief Executive Officer. The accounting policies of our reporting segments are the same as those described in the summary of significant accounting policies. We do not report our intersegment revenues by reportable segment to our CODM and do not believe they are a meaningful metric for evaluating the performance of our reportable segments.

Reportable segment information as of, and for the years ended, December 31, 2019, 2018, and 2017 is as follows (dollars in thousands):

	NAST	Global Forwarding	All Other and Corporate	Consolidated
<b>Twelve Months Ended December 31, 2019</b>				
Total Revenues	\$ 11,283,692	\$ 2,327,913	\$ 1,697,903	\$ 15,309,508
Net Revenues	1,797,369	533,976	254,965	2,586,310
Income (loss) from operations	722,763	80,527	(13,314)	789,976
Depreciation and amortization	24,508	36,720	39,221	100,449
Total assets <sup>(1)</sup>	2,550,010	1,021,592	1,069,458	4,641,060
Average headcount	7,354	4,766	3,431	15,551

<sup>(1)</sup> All cash and cash equivalents and certain owned properties are included in All Other and Corporate.

	NAST <sup>(1)</sup>	Global Forwarding	All Other and Corporate <sup>(1)</sup>	Consolidated
<b>Twelve Months Ended December 31, 2018</b>				
Total Revenues	\$ 12,346,757	\$ 2,487,744	\$ 1,796,671	\$ 16,631,172
Net Revenues	1,906,261	543,906	255,068	2,705,235
Income (loss) from operations	821,844	91,626	(1,387)	912,083
Depreciation and amortization	25,290	35,148	36,291	96,729
Total assets <sup>(2)</sup>	2,567,120	969,736	890,556	4,427,412
Average headcount	7,387	4,711	3,106	15,204

<sup>(1)</sup> Amounts have been reclassified to reflect the segment reorganization announced in the first quarter of 2019.

<sup>(2)</sup> All cash and cash equivalents and certain owned properties are included in All Other and Corporate.

	NAST <sup>(1)</sup>	Global Forwarding	All Other and Corporate <sup>(1)</sup>	Consolidated
<b>Twelve Months Ended December 31, 2017</b>				
Total Revenues	\$ 10,728,835	\$ 2,140,987	\$ 1,999,558	\$ 14,869,380
Net Revenues	1,626,174	485,280	256,596	2,368,050
Income from operations	661,108	91,842	22,169	775,119
Depreciation and amortization	23,866	33,308	35,803	92,977
Total assets <sup>(2)</sup>	2,506,137	821,182	908,515	4,235,834
Average headcount	7,316	4,310	3,061	14,687

<sup>(1)</sup> Amounts have been reclassified to reflect the segment reorganization announced in the first quarter of 2019.

<sup>(2)</sup> All cash and cash equivalents and certain owned properties are included in All Other and Corporate.

The following table presents our total revenues (based on location of the customer) and long-lived assets (including intangible and other assets) by geographic regions (in thousands):

	For the year ended December 31,		
	2019	2018	2017
Total revenues			
United States	\$ 13,143,522	\$ 14,370,454	\$ 12,865,087
Other locations	2,165,986	2,260,718	2,004,293
Total revenues	<u>\$ 15,309,508</u>	<u>\$ 16,631,172</u>	<u>\$ 14,869,380</u>

	As of December 31,		
	2019 <sup>(1)</sup>	2018	2017
Long-lived assets			
United States	\$ 489,129	\$ 321,766	\$ 335,072
Other locations	206,567	83,657	107,140
Total long-lived assets	<u>\$ 695,696</u>	<u>\$ 405,423</u>	<u>\$ 442,212</u>

<sup>(1)</sup> Includes \$216.4 million and \$94.4 million of right-of-use lease assets within the United States and other locations, respectively.

**NOTE 10: REVENUE FROM CONTRACTS WITH CUSTOMERS**

We adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as of January 1, 2018 using the modified retrospective transition method. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a customer contract are satisfied which changed the timing of revenue recognition for our transportation business from at delivery to over the transit period as our performance obligations are completed. The comparative information for the year ended December 31, 2017 has not been restated and continues to be reported under ASC 605, *Revenue Recognition*.

The impact of adoption of ASU 2014-09 on our consolidated statements of operations for the years ended December 31, 2019 and 2018, was as follows (dollars in thousands).

	Twelve Months Ended December 31, 2019		
	As reported	Balances without adoption of ASU 2014-09	Effect of change higher / (lower)
<b>Income Statement</b>			
<b>Revenues:</b>			
Transportation	\$ 14,322,295	\$ 14,336,820	\$ (14,525)
Sourcing <sup>(1)</sup>	987,213	1,128,208	(140,995)
<b>Total revenues</b>	<b>15,309,508</b>	<b>15,465,028</b>	<b>(155,520)</b>
<b>Costs and expenses:</b>			
Purchased transportation and related services	11,839,433	11,848,665	(9,232)
Purchased products sourced for resale <sup>(1)</sup>	883,765	1,024,760	(140,995)
Personnel expenses	1,298,528	1,299,087	(559)
Other selling, general, and administrative expenses	497,806	497,806	—
<b>Total costs and expenses</b>	<b>14,519,532</b>	<b>14,670,318</b>	<b>(150,786)</b>
<b>Income from operations</b>	<b>789,976</b>	<b>794,710</b>	<b>(4,734)</b>
Interest and other expense	(47,719)	(47,719)	—
<b>Income before provision for income taxes</b>	<b>742,257</b>	<b>746,991</b>	<b>(4,734)</b>
Provision for income taxes	165,289	166,502	(1,213)
<b>Net income</b>	<b>\$ 576,968</b>	<b>\$ 580,489</b>	<b>\$ (3,521)</b>

<sup>(1)</sup> We have identified certain customer contracts in our sourcing managed procurement business that changed from a principal to an agent relationship under the new standard. This change resulted in these contracts being recognized at the net amount we charge our customers but had no impact on income from operations.

	Twelve Months Ended December 31, 2018		
	As reported	Balances without adoption of ASU 2014-09	Effect of change higher / (lower)
<b>Income Statement</b>			
<b>Revenues:</b>			
Transportation	\$ 15,515,921	\$ 15,462,328	\$ 53,593
Sourcing <sup>(1)</sup>	1,115,251	1,235,713	(120,462)
<b>Total revenues</b>	<b>16,631,172</b>	<b>16,698,041</b>	<b>(66,869)</b>
<b>Costs and expenses:</b>			
Purchased transportation and related services	12,922,177	12,875,875	46,302
Purchased products sourced for resale <sup>(1)</sup>	1,003,760	1,124,222	(120,462)
Personnel expenses	1,343,542	1,343,159	383
Other selling, general, and administrative expenses	449,610	449,610	—
<b>Total costs and expenses</b>	<b>15,719,089</b>	<b>15,792,866</b>	<b>(73,777)</b>
<b>Income from operations</b>	<b>912,083</b>	<b>905,175</b>	<b>6,908</b>
Interest and other expense	(31,810)	(31,810)	—
<b>Income before provision for income taxes</b>	<b>880,273</b>	<b>873,365</b>	<b>6,908</b>
Provision for income taxes	215,768	213,882	1,886
<b>Net income</b>	<b>\$ 664,505</b>	<b>\$ 659,483</b>	<b>\$ 5,022</b>

<sup>(1)</sup> We have identified certain customer contracts in our sourcing managed procurement business that changed from a principal to an agent relationship under the new standard. This change resulted in these contracts being recognized at the net amount we charge our customers but had no impact on income from operations.

We typically do not receive consideration and amounts are not due from our customer prior to the completion of our performance obligations and as such contract liabilities as of December 31, 2019 and 2018, and revenue recognized in the twelve months ended December 31, 2019 and 2018, resulting from contract liabilities were not significant. Contract assets and accrued expenses - transportation expense fluctuate from period to period primarily based upon shipments in-transit at period and the timing of customer invoicing.

A summary of our total revenues disaggregated by major service line and timing of revenue recognition is presented below for each of our reportable segments for the twelve months ended December 31, 2019 and 2018, as follows (dollars in thousands):

	Twelve Months Ended December 31, 2019			
	NAST	Global Forwarding	All Other and Corporate	Total
<b>Major service lines:</b>				
Transportation and logistics services <sup>(1)</sup>	\$ 11,283,692	\$ 2,327,913	\$ 710,690	\$ 14,322,295
Sourcing <sup>(2)</sup>	—	—	987,213	987,213
<b>Total</b>	<b>\$ 11,283,692</b>	<b>\$ 2,327,913</b>	<b>\$ 1,697,903</b>	<b>\$ 15,309,508</b>

	Twelve Months Ended December 31, 2018			
	NAST	Global Forwarding	All Other and Corporate	Total
<b>Major service lines:</b>				
Transportation and logistics services <sup>(1)</sup>	\$ 12,346,757	\$ 2,487,744	\$ 681,420	\$ 15,515,921
Sourcing <sup>(2)</sup>	—	—	1,115,251	1,115,251
<b>Total</b>	<b>\$ 12,346,757</b>	<b>\$ 2,487,744</b>	<b>\$ 1,796,671</b>	<b>\$ 16,631,172</b>

<sup>(1)</sup> Transportation and logistics services performance obligations are completed over time.

<sup>(2)</sup> Sourcing performance obligations are completed at a point in time.



Approximately 92 percent and 91 percent of our total revenues for the twelve months ended December 31, 2019 and 2018, respectively, are attributable to arranging for the transportation of our customers' freight for which we transfer control and satisfy our performance obligation over the requisite transit period. A days in transit output method is used to measure the progress of our performance as of the reporting date. We determine the transit period based upon the departure date and the delivery date, which may be estimated if delivery has not occurred as of the reporting date. Determining the transit period and how much of it has been completed as of the reporting date may require management to make judgments that affect the timing of revenue recognized. We have determined that revenue recognition over the transit period provides a faithful depiction of the transfer of goods and services to our customer as our obligation is performed over the transit period. The transaction price for our performance obligation under these arrangements is generally fixed and readily determinable upon contract inception and is not contingent upon the occurrence or non-occurrence of another event.

Approximately six percent and seven percent of our total revenues for the twelve months ended December 31, 2019 and 2018, respectively, are attributable to buying, selling, and/or marketing of produce including fresh fruits, vegetables, and other value-added perishable items. Total revenues for these transactions are recognized at a point in time upon completion of our performance obligation, which is generally when the produce is received by our customer. The transaction price for our performance obligation under these arrangements is generally fixed and readily determinable upon contract inception and is not contingent upon the occurrence or non-occurrence of another event.

Approximately two percent of our total revenues for the twelve months ended December 31, 2019 and 2018, respectively, are attributable to value-added logistics services, such as customs brokerage, fee-based managed services, warehousing services, small parcel, and supply chain consulting and optimization services. Total revenues for these services are recognized over time as we complete our performance obligation. Transaction price is determined and allocated to these performance obligations at their fixed fee or agreed upon rate multiplied by their associated measure of progress, which may be transactional volumes, labor hours, or time elapsed.

**Practical Expedients** - Upon the adoption of ASU 2014-09, we have determined that we qualify for certain practical expedients to facilitate the adoption of the standard. We have elected to expense incremental costs of obtaining customer contracts (i.e., sales commissions) due to the short duration of our arrangements as the amortization period of such amounts is expected to be less than one year. These amounts are included within personnel expenses in our consolidated statements of operations and comprehensive income. In addition, we do not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the period, as our contracts have an expected length of one year or less. Finally, for certain of our performance obligations such as fee-based managed services, supply chain consulting and optimization services, and warehousing services, we have recognized revenue in the amount for which we have the right to invoice our customer as we have determined this amount corresponds directly with the value provided to the customer for our performance completed to date.

#### **NOTE 11: LEASES**

We adopted ASU 2016-02, Leases (Topic 842), as of January 1, 2019. Prior period information was not restated and continues to be presented under ASC 840, *Leases*. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to not reassess existing contracts to determine if they contain a lease and to carry forward their historical lease classification upon transition. In addition, we have made a policy election to not apply the guidance of ASC 842 to leases with a term of 12 months or less as allowed by the standard. These leases are recognized as expense on a straight-line basis over the lease term.

Adoption of the new standard resulted in the recording of right-of-use lease assets and lease liabilities of \$265.4 million and \$273.3 million, respectively, as of January 1, 2019. The adoption of this standard did not materially impact our consolidated statements of operations or consolidated statements of cash flows.

We determine if our contractual agreements contain a lease at inception. A lease is identified when a contract allows us the right to control an identified asset for a period of time in exchange for consideration. Our lease agreements consist primarily of operating leases for office space, warehouses, office equipment, and a small number of intermodal containers. We do not have material financing leases. Frequently, we enter into contractual relationships with a wide variety of transportation companies for freight capacity, and utilize those relationships to efficiently and cost-effectively arrange the transport of our customers' freight. These contracts typically have a term of 12 months or less and do not allow us to direct the use or obtain substantially all of the economic benefits of a specifically identified asset. Accordingly, these agreements are not considered leases.

Our operating leases are included on the consolidated balance sheets as right-of-use lease assets and lease liabilities. A right-of-use lease asset represents our right to use an underlying asset over the term of a lease, while a lease liability represents our obligation to make lease payments arising from the lease. Current and noncurrent lease liabilities are recognized at

commencement date at the present value of lease payments, including non-lease components, which consist primarily of common area maintenance charges. Right-of-use lease assets are also recognized at commencement date as the total lease liability plus prepaid rents and less any deferred rent liability that existed under ASC 840, *Leases*, upon transition. As our leases typically do not provide an implicit rate, we use our fully collateralized incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is influenced by market interest rates, our credit rating, and lease term and as such, may differ for individual leases.

Our lease agreements typically do not contain variable lease payments, residual value guarantees, purchase options, or restrictive covenants. Many of our leases include the option to renew for a period of months to several years. The term of our leases may include the option to renew when it is reasonably certain that we will exercise that option although these occurrences are seldom. We have lease agreements with lease components (e.g., payments for rent) and non-lease components (e.g., payments for common area maintenance and parking), which are all accounted for as a single lease component.

In February 2020, we entered into a lease for warehouse space in Los Angeles, California which commences in February 2020 and is expected to result in a right-of-use lease asset and lease liability of approximately \$38.7 million. There were no other material lease agreements that have not yet commenced that are expected to create significant rights or obligations as of December 31, 2019.

Information regarding lease expense, remaining lease term, discount rate, and other select lease information is presented below as of December 31, 2019, and for the twelve months ended December 31, 2019 (dollars in thousands):

<b>Lease Costs</b>	<b>Twelve Months Ended December 31, 2019</b>
Operating lease expense	\$ 68,489
Short-term lease expense	11,440
<b>Total lease expense</b>	<b>\$ 79,929</b>

<b>Other Lease Information</b>	<b>Twelve Months Ended December 31, 2019</b>
Operating cash outflows from operating leases	\$ 66,489
Right-of-use lease assets obtained in exchange for new lease liabilities <sup>(1)</sup>	101,966

<sup>(1)</sup> The company obtained approximately \$35.5 million of right-of-use lease assets in exchange for new lease liabilities related to a warehouse lease in Australia in the fourth quarter of 2019.

<b>Lease Term and Discount Rate</b>	<b>As of December 31, 2019</b>
Weighted average remaining lease term (in years) <sup>(1)</sup>	7.8
Weighted average discount rate	3.4%

<sup>(1)</sup> The weighted average remaining lease term is significantly impacted by a 15-year lease related to office space in Chicago, IL, that commenced in 2018. Excluding this lease, the weighted average remaining lease term of our agreements is 5.2 years.

The maturity of lease liabilities as of December 31, 2019, were as follows (in thousands):

<b>Maturity of Lease Liabilities</b>	<b>Operating Leases</b>
2020	\$ 70,995
2021	60,839
2022	49,717
2023	36,722
2024	25,457
Thereafter	125,163
Total lease payments	368,893
Less: Interest	(48,169)
<b>Present value of lease liabilities</b>	<b>\$ 320,724</b>

Minimum future lease commitments under noncancelable lease agreements in excess of one year as of December 31, 2018, are as follows (in thousands):

2019	\$ 53,675
2020	47,680
2021	36,832
2022	27,644
2023	19,406
Thereafter	81,465
Total lease payments	\$ 266,702

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 in which we lease space. Under ASC 842 we have elected to account for non-lease components such as common area maintenance and parking as a single lease component.

#### **NOTE 12: CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss is included in the Stockholders' investment on our consolidated balance sheets. The recorded balance at December 31, 2019, and December 31, 2018, was \$76.1 million and \$71.9 million, respectively, and is comprised solely of foreign currency adjustments.

#### **NOTE 13: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

##### *RECENTLY ADOPTED ACCOUNTING STANDARDS*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The guidance also requires certain qualitative and quantitative disclosures about the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides another transition method no longer requiring application to previously reported periods. Therefore, prior period balances were not restated. We adopted Topic 842 during 2019 using the modified retrospective approach and recognizing right-of-use assets and lease liabilities of \$265.4 million and \$273.3 million, respectively, on January 1, 2019. The adoption of this standard did not have a significant impact on our consolidated results of operations or consolidated statements of cash flows. Refer to Note 11, *Leases*, for further information.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the Tax Act. The amendment provides the option to reclassify stranded tax effects resulting from the Tax Act within accumulated other comprehensive income (AOCI) to retained earnings. This amendment became effective for us on January 1, 2019. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

*RECENTLY ISSUED ACCOUNTING STANDARDS*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and in November 2018 issued a subsequent amendment, ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*. This update significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The update will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. The update will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope of this amendment that have the contractual right to receive cash. We adopted this standard effective January 1, 2020. Prior period balances will not be restated. The adoption of this standard will impact our accounting policy for the allowance for doubtful accounts, which is a significant accounting policy, but the impact of adoption is not expected to have a material impact to our consolidated financial position, results of operations, or cash flows.

**NOTE 14: SUPPLEMENTARY DATA (UNAUDITED)**

Our unaudited results of operations for each of the quarters in the years ended December 31, 2019 and 2018, are summarized below (in thousands, except per share data).

2019	March 31	June 30	September 30	December 31
<b>Revenues:</b>				
Transportation	\$ 3,504,932	\$ 3,638,612	\$ 3,608,346	\$ 3,570,405
Sourcing	246,278	270,228	247,786	222,921
Total revenues	3,751,210	3,908,840	3,856,132	3,793,326
<b>Costs and expenses:</b>				
Purchased transportation and related services	2,853,256	2,972,998	2,999,979	3,013,200
Purchased products sourced for resale	219,154	240,626	222,722	201,263
Personnel expenses	340,098	338,886	320,563	298,981
Other selling, general, and administrative expenses	114,152	128,795	111,783	143,076
Total costs and expenses	3,526,660	3,681,305	3,655,047	3,656,520
Income from operations	224,550	227,535	201,085	136,806
Net income	\$ 161,788	\$ 169,180	\$ 146,894	\$ 99,106
Basic net income per share	\$ 1.17	\$ 1.23	\$ 1.08	\$ 0.73
Diluted net income per share	\$ 1.16	\$ 1.22	\$ 1.07	\$ 0.73
Basic weighted average shares outstanding	137,854	137,185	136,380	135,997
Dilutive effect of outstanding stock awards	1,101	1,071	1,096	624
Diluted weighted average shares outstanding	138,955	138,256	137,476	136,621

2018	March 31	June 30	September 30	December 31
<b>Revenues:</b>				
Transportation	\$ 3,637,640	\$ 3,953,139	\$ 4,028,392	\$ 3,896,750
Sourcing	287,687	322,898	263,508	241,158
Total revenues	3,925,327	4,276,037	4,291,900	4,137,908
<b>Costs and expenses:</b>				
Purchased transportation and related services	3,041,602	3,313,196	3,359,520	3,207,859
Purchased products sourced for resale	257,800	291,358	238,336	216,266
Personnel expenses	328,297	340,630	335,299	339,316
Other selling, general, and administrative expenses	106,043	111,845	112,772	118,950
Total costs and expenses	3,733,742	4,057,029	4,045,927	3,882,391
Income from operations	191,585	219,008	245,973	255,517
Net income	\$ 142,297	\$ 159,163	\$ 175,895	\$ 187,150
Basic net income per share	\$ 1.02	\$ 1.14	\$ 1.27	\$ 1.36
Diluted net income per share	\$ 1.01	\$ 1.13	\$ 1.25	\$ 1.34
Basic weighted average shares outstanding	140,032	139,464	138,797	137,797
Dilutive effect of outstanding stock awards	1,238	1,147	1,363	1,385
Diluted weighted average shares outstanding	141,270	140,611	140,160	139,182

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

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”) or our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of the controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness of controls and procedures to future periods are subject to the risk that the controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the controls and procedures may have deteriorated.

As of December 31, 2019, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our Chief Executive Officer and Chief Financial Officer have concluded based upon the evaluation described above that, as of December 31, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Management’s Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (the 2013 Framework)*. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 and concluded that it was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2019, 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 Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

On February 14, 2020, the company entered into a Second Amendment (the “Second Amendment”) to Receivables Purchase Agreement which amends that certain Receivables Purchase Agreement dated as of April 26, 2017 (as amended prior to the date hereof, the “Receivables Purchase Agreement”) with the company, as initial master servicer and performance guarantor,

C.H. Robinson Receivables, LLC (“CHRR”), a wholly-owned subsidiary of the company and bankruptcy-remote entity, as seller, Wells Fargo Bank, National Association (“Wells Fargo”), as administrative agent and Wells Fargo and Bank of America, N.A., as purchaser agents and committed purchasers.

The Second Amendment carves out from the Receivables Purchase Agreement certain collections with respect to payments arising from the sale of goods or services by the company and certain of its subsidiaries (the “Excluded Receivables”) from certain excluded account debtors. It also provides a limited consent to the sale of certain of the Excluded Receivables that were made prior to the effective date of the Second Amendment. In connection with the transactions contemplated by the Second Amendment, CHRR also entered into an assignment agreement with C.H. Robinson Company Inc. (“CHRCI”) pursuant to which CHRR sold to CHRCI and certain other originators (collectively, the “Originators”) all of the outstanding Excluded Receivables sold by the Originators to CHRR under the Receivables Sale Agreement dated as of April 26, 2017 among the Originators and CHRR.

The foregoing description of the Second Amendment is qualified in its entirety by reference to Exhibit 10.7 hereto.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information with respect to our Board of Directors contained under the heading “Proposal One: Election of Directors,” 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 of this Form 10-K.

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 headings or subheadings “Compensation of Directors,” “Compensation Committee Interlocks and Insider Participation,” “2019 Executive Compensation” and “Compensation Committee Report” 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, 2019:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders <sup>(1)</sup>	9,851,905	\$ 75.40	5,300,634
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>9,851,905</b>	<b>\$ 75.40</b>	<b>5,300,634</b>

<sup>(1)</sup> 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 2013 Equity Incentive Plan. Specifically, 2,801,713 shares remain available under our Employee Stock Purchase Plan, and 7,050,192 options remain outstanding for future exercise. On May 9, 2019, our shareholders approved an amendment and restatement of our 2013 Equity Incentive Plan to increase the number of shares authorized for award by 4,000,000 shares. Under our 2013 Equity Incentive Plan, 5,300,634 shares may become subject to future awards in the form of stock option grants or the issuance of restricted stock.

**(b) Security Ownership**

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.

**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 ACCOUNTING FEES AND SERVICES**

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

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

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

(1) The Company’s 2019 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 of 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.

**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS**

## Allowance for Doubtful Accounts

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

	2019	2018	2017
Balance, beginning of year	\$ 41,131	\$ 42,409	\$ 39,543
Provision	5,853	15,634	13,489
Write-offs	(14,146)	(16,912)	(10,623)
Balance, end of year	<u>\$ 32,838</u>	<u>\$ 41,131</u>	<u>\$ 42,409</u>

(b) Index to Exhibits-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.



**INDEX TO EXHIBITS**

<b>Number</b>	<b>Description</b>
3.1	<a href="#">Certificate of Incorporation of the Company (as amended on May 19, 2012, and incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 15, 2012)</a>
3.2	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on January 17, 2020)</a>
*4.1	<a href="#">Description of Capital Stock</a>
4.2	<a href="#">Indenture, dated April 11, 2018, between C.H. Robinson Worldwide, Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 in the Company's Current Report on Form 8-K filed on April 11, 2018)</a>
4.3	<a href="#">First Supplemental Indenture, dated April 11, 2018, between C.H. Robinson Worldwide, Inc. and U.S. Bank National Association, as Trustee, relating to the 4.200% Notes due 2028 (incorporated by reference to Exhibit 4.2 in the Company's Current Report on Form 8-K filed on April 11, 2018)</a>
4.4	<a href="#">Form of Global Note representing the 4.200% Notes due 2028 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.2 in the Company's Current Report on Form 8-K filed on April 11, 2018)</a>
†10.1	<a href="#">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, file no. 000-23189)</a>
†10.2	<a href="#">Amended and restated C.H. Robinson Worldwide, Inc. 2013 Equity Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement on Form DEF 14A filed on March 29, 2019, on file no. 000-23189)</a>
10.3	<a href="#">Second Omnibus Amendment, dated October 24, 2018, among C.H. Robinson Worldwide, Inc., the guarantors and lenders party thereto, and U.S. Bank National Association, as LC Issuer, Swing Line Lender and Administrative Agent for the lenders to that certain Credit Agreement dated as of October 29, 2012, among C.H. Robinson Worldwide, Inc., the lenders party thereto, and U.S. Bank National Association, as LC Issuer, Swing Line Lender and Administrative Agent for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 25, 2018)</a>
10.4	<a href="#">Note Purchase Agreement dated as of August 23, 2013, by and among the Company and the Purchasers (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 26, 2013)</a>
10.5	<a href="#">First Amendment to Note Purchase Agreement dated February 20, 2015, by and among the Company and the Purchasers (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)</a>
10.6	<a href="#">Receivables Sale Agreement, dated as of April 26, 2017, by and among C.H. Robinson Company Inc., C.H. Robinson Receivables, LLC, and C.H. Robinson Worldwide, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 28, 2017)</a>
*10.7	<a href="#">Second Amendment to the Receivables Purchase Agreement, dated as of February 14, 2020, by and among C.H. Robinson Receivables, LLC, C.H. Robinson Worldwide, Inc., Bank of America, N.A., and Wells Fargo Bank, N.A.</a>
10.8	<a href="#">Amended and Restated Performance Guaranty, dated as of December 17, 2018, between C.H. Robinson Worldwide, Inc. and Wells Fargo Bank, N.A. for and on behalf of the Affected Parties under the Receivables Purchase Agreement dated as of December 17, 2018, among C.H. Robinson Receivables, LLC, C.H. Robinson Worldwide, Inc., Wells Fargo Bank, and various Conduit Purchasers, Purchaser Agents, and Committed Purchasers described therein (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 10-K filed on February 25, 2019)</a>
†10.9	<a href="#">C.H. Robinson Worldwide, Inc. 2015 Non-Equity Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement on Form DEF 14A, filed on March 27, 2015, file no. 000-23189)</a>
†10.10	<a href="#">Robinson Companies Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on 10-K for the year ended December 31, 2012)</a>
†10.11	<a href="#">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 Company's Annual Report on Form 10-K for the year ended December 31, 2000, file no. 000-23189)</a>
†10.12	<a href="#">2012 Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, file no. 000-23189)</a>
†10.13	<a href="#">2012 Form of Restricted Stock Award for U.S. Managerial Employees (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)</a>
†10.14	<a href="#">2012 Form of Restricted Stock Award for Officers (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011)</a>
†10.16	<a href="#">2012 Form of Time-Based Restricted Stock Unit Award (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)</a>

†10.17	<a href="#">Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)</a>
†10.18	<a href="#">Form of Performance Share Award for Officers (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)</a>
†10.19	<a href="#">Form of Performance Share Award for U.S. Managerial Employees (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)</a>
†10.20	<a href="#">Form of Time-Based Restricted Stock Unit Award (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)</a>
†10.21	<a href="#">Form of Incentive Stock Option (Time-Based U.S.) Agreement (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015)</a>
†10.22	<a href="#">Form of Key Employee Agreement (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)</a>
†10.23	<a href="#">Form of Employee Confidentiality and Protection of Business Agreement (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013)</a>
*†10.24	<a href="#">Form of Performance Share Award Agreement</a>
*†10.25	<a href="#">Form of Incentive Stock Option Award Agreement</a>
*†10.26	<a href="#">Form of Restricted Stock Unit Award Agreement for Non-U.S. Employees</a>
*†10.27	<a href="#">Form of Key Employee Agreement</a>
*†10.28	<a href="#">Form of Employee Confidentiality and Protection of Business Agreement</a>
*21	<a href="#">Subsidiaries of the Company</a>
*23.1	<a href="#">Consent of Deloitte &amp; Touche LLP</a>
*24	<a href="#">Powers of Attorney</a>
*31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
*31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
*32.1	<a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
*32.2	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
*101	The following financial statements from our Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2019, 2018, and 2017, (ii) Consolidated Balance Sheets as of December 31, 2019 and 2018, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018, (iv) Consolidated Statements of Stockholders' Investment for the years ended 2019, 2018, and 2017, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text
104	The cover page from the Current Report on Form 10-K formatted in Inline XBRL

\* 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

#### ITEM 16. FORM 10-K SUMMARY

None.



## DESCRIPTION OF CAPITAL STOCK

The summary of general terms and provisions of the capital stock of C.H. Robinson Worldwide, Inc. (the "Company") set forth below does not purport to be complete and is subject to and qualified by referenced to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws, as amended and restated (the "Bylaws," and together with the Certificate of Incorporation, the "Charter Documents"), each of which is incorporated herein by reference and included as an exhibit to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For additional information, please read the Company's Charter Documents and the applicable provisions of the Delaware General Corporation Law (the "DGCL").

### **Capital Stock**

The Company is authorized to issue up to 500,000,000 shares, of which 480,000,000 have been designated common stock, par value \$0.10 per share ("Common Stock"), and 20,000,000 have been designated preferred stock, par value \$0.10 per share ("Preferred Stock").

### ***Voting Rights***

The holders of shares of Common Stock have the exclusive power to vote on all matters presented to the Company's stockholders unless Delaware law or the certificate of designation for an outstanding series of Preferred Stock gives the holders of that series of Preferred Stock the right to vote on certain matters.

Each holder of shares of Common Stock is entitled to one vote per share.

The holders of Common Stock may not cumulate their votes when voting for directors, which means that a holder cannot cast more than one vote per share for each director. Accordingly, the holders of a majority of the outstanding shares of Common Stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of Preferred Stock may be entitled to elect.

The Certificate of Incorporation provides that, without the affirmative vote of the holders of record of 66-2/3% of all of the shares of Common Stock outstanding and the approval of 66-2/3% of all of the Company's board of directors:

- (a) The Company shall not, directly or indirectly, consolidate with or merge into or with any other person or entity except that any subsidiary may consolidate with or merge into or with the Company under the provisions of Section 253 of the DGCL or into or with any wholly owned subsidiary of the Company.
- (b) The Company shall not, directly or indirectly, convey, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any person or entity, whether in a single transaction or a series of related transactions, except that any subsidiary of the Company may at any time or from time to time convey, transfer, lease or otherwise dispose of all or any of its properties or assets to the Company or any wholly owned subsidiary of the Company.
- (c) The Company shall not amend or otherwise modify or repeal any of the provisions of the Certificate of Incorporation.

### ***Dividend Rights***

Subject to any prior rights of any Preferred Stock then outstanding, the holders of shares of Common Stock are entitled to receive dividends out of funds legally available, when and if declared by the Company's board of directors.

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***Liquidation Rights***

Upon any liquidation, dissolution or winding up of the Company, voluntary or involuntary, after the payment in full of all amounts to which the holders of shares of Preferred Stock shall be entitled, the remaining assets of the Company to be distributed to the holders of the stock of the Company shall be distributed ratably among the holders of the shares of Common Stock.

***No Preemptive Rights***

The holders of Common Stock shall have no preemptive rights to subscribe to any or all additional issues of Common Stock or any securities of the Company convertible into Common Stock.

***Listing***

The Common Stock is currently trade on the Nasdaq Global Select Market under the symbol "CHRW."

***Anti-Takeover Provisions***

The Charter Documents and the DGCL contain certain provisions that may discourage an unsolicited takeover of the Company or make an unsolicited takeover of the Company more difficult. The following are some of the more significant anti-takeover provisions that are applicable to the Company:

***Business Combinations and Other Significant Corporate Transactions***

In addition to the super-majority approval provisions of the Certificate of Incorporation described above, without the approval of 66-2/3% of all Disinterested Directors (as defined below), Section 3.16 of the Bylaws provides that the Company shall not, and shall not permit any subsidiary of the Company to:

(a) Acquire, consolidate with or merge into another person or entity, if the aggregate consideration for such transaction exceeds \$50 million, except that any subsidiary may consolidate with or merge into the Company or wholly owned subsidiary of the Company under the provisions of Section 253 of the DGCL.

(b) Convey, transfer, lease or otherwise dispose of assets or properties of the Company, or any of its subsidiaries, if the aggregate consideration exceeds \$50 million, except that any subsidiary of the Company may at any time, or from time to time, convey, transfer, lease or otherwise dispose of all or any of its properties and assets to the Company or any wholly owned subsidiary of the Company and except that the Company may at any time, or from time to time, convey, transfer, lease or otherwise dispose of all or any of its properties or assets to any wholly owned subsidiary of the Company.

(c) Make any recommendation to the Company's stockholders with respect to a pending tender offer.

(d) Issue, sell, assign, pledge or otherwise dispose of any shares of, or any securities convertible into, Common Stock of the Company or any subsidiaries of the Company except that:

(i) the Company may issue up to 500,000 shares of Common Stock in any one transaction or series of related transactions, for any purpose authorized by the Company's board of directors including acquisitions;

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(ii) the Company may sell or assign to any wholly owned subsidiary of the Company, and any subsidiary of the Company may issue, sell, assign, pledge or otherwise dispose of to the Company or any wholly owned subsidiary of the Company, shares of or any warrants, rights or options to acquire any securities convertible into, stock of any subsidiary;

(iii) the Company may issue shares in connection with stock option plans and other stock-based plans approved by the stockholders and administered by the Company's board of directors; and

(iv) any subsidiary of the Company may issue, sell, assign, pledge or otherwise dispose of shares of, or any warrants, rights or options to acquire any securities convertible into, stock of such subsidiary, or any other assets or property of such subsidiary.

(e) Increase the size of the Company's board of directors.

(f) Agree to do any of the foregoing.

(g) Amend Section 3.16 of the Bylaws.

For purposes of Section 3.16 of the Bylaws, a "Disinterested Director" shall mean any director who does not have a financial interest in the outcome of such vote (other than as a stockholder of the Company). Notwithstanding the foregoing, the term Disinterested Director shall not include any director who has an interest in the outcome of the vote if such director is an employee of the corporation ("Management Director"), and (i) the transaction giving rise to the vote is an acquisition, merger or consolidation of the corporation (or any subsidiary) with or by a person or entity which is not affiliated with such Management Director (before completion of such transaction), (ii) such Management Director has not initiated discussions concerning such transaction with such person or entity and (iii) such person or entity has not, at the time of such vote, entered into management equity or employment arrangements with such Management Director; provided, however, the foregoing shall not be deemed to prohibit such Management Director from entering into customary management equity and employment arrangements after the vote to facilitate completion of such transaction.

#### ***Delaware Anti-Takeover Law***

In general, Section 203 of the DGCL prohibits a Delaware corporation with a class of voting stock listed on a national securities exchange or held of record by 2,000 or more stockholders from engaging in a "Business Combination" (as defined below) with an "Interested Stockholder" (as defined below) for a three-year period following the time that this stockholder becomes an interested stockholder, unless the Business Combination is approved in a prescribed manner. A Business Combination includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the Interested Stockholder. An Interested Stockholder is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of Interested Stockholder status, 15% or more of the corporation's voting stock. Under Section 203, a Business Combination between a corporation and an Interested Stockholder is prohibited for three years unless it satisfies one of the following conditions:

1. Before the stockholder became an Interested Stockholder, the Board of Directors approved either the Business Combination or the transaction which resulted in the stockholder becoming an Interested Stockholder;
  2. Upon consummation of the transaction which resulted in the stockholder becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
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3. At or after the time the stockholder became an Interested Stockholder, the Business Combination was approved by the Board of Directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the Interested Stockholder.

The DGCL permits a corporation to opt out of, or choose not to be governed by, its anti-takeover statute by expressly stating so in its original certificate of incorporation (or subsequent amendment to its certificate of incorporation or bylaws approved by its stockholders). The Certificate does not contain a provision expressly opting out of the application of Section 203 of the DGCL; therefore, the Company is subject to the anti-takeover statute.

#### ***Special Meetings of Stockholders***

The Bylaws provide that a special meeting of stockholders may be called only by the Company's board of directors or by the chief executive officer.

#### ***Requirements for Advance Notification of Stockholder Nominations and Proposals***

The Bylaws establish advance-notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

#### ***No Written Consent of Stockholders***

The Certificate of Incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting.

#### ***Amendment of our Certificate of Incorporation and Bylaws***

An amendment to either the Certificate of Incorporation or Section 3.16 of the Bylaws requires the approval of the holders of record of at least 66-2/3% of the outstanding voting shares of Common Stock. The Company's board of directors may alter or amend, make or adopt, or repeal the Bylaws, subject to the limitations set forth in the Bylaws and under Delaware law. The Company's stockholders also have the power to alter or amend, make or adopt, or repeal the Bylaws, subject to the limitations set forth therein and under Delaware law.

#### ***Authority of the Board of Directors***

Pursuant to the Certificate of Incorporation, the Company's board of directors, without action by the stockholders, may issue up to 20,000,000 shares of undesignated preferred stock with voting or other rights or preferences as designated by our board of directors. In addition, the Company's board of directors has the right to fill vacancies of the board of directors (including a vacancy created by an increase in the size of the board of directors).

**SECOND AMENDMENT TO THE  
RECEIVABLES PURCHASE AGREEMENT**

This SECOND AMENDMENT TO THE RECEIVABLES PURCHASE AGREEMENT, dated as of February 14, 2020 (this "Amendment"), is among:

- (i) C.H. ROBINSON RECEIVABLES, LLC, a Delaware limited liability company, as seller (the "Seller");
- (ii) C.H. ROBINSON WORLDWIDE, INC., a Delaware corporation ("CHR"), as master servicer (in such capacity, the "Master Servicer") and as performance guarantor (in such capacity, the "Performance Guarantor");
- (iii) WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells"), as Purchaser Agent for the Wells Purchaser Group and as a Committed Purchaser for the Wells Purchaser Group;
- (iv) BANK OF AMERICA, N.A. ("BofA"), as the Purchaser Agent for the BofA Purchaser Group and as a Committed Purchaser for the BofA Purchaser Group; and
- (v) WELLS FARGO BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

**BACKGROUND**

**WHEREAS**, the parties hereto have entered into that certain Receivables Purchase Agreement, dated as of April 26, 2017 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Receivables Purchase Agreement"); and

**WHEREAS**, concurrently herewith, the Seller and the Originator are entering into the certain Assignment Agreement, dated as of the date hereof (the "Assignment Agreement").

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Unless otherwise defined or provided herein, capitalized terms used herein have the meanings attributed thereto in (or by reference in) the Receivables Purchase Agreement.

SECTION 2. Limited Consent.

(a) Limited Consent re: Sale of Excluded Receivables. Subject to the terms and conditions of this Amendment, including the accuracy of each of the representations and warranties set forth herein, notwithstanding the requirements set forth in the

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Receivables Purchase Agreement and each of the other Transaction Document prohibiting the sale or assignment of any Pool Receivable or the creation or existence of any Adverse Claim on any Pool Receivable, each of the parties hereto consents to the sale, transfer, assignment and pledge of each Excluded Receivable that has occurred prior to the date hereof pursuant to one or more agreements heretofore entered into by one or more of the CHR Parties (collectively, the “Excluded Receivable Sales”).

(b) Limited Consent re: Information Packages. Subject to the terms and conditions of this Amendment, including the accuracy of each of the representations and warranties set forth herein, notwithstanding the requirements set forth in the Receivables Purchase Agreement and each of the other Transaction Document requiring the accurate reporting of Information Packages and other information and reports furnishing under the Transaction Documents, each of the parties hereto consents (solely with respect to the Information Packages that are required to be delivered under the Transaction Document on any date on or prior to the date that is 60 days following the date hereof (such date, the “Subject Date” and each such Information Package required to be delivered on or prior to the Subject Date, each, a “Subject Information Package”)) to the inclusion of (i) one or more Excluded Receivables in the calculation of the Unpaid Balance of Pool Receivables that were originated by the Originators during the applicable Settlement Period (including for purposes of the calculation of “Days Sales Outstanding”, “Dilution Horizon Ratio”, “Dilution Ratio”, “Loss Horizon Ratio” and “Loss Ratio”) (each such calculation with respect to any Settlement Period, a “Monthly Origination Balance”) and (ii) Excluded Collections in the calculation of the aggregate amount of Collections from Pool Receivables received during any Settlement Period (each such calculation with respect to any Settlement Period, a “Monthly Collection Amount”); provided, however, that (A) no Excluded Receivable shall be included in any calculation of Net Portfolio Balance; (B) no more than \$50,000,000 of Excluded Receivables shall be included in the Monthly Origination Balance with respect to any Settlement Period; (C) no more than \$50,000,000 of Excluded Collections shall be included in the Monthly Collection Amount with respect to any Settlement Period; (D) no Excluded Receivable shall be included in any Monthly Origination Balance reported in any Information Package delivered after the Subject Date; (E) no Excluded Collections shall be included in any Monthly Collection Amount reported in any Information Package delivered after the Subject Date and (F) promptly following the identification of any Excluded Collections that were included in any Monthly Collection Amount, the Seller (or the Master Servicer on its behalf) shall return such Excluded Collections to the Originator.

(c) General Limitations. The foregoing limited consents shall be strictly limited to their terms. Consistent with the foregoing, nothing contained herein shall be deemed to be a consent to any party to the Transaction Documents failing to perform its obligations under the Transaction Documents other than solely to the extent set forth above. Notwithstanding anything to the contrary herein or in the Transaction Documents, by executing this Amendment, no party hereto is now waiving or consenting to, nor has it agreed to waive or consent to in the future (i) the modification or breach of any provision of the Transaction Documents, other than as expressly set forth in clauses (a) and (b)

above, (ii) any Event of Termination or Unmatured Event of Termination under the Receivables Purchase Agreement or the other Transaction Documents (whether presently or subsequently existing or arising), other than as expressly set forth in clauses (a) and (b) above or (iii) any rights, powers or remedies presently or subsequently available to any of the parties hereto or any other Person against Seller or the Servicer under the Receivables Purchase Agreement, any of the other Transaction Documents, applicable law or otherwise, relating to any matter other than solely to the extent expressly consented to herein, each of which rights, powers or remedies is hereby specifically and expressly reserved and continue.

(d) No Waiver of Indemnification, Etc. Without limiting the generality of the foregoing and for the avoidance of doubt, the parties hereto are not hereby waiving or releasing, nor have they agreed to waive or release in the future, any right or claim to indemnification or reimbursement by, or damages from, Seller or the Servicer or any other Person under any Transaction Document, including without limitation, for any liability, obligation, loss, damage, penalty, judgment, settlement, cost, expense or disbursement resulting or arising directly or indirectly from (i) the Excluded Receivable Sales, (ii) the reporting of Excluded Receivables in any Monthly Origination Balance, (iii) the reporting of Excluded Collections in any Monthly Collection Amount or (iv) the commingling of Collections of Pool Receivables with Excluded Collections.

SECTION 3. Amendments to the Receivables Purchase Agreement. The Receivables Purchase Agreement is hereby amended to incorporate the changes shown on the marked pages of the Receivables Purchase Agreement attached hereto as Exhibit A.

SECTION 4. Certain Representations and Warranties. Each of the Seller, the Performance Guarantor and the Master Servicer hereby represents and warrants to the Committed Purchasers, the Purchaser Agents and the Administrative Agent as follows:

(a) Representations and Warranties. The representations and warranties made by such party in the Receivables Purchase Agreement and in any other Transaction Document to which it is a party are true and correct in all material respects both as of the date hereof and immediately after giving effect to this Amendment and the Assignment Agreement (except to the extent such representations and warranties explicitly refer solely to an earlier date, in which case they shall be true and correct as of such earlier date).

(b) Power and Authority; Due Authorization. Such party (i) has all necessary power and authority to (A) execute and deliver this Amendment, the Assignment Agreement and the other Transaction Documents to which it is a party in any capacity and (B) carry out the terms of and perform its obligations under this Amendment, the Assignment Agreement and the other Transaction Documents applicable to it and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Amendment, the Assignment Agreement and the other Transaction Documents to which it is a party in any capacity.

(c) No Violation. The execution, delivery and performance by such party of this Amendment, the Assignment Agreement and the other Transaction Documents will not (i) conflict with its articles or certificate of incorporation or by-laws or (ii) violate any Law applicable to it or any of its properties, except in the case of clause (ii), where such conflict or violation could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

(d) Validity, etc. This Amendment, the Receivables Purchase Agreement, the Assignment Agreement and the other Transaction Documents to which it is a party constitute the legal, valid and binding obligations of such party enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at Law.

(e) No Defaults. No Event of Termination, Unmatured Event of Termination, Master Servicer Termination Event or Unmatured Master Servicer Termination Event shall have occurred and be continuing either before or immediately after giving effect to this Amendment and the Assignment Agreement.

(f) Net Portfolio Balance. Both as of the date hereof and immediately after giving effect to this Amendment and the Assignment Agreement, the sum of the Purchasers' Total Investment and the Required Reserves do not exceed the Net Portfolio Balance.

SECTION 5. Consent. Each of the parties hereto hereby consent to the filing, by or on behalf of the Seller and at the Seller's sole expense, of the UCC-3 financing statement amendment, to reflect the amendments set forth herein, in substantially the form attached hereto as Exhibit B.

SECTION 6. Effectiveness. This Amendment shall be effective as of the date hereof and concurrently with the effectiveness of the Assignment Agreement upon satisfaction of the following conditions precedent:

(a) Execution of the Amendment. The Administrative Agent shall have received a counterpart of this Amendment duly executed by each of the other parties hereto.

(b) Execution of the Assignment Agreement. The Administrative Agent shall have received a counterpart of the Assignment Agreement duly executed by each of the parties thereto.

(c) Bring-Down. The Administrative Agent shall have received a bring-down, in form and substance reasonably satisfactory to the Administrative Agent, of each of the true sale and non-consolidation opinions of counsel delivered in connection with the Receivables Purchase Agreement and each of the other Transaction Document.

(d) Other Documents. The Administrative Agent shall have received such other documents, agreements, certificates, instruments and opinions as the Administrative Agent may reasonably request prior to the date hereof.

SECTION 7. Reference to, and Effect on the Receivables Purchase Agreement and the Transaction Documents.

(a) The Receivables Purchase Agreement (except as specifically amended herein) shall remain in full force and effect and the Receivables Purchase Agreement and each of the other Transaction Documents are hereby ratified and confirmed in all respects by each of the parties hereto.

(b) On and after the execution and delivery of this Amendment, (i) this Amendment shall be a part of the Receivables Purchase Agreement amended hereby and (ii) each reference in the Receivables Purchase Agreement to “this Agreement”, “hereof”, “hereunder” or words of like import referring to the Receivables Purchase Agreement, and each reference in any other Transaction Document to “the Receivables Purchase Agreement”, “thereunder”, “thereof” or words of like import referring to the Receivables Purchase Agreement, shall mean and be a reference to the Receivables Purchase Agreement, as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent, any Purchaser Agent, any Conduit Purchaser or any Committed Purchaser under, nor constitute a waiver of any provision of, the Receivables Purchase Agreement or any other Transaction Document.

(d) To the extent that the consent of any party hereto, in any capacity, is required under the Transaction Documents or any other agreement entered into in connection with the Transaction Documents with respect to any of the amendments set forth herein, such party hereby grants such consent.

SECTION 8. Transaction Document. This Amendment shall be a Transaction Document under (and as defined in) the Receivables Purchase Agreement.

SECTION 9. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 10. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart hereof by facsimile or other electronic means shall be equally effective as delivery of an originally executed counterpart.

SECTION 11. Governing Law. THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

SECTION 12. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 13. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment or be given any substantive effect.

*[Signatures begin on the following page]*

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

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

as Master Servicer and as Performance Guarantor

By: /s/ Robert Houghton

Name: Robert Houghton

Title: Treasurer

**C.H. ROBINSON RECEIVABLES, LLC, as Seller**

By: /s/ Robert Houghton

Name: Robert Houghton

Title: Treasurer

**WELLS FARGO BANK, N.A.,**

as Administrative Agent

By: /s/ Eero Maki

Name: Eero Maki

Title: Managing Director

**WELLS FARGO BANK, N.A., as Purchaser Agent**

for the Wells Purchaser Group

By: /s/ Eero Maki

Name: Eero Maki

Title: Managing Director

**WELLS FARGO BANK, N.A., as a Committed**

Purchaser for the Wells Purchaser Group

By: /s/ Eero Maki

Name: Eero Maki

Title: Managing Director

**BANK OF AMERICA, N.A., as Purchaser Agent for**

the BofA Purchaser Group

By: /s/ Chris Haynes

Name: Chris Haynes

Title: Senior Vice President

**BANK OF AMERICA, N.A., as a Committed**

Purchaser for the BofA Purchaser Group

By: /s/ Chris Haynes

Name: Chris Haynes

Title: Senior Vice President

**EXHIBIT A**

**AMENDMENTS TO RECEIVABLES PURCHASE AGREEMENT**

(attached)

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**RECEIVABLES PURCHASE AGREEMENT**

Dated as of April 26, 2017

among

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

as initial Master Servicer and Performance Guarantor,

**C.H. ROBINSON RECEIVABLES, LLC,**

as Seller,

and

**THE VARIOUS CONDUIT PURCHASERS, COMMITTED PURCHASERS, AND PURCHASER AGENTS FROM TIME TO TIME PARTY HERETO,**

**WELLS FARGO BANK, N.A.,**

as Administrative Agent

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APPENDIX A Definitions

SCHEDULE I Commitments

SCHEDULE II Payment Instructions (omitted)

[SCHEDULE III Excluded Obligors \(omitted\)](#)

SCHEDULE 6.1(m) UCC Details (omitted)

SCHEDULE 6.1(n) Lock-Box Information (omitted)

SCHEDULE 6.2(n) Credit and Collection Policy (omitted)

SCHEDULE 13.2 Addresses for Notices (omitted)

EXHIBIT 3.1(a) Form of Information Package (omitted)

EXHIBIT 7.5 Form of Compliance Certificate

## RECEIVABLES PURCHASE AGREEMENT

This **RECEIVABLES PURCHASE AGREEMENT** dated as of April 26, 2017 (this "Agreement"), among C.H. ROBINSON WORLDWIDE, INC., a Delaware corporation ("CHR"), as initial Master Servicer and as Performance Guarantor, C.H. ROBINSON RECEIVABLES, LLC, a Delaware limited liability company, as seller (the "Seller"), the various CONDUIT PURCHASERS, COMMITTED PURCHASERS and PURCHASER AGENTS from time to time party hereto, and WELLS FARGO BANK, N.A. ("Wells"), as administrative agent on behalf of the Affected Parties (in such capacity, together with its successors and assigns in such capacity, the "Administrative Agent").

### B A C K G R O U N D:

1. Originators have, and expect to have, Receivables which Originators intend to sell or contribute, as applicable, to Seller pursuant to the Sale Agreement.
2. Seller is a special purpose, bankruptcy-remote, limited liability company and wholly-owned subsidiary of CHR.
3. Seller, in turn, intends to sell to Administrative Agent, on behalf of Purchasers, the Receivables and certain other related assets which Seller is acquiring from Originators.
4. Seller has requested that Administrative Agent on behalf of Purchasers, and Administrative Agent on behalf of Purchasers has agreed, subject to the terms and conditions contained in this Agreement, to purchase an undivided ownership interest in such Receivables and certain other related assets, referred to herein as the Asset Interest, from Seller from time to time during the term of this Agreement.
5. Seller, Purchasers, Purchaser Agents and Administrative Agent also desire that, subject to the terms and conditions of this Agreement, certain of the daily Collections in respect of the Asset Interest be reinvested in Pool Receivables, which reinvestment shall constitute part of the Asset Interest.
6. Purchasers and Administrative Agent also desire that, pursuant to the terms hereof, CHR be appointed, and act, as the initial Master Servicer of the Receivables.
7. Seller, Purchasers, Purchaser Agents, and Administrative Agent also desire that Performance Guarantor guarantee the obligations of the Originators and Master Servicer under the Transaction Documents in accordance with the terms of the Performance Guaranty.
8. Wells has been requested, and is willing, to act as Administrative Agent.
9. Each of the Purchaser Agents has been requested by the Purchasers in its Purchaser Group, and is willing, to act as Purchaser Agent for such Purchasers.

**NOW, THEREFORE**, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

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Capitalized terms used and not otherwise defined in this Agreement are used as defined in (or by reference in) Appendix A, and the other interpretive provisions set out in Appendix A shall be applied in the interpretation of this Agreement.

## ARTICLE I

### ARTICLE I PURCHASES AND REINVESTMENTS

**SECTION 1.1 Purchases; Limits on Purchasers' Obligations.** Upon the terms and subject to the conditions of this Agreement, from time to time prior to the Purchase Termination Date, Seller may request that Administrative Agent, on behalf of the Conduit Purchasers ratably (in accordance with its applicable Ratable Share) purchase from Seller the Asset Interest (each such purchase being a "Purchase") and, if any Conduit Purchaser in any Purchaser Group is unwilling or unable for any reason to make its Ratable Share of such Purchase or if any Purchaser Group does not have a Conduit Purchaser, Seller shall be deemed to have requested that the Committed Purchaser in such Purchaser Group make such Ratable Share of such Purchase, in an aggregate amount (the "Purchase Price") equal in each instance to the lesser of: (i) the amount requested by Seller under Section 1.2(a) and (ii) the largest amount that will not cause (a) the Purchasers' Total Investment to exceed the Purchasers' Total Commitment, (b) the sum of the Purchasers' Total Investment and the Required Reserves to exceed the Net Portfolio Balance (in each case, at such time) or (c) the aggregate Investment of such Purchaser's Purchaser Group to exceed the Commitment of the Committed Purchaser in such Purchaser Group; provided, that each Purchase made pursuant to this Section 1.1 shall be in an amount at least equal to \$5,000,000 and, in each case, in integral multiples of \$100,000 in excess thereof. Each Committed Purchaser hereby agrees, on the terms and subject to the conditions hereof, to make its Ratable Share of Purchases deemed to be so requested by Seller above, in such amount as would not cause its Investment after giving effect to such Purchase (and any other Purchase to be made on such date) to exceed its Commitment or cause the Purchasers' Total Investment to exceed the Purchasers' Total Commitment. At no time shall a Conduit Purchaser that is not a Committed Purchaser have any obligation or commitment to make any Purchase.

**SECTION 1.2 Purchase Procedures; Assignment of Seller's Interests.**

(a) Notice of Purchase. Each Purchase shall be made on notice from Seller to Administrative Agent and each Purchaser Agent received by Administrative Agent and each Purchaser Agent not later than 1:00 p.m. (New York City time) on the date of such proposed Purchase. Each such notice of a proposed Purchase shall specify (A) the desired amount and date of such proposed Purchase (which shall be a Business Day), (B) the amount of such proposed Purchase to be allocated to each Purchaser Group in accordance with each Purchaser Group's Ratable Share and (C) a pro forma calculation of the Asset Interest after giving effect to such Purchase and any other Purchase proposed to be made on such day; provided, however, that, Seller shall not request, and the Purchasers shall not be required to fund, more than 4 Purchases per calendar month. If any Conduit Purchaser is willing and able, in its sole discretion, to make its Ratable Share of a Purchase requested of it pursuant to this Section 1.2(a) subject to the terms

and conditions hereof, such Conduit Purchaser shall make such Purchase by transferring such amount in accordance with clause (b) below on the requested Purchase Date. If any Conduit Purchaser in any Purchaser Group is unwilling or unable for any reason to make its Ratable Share of such Purchase or if any Purchaser Group does not contain a Conduit Purchaser, subject to the terms and conditions hereof, the Committed Purchaser in such Purchaser Group, subject to the terms and conditions hereof, shall make its Ratable Share of such Purchase by transferring such amount in accordance with clause (b) below.

(b) Payment of Purchase Price. On the date of each Purchase hereunder, the applicable Purchasers, or the related Purchaser Agent, shall, upon satisfaction of the applicable conditions set forth herein (including in Article V), make available to the Seller their Ratable Share of the aggregate Purchase Price with respect to such Purchase in immediately available funds at the following account:

Holder Name: C.H. Robinson Receivables, LLC  
Bank Name: U.S. Bank National Association  
Branch: XXXXXXXXX  
SWIFT: XXXXXXXXX  
Address: XXXXXXXXX  
XXXXXXX  
Account Number: XXXXXXXXX  
ABA Number: XXXXXXXXX;

or such other account as designated from time to time by Seller in a written notice to Administrative Agent and each Purchaser Agent (such account, the "SPE Account").

(c) Assignment of Asset Interest. Seller hereby absolutely and irrevocably sells, assigns and transfers to Administrative Agent (on behalf of Purchasers) (ratably, according to each Purchaser's Investment), upon the payment of the aggregate Purchase Price, effective on and as of the date of each Purchase and Reinvestment hereunder, an undivided ownership interest in all of its right, title and interest in, to and under all Pool Receivables and all Related Assets and all proceeds of any of the foregoing, whether currently owned or existing or thereafter arising, acquired or originated, or in which the Seller now or hereafter has any rights, and wherever so located (the assets so assigned to include not only the Pool Receivables and Related Assets existing as of the date of such Purchase but also all future Pool Receivables and the Related Assets acquired by Seller from time to time as provided in Section 1.3).

On any date the Asset Interest will represent Purchasers' ownership interest in all then outstanding Pool Receivables and all Related Assets with respect thereto (including all Collections and other proceeds thereof as described in this Section 1.2(c)), as at such date. On any date, the Asset Interest will be equal to a percentage, expressed as the following fraction:

$$\frac{PTI + RR}{NPB}$$

where:

PTI = Purchasers' Total Investment;  
RR = the Required Reserves; and  
NPB = the Net Portfolio Balance;

in each case as of that date; provided that the Asset Interest will remain constant at 100% of the Net Portfolio Balance at all times on and after the Purchase Termination Date until the Final Payout Date. Administrative Agent's right, title and interest in, to and under such assets, for the benefit of the Purchasers, is herein called the "Asset Interest".

(d) Characterization as a Purchase and Sale; Recharacterization. It is the intention of the parties to this Agreement that the conveyance of Seller's right, title and interest in, to and under the Asset Interest to Administrative Agent (on behalf of Purchasers) pursuant to this Agreement shall constitute a purchase and sale and not a pledge. The provisions of this Agreement and all related Transaction Documents shall be construed to further these intentions of the parties. If, notwithstanding the foregoing, the conveyance of the Asset Interest to Administrative Agent (on behalf of Purchasers) is characterized by any Governmental Authority, bankruptcy trustee or any other Person as a pledge, the parties intend that Seller shall be deemed hereunder to have granted, and Seller does hereby grant, to Administrative Agent (on behalf of the Affected Parties) a security interest to secure Seller's obligations hereunder in the Asset Interest as provided in Section 9.1 hereof. Such security interest shall be, and the Seller and the Master Servicer shall cause it to be, a first priority perfected security interest. Each of the parties hereto hereby acknowledges and intends that no Purchase hereunder shall constitute, or be deemed to constitute, a "Security" under U.S. securities laws or within the meaning of the UCC. The provisions of this Agreement and all related Transaction Documents shall be construed to further these intentions of the parties hereto.

(e) Tax Treatment. Notwithstanding clause (d) above, it is the intention of the parties hereto that for U.S. federal, state and local income and franchise tax purposes, each Purchase will be treated as a loan from the applicable Purchaser to Seller (it being understood that all payments to the Purchasers, in their capacity as such, representing Yield, fees and other amounts accrued under this Agreement or the other Transaction Documents shall be deemed to constitute interest payments) (such treatment, the "Intended Tax Treatment"), except as required by applicable law. The provisions of this Agreement and all related Transaction Documents shall be construed to further these intentions of the parties hereto

(f) Purchasers Limitation on Payments. Notwithstanding any provision contained in this Agreement or any other Transaction Document to the contrary, none of



the Purchasers, Purchaser Agents or Administrative Agent shall, and none of them shall be obligated (whether on behalf of a Purchaser or otherwise) to, pay any amount to Seller as a Reinvestment under Section 1.3, except to the extent that Collections are available for distribution to Seller for such purpose in accordance with this Agreement. In addition, notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document, the obligations of any Purchaser that is a commercial paper conduit or similar vehicle under this Agreement and all other Transaction Documents shall be payable by such Purchaser solely to the extent of funds received from Seller in accordance herewith or from any party to any Transaction Document in accordance with the terms thereof in excess of funds necessary to pay such Person's matured and maturing Commercial Paper Notes or other senior indebtedness when due. Any amount which Administrative Agent, a Purchaser Agent or a Purchaser is not obligated to pay pursuant to the operation of the two preceding sentences shall not constitute a claim (as defined in § 101 of the Bankruptcy Code) against, or corporate obligation of, any Purchaser Agent, any Purchaser or Administrative Agent, as applicable, for any such insufficiency unless and until such amount becomes available for distribution to Seller pursuant to the terms hereof.

(g) Obligations Not Assumed. The foregoing sale, assignment and transfer does not constitute, and is not intended to result in, the creation or an assumption by Administrative Agent, any Purchaser Agent or any Purchaser of any obligation or liability of Seller, any Originator, Master Servicer, or any other Person under or in connection with all, or any portion of, the Asset Interest (including the Pool Receivables and Related Assets), all of which shall remain the obligations and liabilities of Seller, Originators, Master Servicer and such other Persons, as applicable.

(h) Obligations. Each Committed Purchaser's obligations hereunder shall be several, such that the failure of any Committed Purchaser to make a payment in connection with any Purchase hereunder, shall not relieve any other Committed Purchaser of its obligations hereunder to make payment for any Purchase.

**SECTION 1.3 Reinvestments of Certain Collections; Payment of Remaining Collections; Asset Interest**

(a) On the close of business on each Business Day during the period from the Closing Date to the Final Payout Date, Master Servicer shall, on behalf of Administrative Agent (for the benefit of the Affected Parties), out of all Collections from Pool Receivables received since the end of the immediately preceding Business Day:

(i) set aside and hold in trust for Administrative Agent on behalf of the Affected Parties, an amount (based on information provided by Administrative Agent pursuant to Article II) equal to the sum of: (a) the estimated amount of Yield accrued in respect of each Rate Tranche, (b) all other amounts due to Administrative Agent, Purchaser Agents, Purchasers or any other Affected Party hereunder (including Deemed Collections and costs and expenses described in

Section 13.6) and (c) the Master Servicing Fee (in each case, accrued through such day and not so previously set aside or anticipated to accrue through the end of the then current Settlement Period, as determined by Master Servicer based upon, among other relevant information, the then outstanding Purchasers' Total Investment and the Yield Rates then in effect); provided, that in the case of any Exiting Purchaser, the remainder of such Collections (equal to the excess, if any, of all such Collections, over the sum of the amounts described in clauses (a), (b) and (c) above on such day) shall not be reinvested (as described below) after the then-current Purchase Termination Date for such Exiting Purchaser and shall instead be held in trust for the benefit of such Exiting Purchaser (or, if there is more than one Exiting Purchaser on such day, pro rata for the benefit of each such Exiting Purchaser based on such Exiting Purchaser's Investment) and applied in accordance with clause (ii) below; provided, further, that, so long as Master Servicer is able, on each Business Day and on an equitable and consistent basis, to identify which funds are Collections on Pool Receivables, Master Servicer shall not be required to hold Collections that have been so set aside in a separate deposit account containing only such Collections, and may commingle such Collections with its own funds and funds of its Subsidiaries; it being understood that Administrative Agent, on behalf of the Affected Parties, shall have a claim against Master Servicer to make payments pursuant to Sections 1.3(c), 3.1(b) or 3.1(c) (which claims shall be full recourse to Master Servicer) in an amount equal to the amount of such Collections that have not been set aside but that have been so commingled; provided further, that any commingled amounts, that are not Collections, held in the SPE Account shall be withdrawn from such account within one (1) Business Day following receipt thereof; provided further, that the Master Servicer shall hold Collections that have been so set aside in a separate deposit account containing only such Collections if the Administrative Agent or any Purchaser Agent has requested that the Master Servicer not commingle or transfer funds during the Liquidation Period, or after the occurrence of any Event of Termination that has not been waived in accordance with this Agreement or after the occurrence of an Unmatured Event of Termination; and

(ii) subject to Sections 3.1(c)(iv) and 3.2(b), apply such Collections as are not required to be set aside and held in trust pursuant to clause (i) above (including any such Collections not set aside but commingled), to pay Seller for additional Pool Receivables and Related Assets with respect to such Pool Receivables (each such purchase being a "Reinvestment"); provided, that, (A) if (I) the sum of the Purchasers' Total Investment and the Required Reserves would exceed the Net Portfolio Balance, (II) any Purchaser Group Investment would exceed the related Purchaser Group Commitment, (III) the Purchasers' Total Investment would exceed the Purchasers' Total Commitment or (IV) the aggregate Investment of any Exiting Purchaser is greater than zero (in each case, at such time and after giving effect to such Reinvestment), then Master Servicer (for the benefit of the Purchasers) shall only make Reinvestments after first setting aside and holding in trust for the benefit of Administrative Agent on behalf

of the Affected Parties in accordance with Section 3.4, a portion of such Collections which, together with other Collections previously set aside for such purpose and then so held, shall equal the amount necessary to reduce (i) the Purchasers' Total Investment to an amount equal to or less than the Purchasers' Total Commitment, (ii) each Purchaser Group Investment to an amount equal to or less than the related Purchaser Group Commitment, (iii) the sum of the Purchasers' Total Investment and the Required Reserves at such time to an amount equal to or less than the Net Portfolio Balance and (iv) the aggregate Investment of all Exiting Purchasers to zero, in each case, at such time (any remaining Collections after giving effect to this proviso shall then be applied as described above in this Section 1.3(a)(ii)); and (B) if the conditions precedent to Reinvestment in clause (a), (b) or (d) of Section 5.2 are not satisfied, then Master Servicer shall not apply any of such remaining Collections to a Reinvestment pursuant to this clause (ii).

(b) Unreinvested Collections. Subject to Sections 1.3(a)(ii) and 3.1(c)(iv), Master Servicer shall set aside and hold in trust for the benefit of Administrative Agent on behalf of the applicable Affected Parties, all Collections which, pursuant to clause (ii) of Section 1.3(a), may not be reinvested in the Pool Receivables and Related Assets; provided, that, so long as Master Servicer is able, on each Business Day and on an equitable and consistent basis, to identify which funds are Collections on Pool Receivables, Master Servicer shall not be required to hold Collections that have been so set aside in a separate deposit account containing only such Collections, and may commingle such Collections with its own funds and funds of its Subsidiaries; it being understood that Administrative Agent, on behalf of the Affected Parties, shall have a claim against Master Servicer to make payments pursuant to Sections 1.3(c), 3.1(b) or 3.1(c) (which claims shall be full recourse to Master Servicer) in an amount equal to the amount of such Collections that have not been set aside but that have been so commingled; provided further, that any commingled amounts, that are not Collections, held in the SPE Account shall be withdrawn from such account within one (1) Business Day following receipt thereof; provided further, that Master Servicer shall hold Collections that have been so set aside in a separate deposit account containing only such Collections if Administrative Agent or any Purchaser Agent has requested that Master Servicer not commingle or transfer funds during the Liquidation Period, or after the occurrence of any Event of Termination that has not been waived in accordance with this Agreement or after the occurrence of an Unmatured Event of Termination. If, prior to the date when such Collections are required to be paid to the applicable Purchaser Agents for the benefit of the applicable Affected Parties, pursuant to Section 1.3(c), the amount of Collections so set aside exceeds the amount, if any, necessary to reduce (i) the Purchasers' Total Investment to an amount equal to or less than the Purchasers' Total Commitment, (ii) each Purchaser Group Investment to an amount equal to or less than the related Purchaser Group Commitment, (iii) the sum of the Purchasers' Total Investment and the Required Reserves to an amount equal to or less than the Net Portfolio Balance and (iv) the aggregate Investment of all Exiting Purchasers to zero (in each case, at such time), and the conditions precedent to Reinvestment set forth in

clauses (a), (b) and (d) of Section 5.2 are satisfied, then Master Servicer shall apply such Collections (or, if less, a portion of such Collections equal to the amount of such excess) in accordance with Section 1.3(a)(ii) to the making of a Reinvestment.

(c) Payment of Amounts Set Aside.

(i) Master Servicer shall pay all amounts of Collections set aside and held in trust pursuant to clause (i) of Section 1.3(a) in respect of Yield on a Rate Tranche not funded by the issuance of Commercial Paper Notes (including under a Liquidity Agreement or an Enhancement Agreement) to the applicable Purchaser Agent on the last day of the then current Yield Period for such Rate Tranche based on information provided by such Purchaser Agent pursuant to Article II, or during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, on such earlier date or dates as any such Purchaser Agent shall require on at least two (2) Business Days' prior written notice to Master Servicer.

(ii) Master Servicer shall pay all amounts of Collections set aside and held in trust pursuant to clause (i) of Section 1.3(a) above and not applied pursuant to clause (i) of this Section 1.3(c) to the applicable Purchaser Agent on the Settlement Date for each Settlement Period, as provided in Section 3.1, or during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, on such earlier date or dates as any such Purchaser Agent shall require on at least two (2) Business Days' prior written notice to Master Servicer.

(iii) Master Servicer shall pay all amounts set aside and held in trust pursuant to Section 1.3(b) above (and not otherwise applied pursuant to the last sentence of such Section) to the applicable Purchaser Agent for the account of the Affected Parties (A) on the last day of the then current Yield Period for any Rate Tranche not funded by the issuance of Commercial Paper Notes in an amount not exceeding each Committed Purchaser's Tranche Investment of such Rate Tranche (based on information provided by the applicable Purchaser Agent pursuant to Article II), and (B) on the Settlement Date for each Settlement Period, as provided in Section 3.1, in an amount not exceeding each Conduit Purchaser's Tranche Investment of the Rate Tranche funded by Commercial Paper Notes (based on information provided by the applicable Purchaser Agent pursuant to Article II), or, in the case of clause (A) or clause (B) above, during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, on such earlier date or dates as any Purchaser Agent shall require on at least two (2) Business Days' prior written notice to Master Servicer.

(d) Reduction of Purchasers' Total Investment. Neither the Purchasers' Total Investment, nor the Investment of any Purchaser, shall be reduced by the amount of Collections set aside pursuant to this Section unless and until such Collections are

actually received by the applicable Purchaser Agent for application hereunder to reduce Purchasers' Total Investment and the applicable Purchaser's Investment in accordance with the terms hereof.

**ARTICLE II**  
**COMPUTATIONAL RULES**

**SECTION 2.1 Selection of Rate Tranches.** Subject to the requirements set forth in this Article II, each Purchaser Agent shall from time to time, only for purposes of computing Yield with respect to each Purchaser in its Purchaser Group, account for the Asset Interest in terms of one or more Rate Tranches, and the applicable Yield Rate may be different for each Rate Tranche. Each Purchaser's Investment shall be allocated to each Rate Tranche by the related Purchaser Agent to reflect the funding sources for each portion of the Asset Interest, so that:

(a) there will be one or more Rate Tranches, selected by each Purchaser Agent, reflecting the portion, if any, of the Asset Interest funded or maintained by its related Committed Purchaser other than through the issuance of Commercial Paper Notes (including by outstanding Liquidity Advances or by funding under an Enhancement Agreement); and

(b) there will be a Rate Tranche, selected by each Purchaser Agent, equal to the excess of aggregate Investment of the Purchasers in its Purchaser Group over the aggregate amounts allocated at such time pursuant to clause (a) above, which Rate Tranche shall reflect the portion of the Asset Interest funded or maintained by Commercial Paper Notes.

Each Purchaser Agent may, in its sole discretion at any time and from time to time, declare any Yield Period applicable to any Investment of a Purchaser in its Purchaser Group to be terminated and allocate the portion of such Purchaser's Investment allocated to such Yield Period to one or more other Yield Periods and Yield Rates as such Purchaser Agent shall select.

**SECTION 2.2 Computation of each Purchaser's Investment and each Purchaser's Tranche Investment.** In making any determination of any Purchasers' Total Investment, any Purchaser's Investment and any Purchaser's Tranche Investment, the following rules shall apply:

(a) each Purchaser's Investment shall not be considered reduced by any allocation, setting aside or distribution of any portion of Collections unless such Collections shall have been actually received by the applicable Purchaser Agent in accordance with the terms hereof;

(b) each Purchaser's Investment (or any other amounts payable under any Transaction Document) shall not be considered reduced (or paid) by any distribution of

any portion of Collections or other payments, as applicable, if at any time such distribution or payment is rescinded or must otherwise be returned for any reason; and

(c) if there is any reduction in any Purchaser's Investment, there shall be a corresponding reduction (in the aggregate) in such Purchaser's Tranche Investment with respect to one or more Rate Tranches selected by the related Purchaser Agent in its sole discretion (subject to Section 1.3(c)(iii)).

**SECTION 2.3 Computation of Concentration Limit and Unpaid Balance.** In the case of any Obligor which is an Affiliate of any other Obligor, the Concentration Limit and the aggregate Unpaid Balance of Pool Receivables of such Obligors shall be calculated as if such Obligors were one Obligor.

**SECTION 2.4 Computation of Yield.** In making any determination of Yield, the following rules shall apply:

(a) Each Purchaser Agent shall determine the Yield accruing with respect to each Rate Tranche for the Purchasers in its Purchaser Group, based on the Yield Period therefor determined in accordance with Section 2.1 and the other terms hereof (or, in the case of the Rate Tranche funded by Commercial Paper Notes, each Settlement Period), in accordance with the definition of Yield;

(b) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable Law; and

(c) Yield for any Rate Tranche shall not be considered paid by any distribution or other payment if at any time such distribution or payment is rescinded or must otherwise be returned for any reason.

**SECTION 2.5 Estimates of Yield Rate, Fees, Etc.** It is understood and agreed that (a) the Yield Rate for any Rate Tranche may change from one applicable Yield Period or Settlement Period to the next, and the applicable Bank Rate, Base Rate or CP Rate used to calculate the applicable Yield Rate may change from time to time and at any time during an applicable Yield Period or Settlement Period, (b) any rate information provided by any Purchaser Agent to Seller or Master Servicer shall be based upon such Purchaser Agent's good faith estimate, (c) the amount of Yield actually accrued with respect to a Rate Tranche during any Yield Period (or, in the case of the Rate Tranche funded by Commercial Paper Notes, any Settlement Period) may exceed, or be less than, the amount set aside with respect thereto by Master Servicer, and (d) the amount of fees or other amounts payable to any Affected Party accrued hereunder with respect to any Settlement Period may exceed, or be less than, the amount set aside with respect thereto by Master Servicer. Failure to set aside any amount so accrued shall not relieve Master Servicer of its obligation to remit Collections to the applicable Purchaser Agent or otherwise to any other Person with respect to such accrued amount, as and to the extent provided in Section 3.1.

**SECTION 2.6 Suspension of LMIR; Inability to Determine LMIR.**

(a) If Administrative Agent determines on any day (which determination shall be final and conclusive, absent manifest error) that, by reason of circumstances affecting the interbank eurodollar market generally, deposits in dollars (in the relevant amounts for such day) are not being offered to banks in the interbank eurodollar market for such day, or adequate means do not exist for ascertaining LMIR for such day, then Administrative Agent shall give notice thereof to Seller. Thereafter, until Administrative Agent notifies Seller that the circumstances giving rise to such suspension no longer exist, (i) no portion of the Asset Interest shall be funded at the Bank Rate and (ii) the interest rate for any portion of the Asset Interest then funded at the Bank Rate shall immediately be converted to the Base Rate.

(b) If, on any day, Administrative Agent shall have been notified by any Affected Party that, such Affected Party has determined (which determination shall be final and conclusive, absent manifest error) that, any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a Governmental Authority charged with the interpretation or administration thereof, or compliance by such Affected Party with any guideline, request or directive (whether or not having the force of law) of any such Governmental Authority shall make it unlawful or impossible for such Affected Party to fund or maintain any portion of the Asset Interest at an interest rate determined by reference to LMIR, Administrative Agent shall notify Seller thereof. Upon receipt of such notice, until Administrative Agent notifies Seller that the circumstances giving rise to such determination no longer apply, (i) no portion of the Asset Interest shall be funded at an interest rate determined by reference to LMIR and (ii) the interest rate for any portion of the Asset Interest then funded at an interest rate determined by reference to LMIR shall immediately be converted to the Base Rate.

#### **SECTION 2.7 Successor LMIR.**

(a) If Administrative Agent determines (which determination shall be final and conclusive, absent manifest error) that either (i) the circumstances set forth in Section 2.6 have arisen and are unlikely to be temporary, or (ii) the circumstances set forth in Section 2.6 have not arisen but the applicable supervisor or administrator (if any) of LMIR or a Governmental Authority having jurisdiction over Administrative Agent has made a public statement identifying the specific date after which LMIR shall no longer be used for determining interest rates for loans (such specific date identified, the “LIBOR Termination Date”), then Administrative Agent and Seller shall seek to jointly agree upon a replacement index for LMIR and make adjustments to applicable margins and related amendments to this Agreement as referred to below such that, to the extent practicable, the all-in interest based on the replacement index will be substantially equivalent to the all-in interest based on LMIR in effect prior to its replacement.

(b) Administrative Agent and Seller shall enter into an amendment to this Agreement to reflect the replacement index, the adjusted margins and such other related amendments as may be appropriate, in the commercially reasonable discretion of

Administrative Agent, for the implementation and administration of the replacement index-based rate. Notwithstanding anything to the contrary in this Agreement or the other Transaction Documents (including, without limitation, Section 13.1 hereof), such amendment shall become effective without any further action or consent of any other party to this Agreement at 5:00 p.m. (New York City time) on the tenth (10th) Business Day after the date a draft of the amendment is provided to the Purchaser Agents, unless Administrative Agent receives, on or before such tenth (10th) Business Day, a written notice from the Required Purchasers stating that the Required Purchasers object to such amendment.

(c) Selection of the replacement index, adjustments to the applicable margins, and amendments to this Agreement (i) will be determined with due consideration to the then-current market practices for determining and implementing a rate of interest for newly originated loans in the United States and loans converted from a rate based on LMIR to a replacement index-based rate, and (ii) may also reflect adjustments to account for (A) the effects of the transition from LMIR to the replacement index and (B) yield or risk-based differences between LMIR and the replacement index.

(d) Until an amendment reflecting a new replacement index in accordance with this Section 2.7 is effective, each portion of the Asset Interest accruing interest with reference to LMIR will continue to bear interest with reference to LMIR; provided however, that if Administrative Agent determines (which determination shall be final and conclusive, absent manifest error) that the LIBOR Termination Date has occurred, then following the LIBOR Termination Date, each portion of the Asset Interest that would otherwise accrue interest with reference to LMIR shall automatically begin accruing interest with reference to the Base Rate until such time as an amendment reflecting a replacement index and related matters as described above is implemented.

(e) Notwithstanding anything to the contrary contained herein, if at any time the replacement index is less than zero, at such times, such index shall be deemed to be zero for purposes of this Agreement.

### ARTICLE III SETTLEMENTS

#### SECTION 3.1 Settlement Procedures.

The parties hereto will take the following actions with respect to each Settlement Period:

(a) Information Package. On the 15th day of each calendar month (or if such day is not a Business Day, the next Business Day) (each, a “Reporting Date” for and related to the Settlement Period ending immediately prior to such date), Master Servicer shall deliver to Administrative Agent and each Purchaser Agent an e-mail attaching an Excel file and a file in .pdf or similar format signed by Master Servicer containing the



information described in Exhibit 3.1(a), including the information calculated by Master Servicer pursuant to this Section 3.1 (each, an “Information Package”) for the related Settlement Period; provided, that Administrative Agent may modify, in any reasonable respect, the information required to be provided by Master Servicer in, or the form of, the Information Package upon reasonable prior notice to Master Servicer; provided, further, that during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, Administrative Agent or any Purchaser Agent may request, in its sole discretion, Master Servicer to, and Master Servicer agrees to, deliver any information related to the Asset Interest or the transactions contemplated hereby as Administrative Agent or any Purchaser Agent shall request (including a calculation of Required Reserves and each component thereof) on each Business Day.

(b) Yield; Other Amounts Due. On or before the second (2<sup>nd</sup>) Business Day prior to the Reporting Date for each Settlement Period, each Purchaser Agent shall notify Master Servicer of (i) the amount of Yield accrued in respect of each related Rate Tranche for the Purchasers in its Purchaser Group during such Settlement Period and (ii) all fees and other amounts accrued and payable or to be paid by Seller under this Agreement and the other Transaction Documents on the related Settlement Date (other than amounts described in clause (c) below) to such Purchaser Agent or any Purchaser in, or Affected Party related to, its Purchaser Group. Seller (or Master Servicer on its behalf), on the Settlement Date for such Settlement Period, or when otherwise required hereunder prior to each such date, shall pay such Yield and all fees and other amounts due in respect of such Settlement Period to the applicable Purchaser Agent out of amounts set aside pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so set aside, Seller hereby agrees to pay such amounts (notwithstanding any limitation on recourse or other liability limitation contained herein to pay such amounts) to the applicable Purchaser Agent.

(c) Settlement Computations.

(i) Before each Reporting Date, Master Servicer shall compute, as of the most recent Cut-Off Date and based upon the assumption in the next sentence, (A) the Asset Interest, the Unpaid Balance of all of the Pool Receivables, the Purchasers’ Total Investment, the Purchaser Group Investment of each Purchaser Group, the Required Reserves, the Net Portfolio Balance and each component of each of the foregoing, (B) the amount of the reduction or increase (if any) in each of the Asset Interest, the Required Reserves, the Net Portfolio Balance, the Purchaser Group Investment of any Purchaser Group and the Purchasers’ Total Investment since the immediately preceding Cut-Off Date, (C) the excess (if any) of the sum of the Purchasers’ Total Investment and the Required Reserves, over the Net Portfolio Balance, (D) the excess (if any) of the Purchasers’ Total Investment, over the Purchasers’ Total Commitment, (E) the excess (if any) of the Purchaser Group Investment of each Purchaser Group, over the Purchaser Group Commitment of each such Purchaser Group and (F) the aggregate amount of

Investment of the Exiting Purchasers, if any. Such calculations shall be based upon the assumption that Collections set aside pursuant to Section 1.3(b) (and not otherwise applied in accordance with such Section) will be paid to the applicable Purchaser Agent for the benefit of the applicable Purchasers in its Purchaser Group in accordance with the related Purchaser Group's Ratable Share of such Collections on the Settlement Date for the Settlement Period related to such Reporting Date.

(ii) If, according to the computations made pursuant to clause (i) of this Section 3.1(c), the sum of the Purchasers' Total Investment and the Required Reserves at such time shall exceed the Net Portfolio Balance at such time, the Purchasers' Total Investment shall exceed the Purchasers' Total Commitment, the Purchaser Group Investment of any Purchaser Group shall exceed the Purchaser Group Commitment of such Purchaser Group or the aggregate Investment of Exiting Purchasers shall exceed zero, Master Servicer shall, on behalf of Seller, (i) promptly notify Administrative Agent and each Purchaser Agent thereof and (ii) immediately pay to the applicable Purchaser Agents for the benefit of the applicable Purchasers (to the extent of Collections received during the applicable period and not previously paid to such Purchaser Agents) the amount necessary to reduce (A) the Purchasers' Total Investment to the Purchasers' Total Commitment, (B) the sum of the Purchasers' Total Investment and the Required Reserves at such time to no more than the Net Portfolio Balance at such time, (C) the Purchaser Group Investment of each Purchaser Group to the Purchaser Group Commitment of each such Purchaser Group and (D) the aggregate Investment of all Exiting Purchasers to zero, subject, however, to Section 1.3(c)(iii).

(iii) The payment described in clause (ii) of this Section 3.1(c) shall be made out of amounts set aside pursuant to Section 1.3 for such purpose and, to the extent such amounts were not so set aside, Seller hereby agrees to pay such amounts (notwithstanding any limitation on recourse or other liability limitation contained herein to pay such amounts) to Master Servicer during the relevant Settlement Period. Notwithstanding anything to the contrary set forth above, on any date on or prior to the Final Payout Date, if the sum of the Purchasers' Total Investment and the Required Reserves at such time exceeds the Net Portfolio Balance at such time, Master Servicer shall immediately pay to each Purchaser Agent (ratably, based on the Purchaser Group Investment of such Purchaser Agent's Purchaser Group at such time) from amounts held in trust, or that should have been so held, pursuant to Section 1.3(a)(i), an amount equal to such excess.

(iv) In addition to the payments described in clause (ii) of this Section 3.1(c), during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, Master Servicer shall pay to each Purchaser Agent the Ratable Share of its Purchaser Group all other Collections on all Pool Receivables, whether or not required to be set aside pursuant to Section 1.3 on the dates specified pursuant to Section 1.3(c).

(d) Order of Application. Master Servicer (for the benefit of the Affected Parties) shall distribute the funds required to be distributed pursuant to this Section 3.1 with respect to any Settlement Period, in the following order of priority:

(i) to each Purchaser Agent ratably (based on the aggregate accrued and unpaid Yield) Yield accrued and unpaid on all Rate Tranches for the Purchasers in its Purchaser Group howsoever funded or maintained during the related Settlement Period;

(ii) to each Purchaser Agent ratably (based on the aggregate accrued and unpaid Program Fee) the accrued and unpaid Program Fee for its Purchaser Group;

(iii) to the Master Servicer all accrued and unpaid Master Servicing Fee (if Master Servicer is not CHR or an Affiliate thereof);

(iv) to each Purchaser Agent ratably (based on the aggregate accrued and unpaid Commitment Fee) the accrued and unpaid Commitment Fee for its Purchaser Group;

(v) to Administrative Agent and each Purchaser Agent ratably (based on the aggregate accrued and unpaid amounts owing to such Person) accrued and unpaid amounts owed to Administrative Agent and each Purchaser Agent hereunder (including all fees payable to Administrative Agent, Purchaser Agents and Purchasers pursuant to the Fee Letter other than fees paid pursuant to clause (i), (ii) or (iv) above);

(vi) to each Purchaser Agent ratably (based on the related Purchaser Group Investment), the reduction of Purchasers' Total Investment, to the extent such reduction is required under Section 3.1(c) or 3.2(b) or, during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, with respect to each Purchaser Group, first, to pay any outstanding Commercial Paper funding or maintaining the related Purchaser Group Investment and second, to ratably reduce the remainder of the related Purchaser Group Investment;

(vii) to each Affected Party (or the related Purchaser Agent on their behalf) ratably (based on the aggregate accrued and unpaid Obligations) accrued and unpaid Obligations owed to such Affected Parties; and

(viii) to the Master Servicer all accrued and unpaid Master Servicing Fee (if Master Servicer is CHR or an Affiliate thereof).

(e) Non-Distribution of Master Servicing Fee. If Administrative Agent and each Purchaser Agent consent (which consent is granted as of the Closing Date but which consent shall be deemed to have been revoked upon the occurrence of an Event of

Termination or an Unmatured Event of Termination that has not been waived in accordance with this Agreement), the amounts (if any) set aside by Master Servicer pursuant to Section 1.3 in respect of the Master Servicing Fee may be retained by Master Servicer or any permitted Sub-Servicer for its own account. To the extent Master Servicer sets aside and retains such amounts, no distribution shall be made in respect of the Master Servicing Fee pursuant to clause (d)(iii) or clause (d)(viii) above.

(f) Delayed Payment. Notwithstanding anything in this Agreement to the contrary, if, on any day for payment described in this Section 3.1 (or in Section 1.3(c)) in respect of accrued Yield on Rate Tranches funded by Liquidity Advances or under an Enhancement Agreement), Collections during the relevant Settlement Period or Yield Period were less than the aggregate amounts payable hereunder, Master Servicer shall not make any payment otherwise required, and the next available Collections in respect of the Asset Interest shall be applied to such payment, and no Reinvestment shall be permitted hereunder until such amount payable has been paid in full. The foregoing shall not limit or otherwise affect the full recourse nature of Seller's obligations hereunder.

### **SECTION 3.2 Deemed Collections; Reduction of Purchasers' Total Investment, Etc.**

(a) Deemed Collections. If on any day:

(i) the Unpaid Balance of any Pool Receivable is:

(A) reduced or cancelled as a result of Dilution or otherwise;

(B) less than the amount included in calculating the Net Portfolio Balance for purposes of any Information Package (for any reason other than such Pool Receivable becoming a Defaulted Receivable or due to the application of Collections received with respect to such Pool Receivable); or

(C) otherwise extended, amended or otherwise modified, or any term or condition of any related Contract is amended, modified or waived (except as expressly permitted under Section 8.2(b));

(ii) any of the representations or warranties of Seller set forth in (A) Section 6.1 were untrue when made or (B) Sections 6.1(d), or (k) are no longer true with respect to any Pool Receivable as determined by Administrative Agent or any Purchaser Agent;

then, on such day, Seller shall be deemed to have received a Collection of such Pool Receivable and Seller shall pay to the Purchaser Agents on the next Settlement Date (or during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with the terms of this Agreement, within two (2) Business Days from the event

giving rise to such Deemed Collection) for application as provided in this Agreement an amount equal to:

(1) in the case of clauses (i)(A) or (B) above, in the amount of such reduction or cancellation or the difference between the actual Unpaid Balance (as determined immediately prior to the applicable event) and the amount included in respect of such Pool Receivable in calculating the Net Portfolio Balance or, with respect to clause (i)(C) above, in the amount that such extension, amendment, modification or waiver affects the Unpaid Balance of the related Pool Receivable in the sole determination of Administrative Agent, as applicable; or

(2) in the case of clause (ii) above, in the amount of the entire Unpaid Balance of the relevant Pool Receivable or Pool Receivables (as determined immediately prior to the applicable event) with respect to which such representations or warranties were or are untrue.

Collections deemed received by Seller under this Section 3.2(a) are herein referred to as “Deemed Collections”.

(b) Seller’s Optional Reduction of Purchasers’ Total Investment. Seller may at any time and from time to time elect to reduce (in whole or in part) Purchasers’ Total Investment as follows:

(i) Seller shall give Administrative Agent and each Purchaser Agent written notice of such elected reduction no later than 1:00 p.m. (New York City time) on the proposed date of reduction. Each such notice shall specify (A) the amount of such proposed reduction, (B) the source of the funds to be used by Seller to make such reduction, which may be either (I) funds available to Seller that are not otherwise being held in trust pursuant to this Agreement (including amounts contributed to Seller by CHR for purposes of making such reduction) (any such reduction, an “Immediate Reduction”) or (II) Collections to be received by Seller on and after the date of such notice (any such reduction, an “Accumulating Reduction”), (C) with respect to any Immediate Reduction, the proposed date on which such reduction will occur and (D) with respect to any Accumulating Reduction, the proposed date on which such reduction will commence;

(ii) with respect to any Accumulating Reduction, on the proposed date of commencement of such reduction and on each day thereafter, Master Servicer shall refrain from reinvesting Collections pursuant to Section 1.3 until the amount thereof not so reinvested shall equal the desired amount of reduction;

(iii) with respect to any Immediate Reduction, on the proposed date on which such reduction will occur, the Master Servicer (on behalf of

Seller) shall pay to each Purchaser Agent ratably (based on the related Purchaser Group Investment), the reduction of Purchasers' Total Investment. Any accrued and unpaid Yield and Program Fee with respect to such reduction along with any amounts owing under Section 4.3 with respect thereto shall be paid by Seller on the immediately following Settlement Date;

(iv) with respect to any Accumulating Reduction, the Master Servicer shall hold such Collections in trust for Purchasers, pending payment to the applicable Purchaser Agents, as provided in Section 1.3; provided, that,

(A) the amount of any such reduction shall be not less than \$5,000,000 and shall be an integral multiple of \$100,000; and

(B) Seller shall use reasonable efforts to choose a reduction amount, and the date of commencement thereof, so that such reduction shall commence and conclude in the same Settlement Period.

### **SECTION 3.3 Payments and Computations, Etc.**

(a) Payments. All amounts to be paid to, or deposited by Seller, Master Servicer or Performance Guarantor with, Administrative Agent, any Purchaser Agent or any other Person hereunder (other than amounts payable under Section 4.2) shall be paid or deposited in accordance with the terms hereof no later than 11:00 a.m. (New York City time) on the day when due in U.S. Dollars in same day funds to the applicable account set forth on Schedule II or to such other account as Administrative Agent or any Purchaser Agent, as applicable, shall designate in writing to Master Servicer from time to time.

(b) Late Payments. Seller or Master Servicer, as applicable, shall, out of amounts set aside pursuant to Section 1.3 for such purpose and to the extent permitted by Law, pay to the applicable Purchaser Agent, for the benefit of the applicable Affected Party, interest on all amounts not paid or deposited by such party on the date when due hereunder at an annual rate equal to 2.0% above the Base Rate, payable on demand, provided, that such interest rate shall not at any time exceed the maximum rate permitted by applicable Law.

(c) Method of Computation. All computations of interest, Yield, Liquidation Discount, any fees payable under Section 4.1 and any other fees payable by Seller to any Purchaser, any Purchaser Agent, Administrative Agent or any other Affected Party in connection with Purchases hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed (except that calculations with respect to the Prime Rate shall be on the basis of a year of 365 or 366 days, as the case may be).

(d) Payment of Currency and Setoff. All payments by Seller or Master Servicer to any Affected Party or any other Person shall be made in U.S. Dollars and without set-off or counterclaim. Any of Seller's or Master Servicer's obligations hereunder shall not be satisfied by any tender or recovery of another currency except to the extent such tender or recovery results in receipt of the full amount of U.S. Dollars.

(e) Taxes. (1) Except to the extent required by applicable Law, any and all payments and deposits required to be made hereunder, under any other Transaction Document or under any instrument delivered hereunder or thereunder to any Affected Party or otherwise hereunder or thereunder by Seller or Master Servicer shall be made free and clear of, and without withholding or deduction for, any and all present or future Taxes. If Seller, Master Servicer or the Administrative Agent shall be required by Law to make any such withholding or deduction, (A) if such Tax is an Indemnified Tax, Seller (or Master Servicer, on its behalf) shall make an additional payment to such Affected Party, in an amount sufficient so that, after making all required withholdings or deductions (including withholdings or deductions applicable to additional sums payable under this Section 3.3(e)), such Affected Party receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (B) Seller (or Master Servicer, on its behalf), Master Servicer or the Administrative Agent shall make such withholding or deduction and (C) Seller (or Master Servicer, on its behalf), Master Servicer or the Administrative Agent shall pay the full amount deducted to the relevant taxation authority or other Governmental Authority in accordance with applicable Law.

(i) Seller will indemnify each Affected Party for the full amount of (A) Indemnified Taxes (including any Indemnified Taxes imposed by any jurisdiction on amounts payable under this Section paid by such Affected Party, as the case may be, and any liability (including penalties, interest and expenses) payable by such Affected Party and (B) Taxes that arise because a Purchase or the Asset Interest is not treated for U.S. federal, state or local income or franchise tax purposes consistently with the Intended Tax Treatment (such indemnification will include any U.S. federal, state or local income and franchise taxes necessary to make such Affected Party whole on an after-tax basis taking into account the taxability of receipt of payments under the this clause (B) and any reasonable expenses (other than Taxes) arising out of, relating to, or resulting from the foregoing). Any indemnification under this Section 3.3(e)(ii) shall be paid on the next Settlement Date (or during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with the terms of this Agreement, within two (2) Business Days) after the date any Affected Party makes written demand therefor, together with a statement of reasons for such demand and the calculations of such amount. Such calculations, if made in good faith, absent manifest error, shall be final and conclusive on all parties.

(ii) Each Purchaser shall severally indemnify Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Purchaser (but only to the extent that Seller has not already indemnified

Administrative Agent for such Indemnified Taxes and without limiting the obligation of Seller to do so), (ii) any Taxes attributable to such Purchaser's failure to comply with the provisions of Section 13.13(e) relating to the maintenance of a Register and (iii) any Excluded Taxes attributable to such Purchaser, in each case, that are payable or paid by the Administrative Agent in connection with any Transaction Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Purchaser by Administrative Agent shall be conclusive absent manifest error. Each Purchaser hereby authorizes Administrative Agent to set off and apply any and all amounts at any time owing to such Purchaser under any Transaction Document or otherwise payable by Administrative Agent to such Purchaser from any other source against any amount due to Administrative Agent under this Section 3.3(e)(iii).

(iii) Within 30 days after the date of any payment of Taxes withheld by any of Seller or Master Servicer, as applicable, in respect of any payment to any Affected Party, Seller or Master Servicer, as applicable, will furnish to Administrative Agent and each Purchaser Agent, the original or a certified copy of a receipt evidencing payment thereof (or other evidence satisfactory to Administrative Agent).

(iv) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section shall survive the payment in full of Obligations hereunder.

(v) Each Affected Party that is not a "United States person," within the meaning of Section 7701(a)(30) of the Code, shall, to the extent it is legally entitled to do so, on or before the date it becomes a party to this Agreement (or, in the case of a transferee that is a participation holder, on or before the date such transferee becomes a participation holder hereunder), deliver to the Master Servicer and Administrative Agent such certificates, documents or other evidence, as required by the Code or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form W-8BEN, Form W-8BEN-E, Form W-8ECI, or any other applicable certificate or statement of exemption, properly completed and duly executed by such Affected Party (or such transferee) establishing that payment made to such Affected Party (or such transferee) is (i) not subject to United States Federal withholding Tax under the Code because such payments are effectively connected with the conduct by such Affected Party (or such transferee) of a trade or business in the United States, (ii) exempt or entitled to a reduction from United States Federal withholding tax under a provision of an applicable Tax treaty, or (iii) eligible for the benefits of the exemption for portfolio interest under Section 881(c) of the Code, in which case such Affected Party (or such transferee) shall also deliver a certificate to the effect that such



Affected Party (or such transferee) is not (A) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of Seller, within the meaning of Section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code. In addition, each such Affected Party (or such transferee) shall, if legally able to do so, thereafter deliver such certificates, documents or other evidence from time to time establishing that payments received hereunder are not subject to, or subject to a reduced rate of, such withholding upon receipt of a written request therefor from Seller or Administrative Agent. Unless Seller and Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to, or subject to a reduced rate of, United States Federal withholding Tax, Seller or Administrative Agent shall withhold such Taxes from such payments at the applicable statutory rate as provided in Section 3.3(e)(i).

(vi) Each Affected Party that is a “United States person,” shall, on or before the date it becomes a party to this Agreement (or, in the case of a transferee that is a participation holder, on or before the date such transferee becomes a participation holder hereunder), deliver to Seller and Administrative Agent such certificates, documents or other evidence, as required by the Code or Treasury Regulations issued pursuant thereto, including Internal Revenue Service Form W-9 or any other applicable certificate or statement of exemption properly completed and duly executed by such Affected Party establishing that payment made to such Affected Party is not subject to United States Federal backup withholding Tax under the Code. In addition, each such Affected Party shall, if legally able to do so, thereafter deliver such certificates, documents or other evidence from time to time establishing that payments received hereunder are not subject to such withholding upon receipt of a written request therefor from Seller or Administrative Agent. Unless Seller and Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to United States Federal backup withholding Tax, Seller or Administrative Agent shall withhold such Taxes from such payments at the applicable statutory rate.

(vii) Each Affected Party that is entitled to any exemption or reduction of non-U.S. withholding tax with respect to any payment under this Agreement shall, on or before the date it becomes a party to this Agreement (or, in the case of a transferee that is a participation holder, on or before the date such transferee becomes a participation holder hereunder) or upon the reasonable request of Seller or Administrative Agent, deliver to Seller and Administrative Agent such certificates, documents or other evidence as may reasonably be requested by Seller, establishing that such payment is not subject to, or is subject to a reduced rate of, withholding. Notwithstanding anything to the contrary, the delivery of such certificates, documents or other evidence shall not be required if in the Affected Party’s reasonable judgment such completion, execution or submission would subject such Affected Party to any material unreimbursed cost or expense

or would materially prejudice the legal or commercial position of such Affected Party.

(viii) Seller (or Master Servicer, on its behalf) shall not be required to pay any additional amounts to any Affected Party in respect of any withholding Tax pursuant to paragraph (i) above to the extent that the obligation to pay such additional amounts would not have arisen but for a failure by such Affected Party to comply with the requirements of the preceding paragraph (vi), (vii) or (viii) unless such failure is attributable to (i) a change in applicable law, regulation or official interpretation thereof or (ii) an amendment or modification to or a revocation of any applicable Tax treaty or a change in official position regarding the application or interpretation thereof, in each case on or after the date such Affected Party became a party to this Agreement.

(ix) Any Affected Party claiming any additional amounts payable pursuant to this Section 3.3 shall use reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to, at the expense of Master Servicer, change the jurisdiction of its applicable lending office if such change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Affected Party, be otherwise disadvantageous to such Affected Party.

(x) If any party determines, in its sole discretion exercised in good faith, that it has received a refund in respect of any Taxes as to which it has been indemnified pursuant to this Section, it shall promptly repay such refund to the indemnifying party (to the extent of amounts that have been paid by the indemnifying party under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes imposed with respect to such refund) of such indemnified party and without interest (other than interest paid by the relevant taxing authority with respect to such refund); provided, however, that the indemnified party, upon the request of such indemnifying party, agrees to return such refund (plus penalties, interest or other charges) to such indemnifying party in the event such indemnifying party is required to repay such refund to the applicable taxing authority. Nothing in this Section shall obligate any Affected Party to apply for any refund.

(xi) Nothing contained in this Section shall require any Affected Party to make available any of its Tax returns (or any other information relating to its Taxes which it deems to be confidential).

**SECTION 3.4 Treatment of Collections and Deemed Collections.** Subject to Section 3.2(a), Seller shall immediately deliver to Master Servicer all Deemed Collections, and Master Servicer shall hold or distribute such Deemed Collections as Yield, accrued Master Servicing Fee, repayment of Purchasers' Total Investment or as otherwise applicable hereunder to the same extent as if such Collections had actually been received on the date of such delivery to Master Servicer. So long as Seller or Master Servicer shall hold any

Collections (including Deemed Collections) required to be paid to Master Servicer, any Purchaser, any Purchaser Agent or Administrative Agent, Seller or Master Servicer shall hold and apply such Collections in accordance with Section 1.3 and Section 3.2, as applicable, and shall clearly mark its master data processing records to reflect the same. Seller shall promptly enforce all obligations of Originators under the Sale Agreement, including, payment of Deemed Collections (as defined in the Sale Agreement).

**SECTION 3.5 Extension of the Purchase Termination Date.** Provided that no Event of Termination, Unmatured Event of Termination or Master Servicer Termination Event exists and is continuing, no earlier than six months prior to (but no later than 60 days prior to) the then current Purchase Termination Date, Seller may request an extension of the then current Purchase Termination Date by submitting a request for an extension (each, an “Extension Request”) to Administrative Agent and each Purchaser Agent. Such Extension Request must specify (i) the new Purchase Termination Date requested by Seller and (ii) the date (which must be at least 45 days after the applicable Extension Request is delivered to Administrative Agent and each Purchaser Agent) as of which Administrative Agent, each Purchaser Agent and each Purchaser is requested to respond to such Extension Request by (each, a “Response Date”). Promptly upon receipt of an Extension Request, Administrative Agent, each Purchaser Agent and each Purchaser shall notify Seller and Administrative Agent as to whether such Person approves such Extension Request (it being understood that Administrative Agent, each Purchaser Agent and each Purchaser may accept or decline such Extension Request in its sole discretion and on such terms as it may elect). The failure of any Person to affirmatively notify the Seller of such Person’s election regarding such extension request by the applicable Response Date shall be deemed to be a refusal by such Person to grant the requested extension. In the event that any Purchaser shall approve such Extension Request, each such Purchasers and the other parties hereto that approved such Extension Request shall enter into such documents as such Persons may deem necessary or appropriate to reflect such extension with respect to such Purchasers. In the event that any Purchaser declines an Extension Request (any such declining Purchaser, an “Exiting Purchaser”), such Exiting Purchaser shall so notify Seller, Administrative Agent and each of the other parties hereto of such Exiting Purchaser’s determination. If any Committed Purchaser becomes an Exiting Purchaser, such Committed Purchaser’s Commitment shall automatically be reduced to zero on the then-current Purchase Termination Date, without giving effect to any other Purchaser’s agreement to extend the Purchase Termination Date, if any.

#### ARTICLE IV

#### FEES AND YIELD PROTECTION

**SECTION 4.1 Fees.** From the Closing Date until the Final Payout Date, Seller and Master Servicer, jointly and severally, shall pay to Administrative Agent, each Purchaser Agent and each Purchaser, as applicable, all fees specified in the Fee Letter or any other Transaction Document in accordance with the terms of the Fee Letter, such other Transaction Document and this Agreement.

**SECTION 4.2 Yield Protection.**

(a) If any Regulatory Change occurring or implemented after the date hereof or, without limiting the generality of the foregoing, any Specified Regulation:

(i) shall subject an Affected Party to any tax, duty or other charge with respect to any Asset Interest owned, maintained or funded by it (or its participation in any of the foregoing), or any obligations or right to make Purchases or Reinvestments or to provide funding or maintenance therefor (or its participation in any of the foregoing), or shall change the basis of taxation of payments to the Affected Party or other Indemnified Party of Purchasers' Total Investment or Yield owned by, owed to, funded or maintained in whole or in part by it (or its participation in any of the foregoing) or any other amounts due under this Agreement in respect of the Asset Interest owned, maintained or funded by it or its obligations or rights, if any, to make or participate in Purchases or Reinvestments or to provide funding therefor or the maintenance thereof;

(ii) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of any Affected Party, deposits or obligations with or for the account of any Affected Party or with or for the account of any Affiliate (or entity deemed by the Federal Reserve Board or other Governmental Authority to be an affiliate) of any Affected Party, or credit extended by any Affected Party;

(iii) shall impose any other condition affecting any Asset Interest owned, maintained or funded (or participated in) in whole or in part by any Affected Party, or its obligations or rights, if any, to make (or participate in) Purchases or Reinvestments or to provide (or participate in) funding therefor or the maintenance thereof;

(iv) shall change the rate for, or the manner in which the Federal Deposit Insurance Corporation (or a successor thereto) or similar Person assesses, deposit insurance premiums or similar charges which an Affected Party is obligated to pay; or

(v) shall change the amount of capital or liquidity maintained or required or requested or directed to be maintained by any Affected Party;

and the result of any of the foregoing is or would be, in each case, as determined by the applicable Purchaser Agent or the applicable Affected Party:

(A) to increase the cost to (or impose a cost on) (1) an Affected Party funding or making or maintaining any Purchases or Reinvestments, any purchases, reinvestments, or loans or other extensions of credit under any Liquidity Agreement, any Enhancement Agreement or any commitment (hereunder or under any Liquidity Agreement or any

Enhancement Agreement) of such Affected Party with respect to any of the foregoing, or (2) a Program Administrator, any Purchaser Agent or Administrative Agent for continuing its relationship with any Purchaser;

(B) to reduce the amount of any sum received or receivable by an Affected Party under this Agreement, any Liquidity Agreement or any Enhancement Agreement (or its participation in any such Liquidity Agreement or Enhancement Agreement) with respect thereto; or

(C) to reduce the rate of return on the capital of such Affected Party or its holding company as a consequence of its obligations hereunder, under any Liquidity Agreement or under any Enhancement Agreement (or its participation in any such Liquidity Agreement or Enhancement Agreement), including its funding or maintenance of any portion of the Asset Interest, or arising in connection herewith (or therewith) to a level below that which such Affected Party or its holding company could otherwise have achieved hereunder or thereunder (taking into consideration such Affected Party's policies and the policies of such Affected Party's holding company with respect to capital adequacy);

then, subject to Section 4.2(d) below, on the Settlement Date (or during the Liquidation Period or after the occurrence of an Event of Termination that has not been waived in accordance with the terms of this Agreement, within two (2) Business Days) following its receipt of notice from such Affected Party (or by the Administrative Agent or a Purchaser Agent on its behalf) in accordance with Section 4.2(c), Seller shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost or such reduction.

(b) Each Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf), shall promptly notify Seller and Administrative Agent of any event of which it has knowledge which will entitle such Affected Party to compensation pursuant to this Section 4.2; provided, that no failure to give or delay in giving such notification shall adversely affect the rights of any Affected Party to such compensation.

(c) In determining any amount provided for or referred to in this Section 4.2, an Affected Party may use any reasonable averaging and attribution methods that it, in its sole discretion, shall deem applicable. Any Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf) when making a claim under this Section 4.2 shall submit to Seller and Administrative Agent a written statement of such increased cost or reduced return, which statement, in the absence of manifest error, shall be conclusive and binding upon Seller.

(d) Failure or delay on the part of any Affected Party (or Administrative Agent or a Purchaser Agent) to demand compensation pursuant to this Section 4.2 shall not constitute a waiver of such Affected Party's (or the Administrative Agent's or a Purchaser Agent's on its behalf) right to demand such compensation.

**SECTION 4.3 Funding Losses.** If any Affected Party incurs any liability, charge, cost, loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Affected Party), at any time, as a result of (a) any settlement (including any optional or required full or partial repayment of principal) with respect to any Purchaser's Tranche Investment of any Rate Tranche, howsoever funded, being made on any day other than the scheduled last day of an applicable Yield Period with respect thereto, (b) any Purchase not being completed by Seller in accordance with its request therefor under Section 1.2, (c) the failure to exercise or complete (in accordance with Section 3.2(b)) any reduction in Purchasers' Total Investment elected to be made under Section 3.2(b), (d) any reduction in Purchasers' Total Investment elected under Section 3.2(b) exceeding the total amount of Rate Tranches, howsoever funded, with respect to which the last day of the related Yield Period is the date of such reduction or (e) any other mandatory or voluntary reduction in Purchasers' Total Investment (including as a result of the occurrence of an Event of Termination), then, upon written notice from such Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf) to Seller and Master Servicer, Seller shall pay to Master Servicer, and Master Servicer shall pay to the applicable Purchaser Agent for the account of the applicable Affected Parties, on the next Settlement Date (or during the Liquidation Period, after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, within two (2) Business Days from the receipt of such notice) the amount of such liability, charge, cost, loss or expense. Such written notice shall, in the absence of manifest error, be conclusive and binding upon Seller and Master Servicer. If an Affected Party incurs any liability, charge, cost, loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Affected Party), at any time, and is not entitled to reimbursement for such liability, charge, loss or expense in the manner set forth above, such Affected Party shall individually bear such liability, charge, loss or expense without recourse to, or payment from, any other Affected Party.

## ARTICLE V

### CONDITIONS OF PURCHASES

**SECTION 5.1 Closing Date; Conditions Precedent to Initial Purchase.** This Agreement shall become effective on the date hereof (the "Closing Date"), or such later date as all of the conditions in this Section 5.1 have been satisfied. The initial Purchase hereunder (and the occurrence of the Closing Date) is subject to the condition precedent that Administrative Agent shall have received, on or before the date of such Purchase, the following, each (unless otherwise indicated) dated such date or another recent date reasonably acceptable to Administrative Agent and in form and substance satisfactory to Administrative Agent:

(a) a copy of the resolutions or unanimous written consent, as applicable, of the board of directors, as the case may be, of each CHR Party required to authorize the execution, delivery and performance by it of each Transaction Document to be delivered by it hereunder and the transactions contemplated thereby (including for the Seller,

customary organizational resolutions), certified by its secretary or any other authorized person;

(b) good standing certificates (or the equivalent) for each CHR Party issued by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized;

(c) a certificate of the secretary or assistant secretary of each CHR Party certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement and the other Transaction Documents, as applicable, to be delivered by it hereunder (on which certificate Administrative Agent and Purchasers may conclusively rely until such time as Administrative Agent shall receive from each CHR Party, as the case may be, a revised certificate meeting the requirements of this clause (c));

(d) copies of the certificates of incorporation or formation (or the equivalent) of each CHR Party duly certified by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized, together with a copy of the by-laws, limited liability company agreement (or the equivalent) of each CHR Party, all of the foregoing duly certified by the secretary or an assistant secretary of each such Person;

(e) acknowledgment copies of proper financing statements (form UCC-1), filed on or prior to the date of the initial Purchase, naming (i) each Originator as the debtor/seller of Receivables, (ii) Seller as purchaser/assignor secured party or any other authorized person and (iii) Administrative Agent as secured party/total assignee of Seller; and/or other similar instruments or documents as may be necessary or, in the reasonable opinion of Administrative Agent or any Purchaser Agent, desirable under the UCC or any comparable Law of all appropriate jurisdictions to perfect Seller's and Administrative Agent's, on behalf of the Affected Parties', interests in the Pool Receivables originated by each such Originator and the Related Assets and Collections on, and other proceeds of, the foregoing;

(f) acknowledgment copies of proper financing statements (form UCC-1), filed on or prior to the date of the initial Purchase, naming (i) Seller as the debtor/seller of Receivables or any interest therein, and (ii) Administrative Agent as the secured party/purchaser; or other similar instruments or documents as may be necessary or, in the reasonable opinion of Administrative Agent or any Purchaser Agent, desirable under the UCC or any comparable Law of all appropriate jurisdictions to perfect Administrative Agent's, on behalf of the Affected Parties', interests in the Pool Receivables and the Related Assets and Collections on, and other proceeds of, the foregoing;

(g) a search report by a nationally recognized search firm provided in writing to Administrative Agent by Master Servicer listing all financing statements, state and federal tax or ERISA liens and judgments that name Seller, Master Servicer or any Originator as debtor and that are filed in the jurisdictions in which filings were made pursuant to the Transaction Documents and in such other jurisdictions that

Administrative Agent shall reasonably request, together with copies of such financing statements (none of which shall cover any Pool Receivables or Related Assets);

(h) copies of proper termination statements (form UCC-3) and release documentation each in form and substance reasonably satisfactory to Administrative Agent with respect to any financing statement included in the search report described in clause (g) above, to the extent that any such financing statement set forth therein covers any Pool Receivables or Related Assets;

(i) duly executed copies of Lock-Box Agreements with each Lock-Box Bank;

(j) favorable opinions (including with respect to creation of security interests (under New York Law) and perfection of security interests, non-consolidation and true sale; and other standard corporate opinions including with respect to enforceability, legality, no conflicts with Law, no conflict with material agreements, Investment Company Act and Volcker Rule matters) of special counsel to the CHR Parties; and favorable opinions (including with respect to certain corporate matters) of special counsel to the Performance Guarantor;

(k) completion of satisfactory due diligence by the Purchasers, Purchaser Agents and the Administrative Agent;

(l) a pro forma Information Package, prepared in respect of the proposed initial Purchase, assuming an initial Cut-Off Date of March 31, 2017;

(m) execution of the Transaction Documents;

(n) payment by CHR or Seller of each Purchaser's and Administrative Agent's expenses, to the extent set forth herein and in the other Transaction Documents;

(o) Internal Revenue Service Form W-9 of the Seller and each Originator; and

(p) such other agreements, instruments, certificates, opinions and other documents as Administrative Agent may reasonably request.

**SECTION 5.2 Conditions Precedent to All Purchases and Reinvestments.** Each Purchase (including the initial Purchase) and each Reinvestment hereunder shall be subject to the further conditions precedent that on the date of such Purchase or Reinvestment, the following statements shall be true (and Seller, by accepting the amount of such Purchase or by receiving the proceeds of such Reinvestment, shall be deemed to have certified that):

(a) each of the representations and warranties contained in Article VI hereof, in the Sale Agreement and in each other Transaction Document are true and correct on and as of such day as though made on and as of such day and shall be deemed to have been made on such day (except to the extent such representations and warranties



explicitly refer solely to an earlier date, in which case they shall be true and correct as of such earlier date);

(b) no event has occurred and is continuing, or would result from such Purchase or Reinvestment, that constitutes an Event of Termination, an Unmatured Event of Termination, a Master Servicer Termination Event or an Unmatured Master Servicer Termination Event;

(c) Seller has provided to Administrative Agent and each Purchaser Agent all documentation and other information requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act, and such documentation included a Beneficial Ownership Certification in relation to Seller if Seller then qualifies as a Legal Entity Customer under the Beneficial Ownership Regulation;

(d) after giving effect to such proposed Purchase or Reinvestment, (i) the Purchasers’ Total Investment will not exceed the Purchasers’ Total Commitment, (ii) the sum of the Purchasers’ Total Investment and the Required Reserves will not exceed the Net Portfolio Balance and (iii) the Purchaser Group Investment of each Purchaser Group will not exceed its respective Purchaser Group Commitment; and

(e) the Purchase Termination Date has not occurred.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES

**SECTION 6.1 Representations and Warranties of Seller.** Seller represents and warrants, as of the date hereof and as of each date on which a Purchase or Reinvestment is made, as follows:

(a) Organization and Good Standing. It has been duly and solely organized in, and is validly existing as a limited liability company in good standing under the Laws of the State of Delaware, with limited liability company power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted and will be conducted as contemplated herein and had at all relevant times, and now has, all necessary power, authority, and legal right to acquire and own the Pool Receivables and Related Assets.

(b) Due Qualification. It is in good standing in the State of Delaware, and has obtained all necessary licenses, approvals and qualifications, if any, in connection with its execution and delivery of the Transaction Documents to which it is a party, the purchase of the Receivables pursuant to the Sale Agreement and the performance by it of its obligations contemplated in the Transaction Documents, except to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization. It (i) has all necessary limited liability company power, authority and legal right to (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party in any capacity, (B) carry out the terms of and perform its obligations under the Transaction Documents applicable to it, (C) acquire the Pool Receivables and Related Assets pursuant to the Sale Agreement and own, sell, pledge, hold, maintain, collect and service the Pool Receivables and Related Assets; and (D) sell and assign the Asset Interest on the terms and conditions herein provided and (ii) has duly authorized by all necessary limited liability company action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party in any capacity and the sale and assignment of the Asset Interest on the terms and conditions herein provided.

(d) Valid Sale; Binding Obligations. This Agreement constitutes an absolute and irrevocable valid sale, transfer, and assignment of the Asset Interest to Administrative Agent (on behalf of each Purchaser) free and clear of any Adverse Claim, for the benefit of Purchasers, or, alternatively, a granting of a valid security interest in the Asset Interest to Administrative Agent (on behalf of the Affected Parties), enforceable against creditors of, and purchasers from, Seller; and this Agreement constitutes, and each other Transaction Document to be signed by Seller when duly executed and delivered by it will constitute, a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at Law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the fulfillment of the terms hereof and thereof will not (i) conflict with, result in any breach or (without notice or lapse of time or both) a default under, (A) its certificate of formation or limited liability company agreement, or (B) any indenture, loan agreement, asset purchase agreement, mortgage, deed of trust, or other agreement or instrument to which Seller is a party or by which it or any of its properties is bound, (ii) result in the creation or imposition of any Adverse Claim upon any of Seller's properties pursuant to the terms of any such indenture, loan agreement, asset purchase agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it or any of its properties is bound, other than any Adverse Claim created in connection with this Agreement and the other Transaction Documents or (iii) violate any Law applicable to it or any of its properties, if such violation of Law could reasonably be expected to have a Material Adverse Effect.

(f) No Proceedings. There are no proceedings or investigations pending, or to its knowledge threatened, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document, (ii) seeking to prevent the sale and assignment of any portion of the Asset Interest or the consummation of the

purposes of this Agreement or of any of the other Transaction Documents, (iii) seeking any determination or ruling that has had or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (iv) seeking to adversely affect, or in which there is a reasonable likelihood of a determination adversely affecting, in either case, the federal income tax attributes of the Purchases or Reinvestments hereunder.

(g) Bulk Sales Act. No transaction contemplated hereby requires compliance by it with any bulk sales act or similar Law.

(h) Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by it of this Agreement or any other Transaction Document or the transactions contemplated thereby, except for the filing of the UCC financing statements referred to in Article V, all of which, at the time required in Article V, shall have been duly made and shall be in full force and effect.

(i) Litigation. No injunction, decree or other decision has been issued or made by any Governmental Authority against Seller or its properties, and no threat by any Person has been made to attempt to obtain any such decision against it or its properties.

(j) Use of Proceeds. The use of all funds obtained by Seller under this Agreement will not conflict with or contravene any of Regulations T, U and X promulgated by the Board of Governors of the Federal Reserve System.

(k) Quality of Title. Seller has acquired, for fair consideration and reasonably equivalent value, all of the right, title and interest of the applicable Originator in each Pool Receivable and the Related Assets. Each Pool Receivable and the Related Assets, is owned by Seller free and clear of any Adverse Claim; when Administrative Agent, for the benefit of Purchasers or any Purchaser makes a Purchase or Reinvestment, as applicable, it shall have acquired and shall at all times thereafter continuously maintain a valid and perfected ownership free of any Adverse Claim or first priority perfected security interest in each Pool Receivable, together with the Related Assets and Collections and proceeds of the foregoing, free and clear of any Adverse Claim; and no financing statement or other instrument similar in effect covering any Pool Receivable, any interest therein and the Related Assets is on file in any recording office except such as may be filed (i) in favor of any Originator or Seller in accordance with the Contracts or any Transaction Document (and assigned to Administrative Agent) or (ii) in favor of any Purchaser or Administrative Agent in accordance with this Agreement or any Transaction Document.

(l) Accurate Reports. No Information Package or any other information, exhibit, financial statement, document, book, record or report furnished or to be furnished by or on behalf of any CHR Party or any of their respective Affiliates to Administrative Agent, any Purchaser, any Purchaser Agent or any other Affected Party

in connection with this Agreement or the other Transaction Documents: (i) was or will be untrue or inaccurate in any material respect as of the date it was or will be dated or (except as otherwise disclosed in writing to such Affected Party at such time) as of the date so furnished or (ii) contained or will contain when furnished any material misstatement of fact or omitted or will omit to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

(m) UCC Details. Seller's true legal name as registered in the sole jurisdiction in which it is organized, the jurisdiction of such organization and the location of its chief executive office and principal place of business are specified in Schedule 6.1(m), its federal employer identification number, if any, specified in the Internal Revenue Service Form W-9 provided to the Administrative Agent pursuant to Section 5.1 and the offices where Seller keeps all its Records are located at the addresses specified in Schedule 6.1(m) (or at such other locations, notified to Administrative Agent in accordance with Section 7.1(f)), in jurisdictions where all action required by Section 8.5 has been taken and completed. Except as described in Schedule 6.1(m), Seller has no, and has never had any, trade names, fictitious names, assumed names or "doing business as" names and Seller has never changed the location of its chief executive office or its true legal name, identity or corporate structure. Seller is organized only in a single jurisdiction.

(n) Lock-Box Accounts. The names and addresses of all of the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts of Seller at such Lock-Box Banks, are specified in Schedule 6.1(n).

(o) Eligible Receivables. Each Receivable included in the Net Portfolio Balance as an Eligible Receivable on the date of any Purchase or Reinvestment or on the date of any Information Package shall be an Eligible Receivable on such date. Upon and after giving effect to any Purchase or Reinvestment to be made on such date, sufficient Eligible Receivables exist in the Receivables Pool such that the sum of Purchasers' Total Investment and the Required Reserves on such date does not exceed the Net Portfolio Balance on such date.

(p) No Disclosure Required. Under applicable Law, Seller is not required to file a copy of this Agreement or any other Transaction Document with any Governmental Authority except for (i) as required by the SEC or any rules and regulations promulgated by the SEC or (ii) the filing of the UCC financing statements referred to in Article V, all of which, at the time required in Article V, shall have been duly made and shall be in full force and effect.

(q) Nature of Pool Receivables. The purchase of Pool Receivables (or an interest therein) with the proceeds of Commercial Paper Notes or otherwise pursuant to the terms hereof does not constitute a Security.

(r) Adverse Change. Since December, 2016, there has been no material adverse change in the value, validity, enforceability, collectability or payment history of

all or a material portion of any Originator's receivables or of the Pool Receivables, and (ii) since Seller's date of formation, there has been no Material Adverse Effect with respect to Seller.

(s) Credit and Collection Policies. It has engaged Master Servicer to service the Pool Receivables and Related Assets in accordance with the Credit and Collection Policies and all applicable Law, and such policies have not changed in any material respect since the Closing Date, except as permitted under Sections 7.3(c) and 7.6(b).

(t) Financial Information. All financial statements of Seller delivered to Administrative Agent in accordance with Section 7.2(a) were prepared in accordance with GAAP in effect on such date such statements were prepared and fairly present in all material respects the financial position of Seller and its results of operations as of the date and for the period presented or provided (other than in the case of annual financial statements, subject to the absence of footnotes and year-end audit adjustments), as applicable.

(u) Investment Company Act, Etc. Seller is not required to register as an "Investment Company" under (and as defined in) the Investment Company Act. Seller is not a "covered fund" under Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder (the "Volcker Rule"). In determining that Seller is not a "covered fund" under the Volcker Rule, Seller is entitled to rely on the exemption from the definition of "investment company" set forth in Section 3(c)(5)(A) or (B) of the Investment Company Act.

(v) No Other Obligations. Seller does not have outstanding any security of any kind except membership interests issued to CHR in connection with its organization and the Subordinated Notes, if any, and has not incurred, assumed, guaranteed or otherwise become directly or indirectly liable for, or in respect of, any Debt and no Person has any commitment or other arrangement to extend credit to Seller, in each case, other than as will occur in accordance with the Transaction Documents.

(w) Representations and Warranties in Other Transactions Documents. Seller hereby makes for the benefit of Administrative Agent, each Purchaser Agent and each Purchaser all of the representations and warranties it makes, in any capacity, in the other Transaction Documents to which it is a party as if such representations and warranties (together with the related and ancillary provisions) were set forth in full herein.

(x) Ordinary Course of Business. Each remittance of Collections by or on behalf of Seller pursuant to the Transaction Documents and any related accounts of amounts owing hereunder in respect of the Purchases will have been (i) in payment of a debt incurred by Seller in the ordinary course of business or financial affairs of Seller and (ii) made in the ordinary course of business or financial affairs of Seller.

(y) Tax Status. Seller has (i) timely filed all tax returns (federal, state and local) required to be filed by it and (ii) paid, or caused to be paid, all taxes, assessments

and other governmental charges, if any, other than taxes, assessments and other governmental charges being contested in good faith by appropriate proceedings and as to which adequate reserves have been provided in accordance with GAAP and as to which no Adverse Claim exists.

(z) Disregarded Entity. Seller is, and shall at all relevant times continue to be, a “disregarded entity” within the meaning of U.S. Treasury Regulation § 301.7701-3 that is disregarded as separate from a United States person within the meaning of Section 7701(a)(30) of the Code and is not and will at all relevant times not be required to withhold or otherwise be subject to liability under Sections 1441, 1445 and 1461 of the Code.

(aa) Policies and Procedures. Policies and procedures have been implemented and maintained by or on behalf of the Seller that are designed to achieve compliance by the Seller and its directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions, giving due regard to the nature of such Person’s business and activities, and each of the Seller’s officers and employees and, to the knowledge of the Seller, its officers, employees, directors and agents acting in any capacity in connection with or directly benefitting from the facility established hereby, are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

(bb) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. None of (a) the Seller or, to the knowledge of the Seller, as applicable, any of its directors, officers, employees, or agents that will act in any capacity in connection with or directly benefit from the facility established hereby is a Sanctioned Person, (b) the Seller is organized or resident in a Sanctioned Country, or (c) the Seller has violated, been found in violation of or is under investigation by any Governmental Authority for possible violation of any Anti-Corruption Laws, Anti-Terrorism Laws or Sanctions.

(cc) Proceeds. No Purchase or Reinvestment or use of proceeds thereof by the Seller in any manner will violate Anti-Corruption Laws, Anti-Terrorism Laws or applicable Sanctions.

(dd) Solvency. After giving effect to any Purchase or Reinvestment contemplated on such date, the Seller is Solvent.

(ee) Opinions. The facts regarding each CHR Party, the Receivables, the Related Assets and the related matters set forth or assumed in each of the true sale and non-consolidation opinions of counsel delivered in connection with this Agreement and the Transaction Documents are true and correct in all material respects.

(ff) No Event of Termination. No event has occurred and is continuing and no condition exists, or would result from any Purchase or Reinvestment or from the application of proceeds therefrom, that constitutes or may reasonably be expected to

constitute an Event of Termination, an Unmatured Event of Termination, a Master Servicer Termination Event or an Unmatured Master Servicer Termination Event.

(gg) Beneficial Ownership Rule. As of the First Amendment Date, Seller is an entity that is organized under the laws of the United States or of any state and at least 51% of whose common stock or analogous equity interest is owned directly or indirectly by a company listed on the New York Stock Exchange or the American Stock Exchange or designated as a NASDAQ National Market Security listed on the NASDAQ stock exchange and is excluded on that basis from the definition of "Legal Entity Customer" as defined in the Beneficial Ownership Rule. As of each date on which a Purchase or Reinvestment is made, either (a) the representation and warranty in the preceding sentence is true and correct in all respects as of such date or (b) the information included in the most recent Beneficial Ownership Certification delivered by Seller, if any, is true and correct in all respects.

**SECTION 6.2 Representations and Warranties of Master Servicer.** CHR, individually and when acting as Master Servicer, represents and warrants as of the date hereof and as of each date on which a Purchase or Reinvestment is made as follows:

(a) Organization and Good Standing. It has been duly organized and is validly existing as a corporation in good standing under the Laws of its jurisdiction of organization, with corporate power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted, except to the extent that such failure could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Due Qualification. It is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary qualifications, licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Pool Receivables) requires such qualifications, licenses or approvals, except where the failure to be in good standing or to hold any such qualifications, licenses and approvals could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization. It (i) has all necessary corporate power and authority to (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party in any capacity, (B) carry out the terms of and perform its obligations under the Transaction Documents applicable to it, and (C) service the Pool Receivables and Related Assets in accordance with the provisions hereof and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party in any capacity and the servicing of the Pool Receivables in accordance with the provisions hereof.

(d) Binding Obligations. This Agreement constitutes, and each other Transaction Document to be signed by it when duly executed and delivered by it will

constitute, a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at Law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the fulfillment of the terms hereof and thereof by it will not (i) conflict with, result in any breach or (without notice or lapse of time or both) a default under, (A) its articles or certificate of incorporation or by-laws, or (B) any indenture, loan agreement, asset purchase agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it or any of its properties is bound, (ii) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, asset purchase agreement, mortgage, deed of trust, or other agreement or instrument other than any Adverse Claim created in connection with this Agreement and the other Transaction Documents or (iii) violate any Law applicable to it or any of its properties, except in the case of clause (i)(B), (ii) or (iii), where such conflict, breach, default, Adverse Claim or violation could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

(f) No Proceedings. There are no proceedings or investigations pending, or to the knowledge of any of its officers, threatened before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document, (ii) seeking to prevent the servicing of the Receivables by it or the consummation of the purposes of this Agreement or of any of the other Transaction Documents, (iii) seeking any determination or ruling that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (iv) seeking to adversely affect, or in which there is a reasonable likelihood of a determination adversely affecting, in either case, the federal income tax attributes of the Purchases or Reinvestments hereunder or (v) that would prevent it from conducting its business operations relating to the Receivables or the performance of its duties and obligations hereunder or under the other Transaction Documents. No injunction, decree or other decision has been issued or made by any Governmental Authority against it or its properties that prevents it from conducting its business operations relating to the Receivables or the performance of its duties and obligations hereunder or under the other Transaction Documents.

(g) Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by it of this Agreement or any other Transaction Document or the transactions contemplated thereby, except for the filing of the UCC financing statements referred to in Article V, all of which, at the time required in Article V, shall have been duly made and shall be in full force and effect.



(h) Financial Condition. All financial statements of CHR and its consolidated Subsidiaries (including the notes thereto) delivered to Administrative Agent and each Purchaser Agent pursuant to Section 7.2(a) were prepared in accordance with GAAP in effect on the date such statements were prepared and fairly present in all material respects the consolidated financial condition, business, business prospects and operations of CHR and its consolidated Subsidiaries as of the date and for the period presented or provided (other than in the case of annual financial statements, subject to the absence of footnotes and year-end audit adjustments). Since December 31, 2016, there has been no change in the business, property, operation or financial condition of the Master Servicer and its Subsidiaries which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(i) Accurate Reports. No Information Package or any other written information, exhibit, financial statement, document, book, record or report furnished by any CHR Party or any of their respective Affiliates to Administrative Agent, any Purchaser, any Purchaser Agent or any other Affected Party in connection with this Agreement or the other Transaction Documents: (i) was or will be untrue or inaccurate in any material respect as of the date it was or will be dated or (except as otherwise disclosed in writing to such Affected Party at such time) as of the date so furnished or (ii) contained or will contain when furnished any material misstatement of fact or omitted or will omit to state a material fact or any fact necessary to make the statements contained therein not materially misleading; provided, however, that with respect to projected financial information and information of a general economic or industry specific nature, the Master Servicer represents only that such information has been prepared in good faith based on assumptions believed by the Master Servicer to be reasonable.

(j) Lock-Box Accounts. The names and addresses of all of the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts at such Lock-Box Banks, are specified in Schedule 6.1(n).

(k) Servicing Programs. No license or approval is required for Administrative Agent's use of any software or other computer program used by Master Servicer, any Originator or any Sub-Servicer in the servicing of the Receivables, other than those which have been obtained and are in full force and effect.

(l) No Disclosure Required. Under applicable Law, it is not required to file a copy of this Agreement or any other Transaction Document with any Governmental Authority except for (i) as required by the SEC or any rules and regulations promulgated by the SEC or (ii) the filing of the UCC financing statements referred to in Article V, all of which, at the time required in Article V, shall have been duly made and shall be in full force and effect.

(m) Credit and Collection Policies; Law. It has complied with the Credit and Collection Policies in all material respects and such policies have not changed in any material respect since the Closing Date except as permitted under Sections 7.3(c) and

7.6(b). It has complied with all applicable Law except where such noncompliance could not reasonably be expected to have a Material Adverse Effect.

(n) Investment Company Act. Master Servicer is not required to register as an “Investment Company” under (and as defined in) the Investment Company Act.

(o) ERISA. Each CHR Party and their respective ERISA Affiliates (i) have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan; (ii) are in compliance in all material respects with the applicable provisions of ERISA and the Code with respect to each Plan; (iii) have not incurred any liability to the Pension Benefit Guaranty Corporation or to any Plan under Title IV of ERISA, other than a liability to the Pension Benefit Guaranty Corporation for premiums under Section 4007 of ERISA; (iv) have not incurred any liability to the Pension Benefit Guaranty Corporation or to any Plan under Title IV of ERISA with respect to a plan termination under Section 4041 of ERISA; and (v) have not incurred any Withdrawal Liability to a Multiemployer Plan. No steps have been taken by any Person to terminate any Plan the assets of which are not sufficient to satisfy all of its benefit liabilities under Title IV of ERISA.

(p) Adverse Change in Receivables. Since December, 2016, there has been no material adverse change in the value, validity, enforceability, collectability or payment of its receivable or of all or a material portion of the Pool Receivables.

(q) Tax Status. Master Servicer has (i) timely filed all tax returns (federal, state and local) required to be filed and (ii) paid or caused to be paid all taxes, assessments and other governmental charges, other than taxes, assessments and other governmental charges being contested in good faith by appropriate proceedings and as to which adequate reserves have been provided in accordance with GAAP and as to which no Adverse Claim exists except where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) Policies and Procedures. Policies and procedures have been implemented and maintained by or on behalf of each CHR Party that are designed to achieve compliance by such Person and their respective Subsidiaries, directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions, giving due regard to the nature of such Person’s business and activities. Each CHR Party, their respective Subsidiaries and, to the knowledge of the officers of the Master Servicer, its respective officers, employees, directors and agents acting in any capacity in connection with or directly benefitting from the facility established hereby, are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

(s) Anti-Corruption Laws and Sanctions. None of (a) the CHR Parties or any of their respective Subsidiaries or, to the knowledge of the officers of the Master Servicer, as applicable, any of their respective directors, officers, employees, or agents that will act in any capacity in connection with or directly benefit from the facility

established hereby is a Sanctioned Person, (b) the CHR Parties nor any of their respective Subsidiaries is organized or resident in a Sanctioned Country and (c) the CHR Parties has violated, been found in violation of or, to the knowledge of any officer of the Master Servicer, is under investigation by any Governmental Authority for possible violation of any Anti-Corruption Laws, Anti-Terrorism Laws or Sanctions.

(t) Opinions. The facts regarding each CHR Party, the Receivables, the Related Assets and the related matters set forth or assumed in each of the true sale and non-consolidation opinions of counsel delivered in connection with this Agreement and the Transaction Documents are true and correct in all material respects.

(u) No Event of Termination. No event has occurred and is continuing and no condition exists, or would result from any Purchase or Reinvestment or from the application of proceeds therefrom, that constitutes or may reasonably be expected to constitute an Event of Termination, an Unmatured Event of Termination, a Master Servicer Termination Event or an Unmatured Master Servicer Termination Event.

## ARTICLE VII

### GENERAL COVENANTS OF SELLER AND MASTER SERVICER

**SECTION 7.1 Affirmative Covenants of Seller**. From the date hereof until the Final Payout Date, Seller shall, unless each Consent Party shall otherwise consent in writing pursuant to Section 13.1:

(a) Compliance with Laws, Etc. Comply in all respects with all applicable Laws with respect to it, the Pool Receivables and each of the related Contracts.

(b) Preservation of Existence. Preserve and maintain its limited liability company existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign limited liability company in each jurisdiction except where the failure to qualify or preserve or maintain such existence, rights, franchises or privileges could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Inspections. (i) From time to time, upon reasonable notice and during regular business hours permit each Purchaser, Purchaser Agent, Administrative Agent and any of their respective agents, regulator or representatives including certified public accountants or other auditors or consultants acceptable to Administrative Agent, such Purchaser Agent or such Purchaser, as applicable (at the sole cost and expense of Seller), (A) to examine and make copies of and abstracts from all Records in the possession or under the control of Seller or its Affiliates or agents, and (B) to visit the offices and properties of Seller or its agents for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to the Pool Receivables or Seller's performance hereunder with any of the officers or employees of Seller or its Affiliates having knowledge of such matters; and (ii) without limiting the provisions of clause (i)

above, from time to time on request of Administrative Agent, permit certified public accountants or other consultants or auditors acceptable to Administrative Agent to conduct, at Seller's expense, a review of Seller's books and records relating to Pool Receivables; provided that, unless an Event of Termination or Unmatured Event of Termination shall have occurred that has not been waived in accordance with this Agreement at the time any such audit/inspection is requested, Seller shall only be required to reimburse any Person for costs and expenses related to two such audit/inspections during any calendar year.

(d) Keeping of Records and Books of Account; Delivery. Maintain and implement, or cause to be maintained and implemented, administrative and operating procedures (including (i) an ability to recreate records evidencing the Pool Receivables and Related Assets in the event of the destruction of the originals thereof, backing up on at least a daily basis on a separate backup computer from which electronic file copies can be readily produced and distributed to third parties being agreed to suffice for this purpose and (ii) procedures to identify and track sales with respect to, and collections on, Excluded Receivables), and keep and maintain, or cause to be kept and maintained, all documents, books, records and other information necessary or advisable for the collection of all Pool Receivables and Related Assets and the identification and reporting of all Excluded Receivables (including records adequate to permit the daily identification of each new Pool Receivable and Excluded Receivable and all Collections of and adjustments to each existing Pool Receivable and Excluded Receivable received, made or otherwise processed on that day). At any time after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement or an Unmatured Event of Termination, upon the request of Administrative Agent, deliver or cause Master Servicer to deliver the originals of all Contracts to Administrative Agent or its designee, together with electronic and other files applicable thereto, and other Records necessary to enforce the related Receivable against the Obligor thereof.

(e) Performance and Compliance with Pool Receivables and Contracts. At its expense, timely and fully perform and comply with all provisions and covenants required to be observed by it under the Contracts and the Pool Receivables, unless an Originator or Seller makes a Deemed Collection payment in respect of the entire Unpaid Balance thereof in accordance with Section 3.2 of the Sale Agreement.

(f) Location of Records. Keep its chief place of business and chief executive office, and the offices where it keeps its Records (and all original documents relating thereto), at the address(es) of Seller referred to in Section 6.1(m) or, upon 30 days' prior written notice to Administrative Agent, at such other locations in jurisdictions where all action required by Section 8.5 shall have been taken and completed.

(g) Credit and Collection Policies. Cause Master Servicer to service the Pool Receivables and Related Assets in accordance with the Credit and Collection Policies in all material respects and not agree to any material changes thereto except as permitted under Sections 7.3(c) and 7.6(b).

(h) Collections. Instruct or cause Master Servicer to instruct all Obligor to cause all Collections of Pool Receivables to be deposited directly in a Lock-Box Account covered by a Lock-Box Agreement. In the event Seller or any of its Affiliates receives any Collections (or any insurance payments that Seller or Master Servicer receives with respect to amounts owed in respect of Pool Receivables and net proceeds of sale or other disposition of repossessed goods or other collateral or property of any Obligor or any other party directly or indirectly liable for payment of any Pool Receivable and available to be applied to the payment of any Pool Receivable), they will deposit such Collections in a Lock-Box Account covered by a Lock-Box Agreement within two (2) Business Days of such receipt. If any such funds other than Collections on Pool Receivables are deposited or transferred into a Lock-Box Account, Seller (or the Master Servicer on its behalf) shall within two (2) Business Days of receipt, transfer such funds out of such Lock-Box Account.

(i) Right and Title. Hold all right, title and interest in each Pool Receivable, except to the extent that any such right, title or interest has been transferred or granted to Administrative Agent (on behalf of Purchasers).

(j) Transaction Documents. Without limiting any of Seller's covenants or agreements set forth herein or in any other Transaction Document, comply with each and every of its covenants and agreements under each Transaction Document to which it is a party in any capacity and its certificate of formation and limited liability company agreement.

(k) Enforcement of Sale Agreement. On its own behalf and on behalf of Purchasers, Purchaser Agents and Administrative Agent, shall (x) promptly enforce all covenants and obligations of each Originator contained in the Sale Agreement and (y) deliver to Administrative Agent all consents, approvals, directions, notices and waivers and take other actions under the Sale Agreement as may be reasonably directed by Administrative Agent.

(l) Filing of Financing Statements. Within one (1) Business Day hereof, Seller shall (i) cause the financing statements described in Sections 5.1(e), (f) and (h), to be duly filed in the appropriate jurisdictions and (ii) provide Administrative Agent with acknowledgment copies of all financing statements described in Sections 5.1(e), (f) and (h).

(m) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Ensure that policies and procedures are maintained and enforced by or on behalf of the Seller that are designed to promote and achieve compliance, by the Seller and its directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions. Promptly following any request therefor, Seller shall provide such information and documentation reasonably requested by Administrative Agent or any Purchaser Agent for purposes of compliance with applicable "know your customer" requirements under the PATRIOT Act, the Beneficial Ownership Regulation or other applicable anti-money laundering laws.

(n) Beneficial Ownership Rule. Promptly following any change that would result in a change to the status as an excluded Legal Entity Customer under the Beneficial Ownership Rule, Seller shall execute and deliver to Administrative Agent and each Purchaser Agent a certification of Seller as to its beneficial owner(s) complying with the Beneficial Ownership Rule, in form and substance reasonably acceptable to Administrative Agent and each Purchaser Agent (a “Beneficial Ownership Certification”).

(o) Regulation W. Seller agrees to respond promptly to any reasonable requests for information related to its use of Purchase proceeds to the extent required by any Purchaser in connection with such Purchaser’s determination of its compliance with Section 23A of the Federal Reserve Act (12 U.S.C. § 371c) and the Federal Reserve Board’s Regulation W (12 C.F.R. Part 223). Seller shall not to its actual knowledge use the proceeds of any Purchase hereunder to purchase any asset or securities from any Purchaser’s “affiliate” as such term is defined in 12 C.F.R. Part 223. In connection with each request for a Purchase hereunder, Seller shall be deemed to have represented and warranted to Administrative Agent and each Purchaser Agent on the date such Purchase is made that, to its actual knowledge, as of such date, the proceeds of such Purchase will not be used by Seller to, directly or indirectly, either (x) purchase any asset or securities from any Purchaser’s “affiliate” as such term is defined in 12 C.F.R. Part 223 or (y) invest in any fund sponsored by a Purchaser or Affiliate thereof.

(a) Commingling. [Ensure that for each calendar month, that no more than \\$50,000,000 in the aggregate of Excluded Collections are directly or indirectly deposited into the Lock-Box Accounts during such calendar month.](#)

**SECTION 7.2 Reporting Requirements of Seller.** From the date hereof until the Final Payout Date, Seller shall furnish or cause to be furnished to Administrative Agent and each Purchaser Agent each of the following:

(a) Financial Statements. As soon as available and in any event within 90 days after the end of the fiscal year of Seller, copies of the annual income statement and balance sheet of Seller, prepared in conformity with GAAP, duly certified by a Designated Financial Officer of Seller with respect to such fiscal year.

(b) ERISA. (i) Promptly after the filing or receiving thereof, copies of (I) all reports and notices with respect to any Reportable Event with respect to any Plan, which any CHR Party or any of their respective ERISA Affiliates files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or which CHR Party or any of their respective ERISA Affiliates receives from the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor, and (II) all reports and documents which it files under any other applicable pension benefits legislation that relate to matters concerning, or that would or could, individually or in the aggregate, reasonably be expected to affect, the Receivables (including the value, the validity, the collectability, or the enforceability thereof), the transactions contemplated by the Transaction Documents, or the

performance of Seller (or any of its Affiliates), or the ability of Seller (or any of its Affiliates) to perform, thereunder.

(i) Promptly after Seller becomes aware of the occurrence of any of the events listed in clauses (1) through (5) below, a notice indicating that such event has occurred:

(1) the Secretary of the Treasury issues a notice to Seller that a Plan has ceased to be a plan described in Section 4021(a)(2) of Title IV of ERISA or when the Secretary of Labor determines that any such plan is not in compliance with Title I of ERISA;

(2) the Secretary of the Treasury determines that there has been a termination or a partial termination within the meaning of Section 411(d)(3) of the Code or Section 4041 of ERISA of any Plan;

(3) any Plan fails to meet the minimum funding standards under Section 412 of the Code or Section 302 of ERISA;

(4) any Plan is unable to pay benefits thereunder when due; or

(5) Seller or any of its ERISA Affiliates liquidates in a case under the Bankruptcy Code, or under any similar Law as now or hereafter in effect.

(c) Events of Termination. Notice of the occurrence of any Event of Termination, Unmatured Event of Termination, Master Servicer Termination Event or Unmatured Master Servicer Termination Event, accompanied by a written statement of an appropriate officer of Seller setting forth details of such event and the action that Seller proposes to take with respect thereto, such notice to be provided promptly (but not later than two (2) Business Days) after Seller obtains knowledge of any such event.

(d) Litigation. Promptly, and in any event within three (3) Business Days of Seller's knowledge thereof, notice of (i) any litigation, investigation or proceeding (including a contingency thereof) initiated against Seller and (ii) any material adverse development in previously disclosed litigation.

(e) Agreed Upon Procedures Report. Not later than thirty (30) days following Administrative Agent's delivery to Seller of a written request therefor (at the sole cost and expense of Seller), a report of an accounting firm or consulting firm reasonably acceptable to Administrative Agent, addressed to Administrative Agent and each Purchaser Agent and setting forth the results of such firm's performance of agreed upon procedures with respect to the performance of Master Servicer for the prior fiscal year or twelve (12) calendar month period, as requested by Administrative Agent. The scope of the above agreed upon procedures report shall be as reasonably requested by Administrative Agent. Notwithstanding the foregoing, so long as no Unmatured Event

of Termination or Event of Termination has occurred, Seller shall not be required to deliver the foregoing agreed upon procedures report more than once in any twelve (12) calendar month period. In addition, Seller shall cooperate with Master Servicer and the designated accountants or consultants for each annual agreed upon procedures report required pursuant to this Section 7.2(e) and Section 7.5(f).

(f) Change in Credit and Collection Policies or Business. At least fifteen (15) days prior to (i) the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a description or, if available, a copy of the Credit and Collection Policy then in effect and a written notice (A) indicating such change or amendment and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectability of the Pool Receivables or decrease the credit quality of any newly created Pool Receivables, requesting Administrative Agent's consent thereto and (ii) Seller making any change or changes in the character of its business, written notice indicating such change and requesting Administrative Agent's consent thereto.

(g) Change in Accountants or Accounting Policy. Prompt notice of any change in (i) the external accountants of any CHR Party, (ii) any accounting policy of Seller or (iii) any material accounting policy of Originators that is relevant to the transactions contemplated by this Agreement or any other Transaction Document (it being understood that any change to the manner in which either the Seller or any Originator accounts for the Pool Receivables or the transactions contemplated hereby shall be deemed "material" for such purpose).

(h) Other Information. Promptly, from time to time, such Records or other information, documents, records or reports respecting the condition or operations, financial or otherwise, of Seller as Administrative Agent or any Purchaser Agent may from time to time reasonably request in order to protect the interests of Administrative Agent, any Purchaser Agent or any Purchaser under or as contemplated by this Agreement or any other Transaction Document or to comply with any Law or any Governmental Authority.

(i) Notices Under Sale Agreement. A copy of each notice received by Seller from an Originator pursuant to any provision of the Sale Agreement.

**SECTION 7.3 Negative Covenants of Seller**. From the date hereof until the Final Payout Date, Seller shall not, without the prior written consent of each Consent Party pursuant to Section 13.1, do or permit to occur any act or circumstance with which it has covenanted not to do or permit to occur in any Transaction Document to which it is a party in any capacity, and:

(a) Sales, Adverse Claims, Etc. Except as otherwise explicitly provided herein or in the Sale Agreement, sell, assign or otherwise dispose of, or create or suffer to exist any Adverse Claim (by operation of Law or otherwise) upon or with respect to, any of its assets (including any Pool Receivable or Related Assets or any proceeds of



any of the foregoing, or any interest therein, or any Lock-Box Account to which any Collections of any of the foregoing are sent, or any right to receive income or proceeds from or in respect of any of the foregoing).

(b) Extension or Amendment of Receivables. Except as permitted under Section 8.2(b), extend, amend or otherwise modify the terms of any Pool Receivable or amend, modify or waive any term or condition of any related Contract, in each case unless a corresponding Deemed Collection payment in respect of the related Pool Receivable is made, in full, in connection therewith.

(c) Change in Credit and Collection Policies, Business or Organizational Documents. (i) Make or consent to any change in the Credit and Collection Policies that could reasonably be expected to impair the value, validity, collectability or enforceability of, or increase the days-to-pay or Dilution with respect to, any Pool Receivable or otherwise make any material change thereto without the prior written consent of each Consent Party (such consent not to be unreasonably withheld, and the Administrative Agent, on behalf of the Consent Parties, shall respond to such request for consent within 10 Business Days after receipt of sufficient notification from Master Servicer or Seller), (ii) make any change in the character of its business or amend, waive or otherwise modify its limited liability company agreement or certificate of formation or (iii) amend, waiver or otherwise modify any other Transaction Document to which the Seller is a party or consent to any amendment, waiver or modification of any Transaction Document.

(d) Change in Payment Instructions to Obligors. Deposit Collections or cause Collections to be deposited in any lock-box or account other than a Lock-Box Account covered by a Lock-Box Agreement; provided, that a Lock-Box Account may not be terminated unless the payments from Obligors that are being sent to such Lock-Box Account will, upon termination of such Lock-Box Account and at all times thereafter, be deposited in a separate Lock-Box Account covered by a Lock-Box Agreement.

(e) Name Change, Mergers, Acquisitions, Sales, etc. (i) Change its name or the location of any office at which Records are maintained, (ii) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, or, except in the ordinary course of its business, sell, transfer, convey, contribute or lease all or any substantial part of its assets, or sell or assign with or without recourse any Pool Receivables or any interest therein (other than pursuant hereto and to the Sale Agreement) to any Person or (iii) have any Subsidiaries.

(f) Deposits to Accounts. Deposit or otherwise credit, or cause or permit to be so deposited or credited, or direct any Obligor to deposit or remit, any Collection or proceeds thereof (other than as remitted to Seller pursuant to Section 1.3(a)(ii) hereof) to any account (or related lock-box, if applicable) other than any Lock-Box Account covered by a Lock-Box Agreement.

(g) Debt and Business Activity. Incur, assume, guarantee or otherwise become directly or indirectly liable for or in respect of any Debt or other obligation, purchase any asset (or make any investment by share purchase loan or otherwise) or engage in any other activity (whether or not pursued for gain or other pecuniary advantage), in any case, other than as will occur in accordance with this Agreement or the other Transaction Documents and as is permitted by its certificate of formation and limited liability company agreement.

(h) Change in Organization, Etc. Change its jurisdiction of organization or its name, identity or corporate structure or make any other change such that any financing statement filed or other action taken to perfect Administrative Agent's interests under this Agreement would become seriously misleading or would otherwise be rendered ineffective, unless Seller shall have given Consent Party not less than thirty (30) days' prior written notice of such change and shall have cured such circumstances. Seller shall not amend or otherwise modify or waive its limited liability company agreement or any of its other organizational documents or any provision thereof. Seller shall at all times maintain its jurisdiction of organization and its chief executive office within a jurisdiction in the United States of America in which Article Nine of the UCC (2001 or later revision) is in effect.

(i) Actions Impairing Quality of Title. Take any action that could reasonably be expected to cause any Pool Receivable, together with the Related Assets, not to be owned by it free and clear of any Adverse Claim; or take any action that could cause Administrative Agent not to have a valid ownership free of any Adverse Claim or first priority perfected security interest in the Asset Interest and all products and proceeds of the foregoing, free and clear of any Adverse Claim; or suffer the existence of any financing statement or other instrument similar in effect covering any Pool Receivable or any Related Asset on file in any recording office except such as may be filed (i) in favor of any Originator or Seller in accordance with the Contracts or any Transaction Document or (ii) in favor of a Purchaser or Administrative Agent in accordance with this Agreement or any Transaction Document or take any action that could cause Administrative Agent not to have a valid first priority perfected security interest in each Lock-Box Account and all amounts or instruments on deposit or credited therein from time to time.

(j) Net Worth. Permit (a) as of any date that any Subordinated Note is outstanding, the amount equal to (i) the amount equal to (A) the aggregate Unpaid Balance of Receivables (that are not Defaulted Receivables) determined at such time, minus (B) the greater of (x) the product of the Loss Reserve Factor at such time times the Net Portfolio Balance at such time, and (y) 1.00% of the aggregate Unpaid Balance of Pool Receivables, minus (C) the Purchasers' Total Investment at such time, minus (ii) the aggregate outstanding principal amount of each Subordinated Note at such time, minus (iii) without duplication, the outstanding principal amount of all other Obligations, to be less than \$10,000,000, or (b) as of any date that there are no Subordinated Notes outstanding, Seller's net worth (as calculated in accordance with

GAAP consistently applied) to be less than the greater of (x) \$10,000,000 and (y) the amount reasonably necessary to pay its Debts as they become due and for Seller to otherwise be considered Solvent.

(k) Actions by Originators. Notwithstanding anything to the contrary set forth in the Sale Agreement, Seller will not consent to (i) any change or removal of any notation required to be made by any Originator pursuant to Section 3.3 of the Sale Agreement, or (ii) any waiver of or departure from any term set forth in Section 5.4 of the Sale Agreement, in each case without the prior written consent each Consent Party.

(l) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Request any Purchase, and shall procure that its Affiliates and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Purchase or Reinvestment (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Terrorism Laws, (B) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any Sanctions, or (C) in any other manner that would result in liability to any Affected Party under any applicable Sanctions or result in the violation of any Anti-Corruption Laws, Anti-Terrorism Laws or Sanctions.

**SECTION 7.4 Affirmative Covenants of Master Servicer.** From the date hereof until the Final Payout Date, Master Servicer shall, unless each Consent Party shall otherwise consent in writing pursuant to Section 13.1:

(a) Compliance with Laws, Etc. Comply in all respects with all applicable Laws with respect to it, the Pool Receivables, the related Contracts and the servicing and collection thereof, except to the extent such non-compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate Existence. Subject to Section 7.6(f), preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each other jurisdiction on which the ownership or lease of its property or the conduct of its business requires such qualification, except where the failure to preserve or maintain such existence, rights, franchises or privileges or to be so qualified could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Inspections. (i) From time to time, upon reasonable notice and during regular business hours permit each Purchaser, Purchaser Agent, Administrative Agent and any of their respective agents, regulators or representatives including certified public accountants or other auditors or consultants acceptable to Administrative Agent, such Purchaser Agent or such Purchaser, as applicable (at the sole cost and expense of Master Servicer), (A) to examine and make copies of and abstracts from all Records in the

possession or under the control of Master Servicer or its Subsidiaries, and (B) to visit the offices and properties of Master Servicer or its Subsidiaries for the purpose of examining such materials described in clause (A) above, and to discuss matters relating to the Pool Receivables or Master Servicer's performance hereunder with any of the officers or employees of Master Servicer or Subsidiaries having knowledge of such matters; and (ii) without limiting the provisions of clause (i) above, from time to time on request of Administrative Agent, permit certified public accountants or other consultants or auditors acceptable to Administrative Agent to conduct, at Master Servicer's expense, a review of Master Servicer's books and records relating to Pool Receivables; provided that, unless an Event of Termination or Unmatured Event of Termination shall have occurred that has not been waived in accordance with this Agreement at the time any such audit/inspection is requested, Master Servicer shall only be required to reimburse any Person for costs and expenses related to two such audit/inspections during any calendar year.

(d) Keeping of Records and Books of Account; Delivery; Location of Records. Maintain and implement, or cause to be maintained and implemented, administrative and operating procedures (including (i) an ability to recreate records evidencing the Pool Receivables and Related Assets in the event of the destruction of the originals thereof, backing up on at least a daily basis on a separate backup computer from which electronic file copies can be readily produced and distributed to third parties being agreed to suffice for this purpose and (ii) procedures to identify and track sales with respect to, and collections on, Excluded Receivables), and keep and maintain, or cause to be kept and maintained, all documents, books, records and other information necessary or advisable for the collection of all Pool Receivables and Related Assets and the identification and reporting of all Excluded Receivables (including records adequate to permit the daily identification of each new Pool Receivable and Excluded Receivable and all Collections of and adjustments to each existing Pool Receivable and Excluded Receivable received, made or otherwise processed on that day). At any time after the occurrence of an Event of Termination that has not been waived in accordance with this Agreement or an Unmatured Event of Termination, upon the request of Administrative Agent, deliver the originals of all Contracts to Administrative Agent or its designee, together with electronic and other files applicable thereto, and other Records necessary to enforce the related Receivable against the Obligor thereof.

In addition, Master Servicer shall keep its principal place of business and chief executive office, and the offices where it keeps the Records (and all original documents relating thereto), at the address(es) of Master Servicer referred to in Schedule 13.2 or at such other address(es) of Master Servicer as set forth in the Sale Agreement or, upon thirty (30) days' prior written notice to Administrative Agent and each Purchaser Agent, at such other locations in jurisdictions where all action required by Section 8.5 hereof shall have been taken and completed.

(e) Performance and Compliance with Receivables and Contracts. At its expense, timely and fully perform and comply with all provisions, covenants and other

promises required to be observed by it under the Contracts and the Pool Receivables, unless, with respect to a Pool Receivable, an Originator or Master Servicer makes a Deemed Collection payment in respect of the entire Unpaid Balance thereof in accordance with Section 3.2 of the Sale Agreement.

(f) Credit and Collection Policy. Comply in all material respects with the applicable Credit and Collection Policy in regard to each Pool Receivable, the related Contract and the other Related Assets and the servicing and collection thereof.

(g) Collections. Instruct all Obligor to cause all Collections of Pool Receivables to be deposited directly in a Lock-Box Account covered by a Lock-Box Agreement. In the event Master Servicer or any of its Affiliates receives any Collections (or any insurance payments that Seller or Master Servicer receives with respect to amounts owed in respect of Pool Receivables and net proceeds of sale or other disposition of repossessed goods or other collateral or property of any Obligor or any other party directly or indirectly liable for payment of any Pool Receivable and available to be applied to the payment of any Pool Receivable) other than through the deposit to a Lock-Box Account, such Person will deposit such Collections in a Lock-Box Account covered by a Lock-Box Agreement within two (2) Business Days of its receipt thereof. No later than 60 days following the related Excluded Effective Date, instruct each Excluded Obligor to cause (and use commercially reasonable effort to ensure) all Excluded Collections to be deposited directly in one or more accounts (or any related lock-box or post office box) that do not constitute a Lock-Box Account. If any such funds other than Collections on Pool Receivables are deposited or transferred into a Lock-Box Account, Master Servicer shall within two (2) Business Days of such receipt, transfer such funds out of such Lock-Box Account. During such times as the Administrative Agent has, in accordance with the terms of the relevant Lock-Box Agreement, excluded the Master Servicer from having access to the relevant Lock-Box Account, the Administrative Agent will return such other amounts to the Master Servicer promptly following receipt of satisfactory evidence that such amounts do not constitute Collections on Pool Receivables.

(h) Transaction Documents. Without limiting any of Master Servicer's covenants or agreements set forth herein or in any other Transaction Document, so long as Master Servicer is an Originator or the Performance Guarantor, Master Servicer shall comply with each and every of its covenants and agreements as an Originator or the Performance Guarantor, as applicable, under each Transaction Document to which it is a party in any capacity.

(i) Filing of Financing Statements. Within one (1) Business Day of the date hereof, Seller shall cause the financing statements described in Sections 5.1(e), (f) and (h) to be duly filed in the appropriate jurisdictions.

(j) Frequency of Billing. Prepare and deliver (or cause to be prepared or delivered) invoices with respect to each Pool Receivable in accordance with the Credit

and Collection Policy, but in any event no less frequently than as required under the Contract related to such Pool Receivable.

(k) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Ensure that policies and procedures are maintained and enforced by or on behalf of the Master Servicer that are designed to promote and achieve compliance, by the Master Servicer and each of its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

(l) Commingling. Ensure that for each calendar month, that no more than \$50,000,000 in the aggregate of Excluded Collections are directly or indirectly deposited into the Lock-Box Accounts during such calendar month.

**SECTION 7.5 Reporting Requirements of Master Servicer.** From the date hereof until the Final Payout Date, Master Servicer shall furnish to Administrative Agent and each Purchaser Agent each of the following:

(a) (1) Quarterly Financial Statements. Within 45 days after the close of each of the first three quarterly periods of each fiscal year, for itself and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated unaudited income statements and a consolidated unaudited statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by a Designated Financial Officer.

(i) Annual Financial Statements. Within 90 days after the close of each of its fiscal years, an audit report (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) certified by Deloitte Touche LLP or another independent certified public accountants of recognized national standing selected by the Master Servicer, prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries, including balance sheets as of the end of such period, related income statements, and a statement of cash flows, accompanied by a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Unmatured Event of Termination or an Event of Termination, or if, in the opinion of such accountants, any Unmatured Event of Termination or Event of Termination shall exist, stating the nature and status thereof.

(ii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit 7.5 signed by a Responsible Officer of Master Servicer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(b) Financial Statements and Other Information. Master Servicer will furnish to Administrative Agent and each Purchaser Agent:

(i) promptly after the sending thereof, copies of all proxy statements, financial statements and regular or special reports which Master Servicer sends to its stockholders;

(ii) promptly upon its receipt of any material notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than an Affected Party, copies of the same;

(iii) promptly following a request therefor, any documentation or other information (including with respect to any CHR Party) that Administrative Agent or any Purchaser reasonably requests in order to comply with its ongoing obligations under the applicable “know your customer” and anti money laundering rules and regulations, including the Patriot Act; and

(iv) from time to time such further information regarding the business, affairs and financial condition of the CHR Parties as Administrative Agent shall reasonably request.

(c) ERISA. (i) Promptly after the filing or receiving thereof, copies of (I) all reports and notices with respect to any Reportable Event described in Section 4043 of ERISA which any CHR Party or any of their respective ERISA Affiliates files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or which any CHR Party or any of their respective ERISA Affiliates receives from the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor and (II) all reports and documents which it files under any other applicable pension benefits legislation that relate to matters concerning, or that would or could, individually or in the aggregate, reasonably be expected to adversely affect the Pool Receivables (including the value, the validity, the collectability, or the enforceability thereof), the priority of Administrative Agent’s lien therein or the enforceability thereof, the transactions contemplated by the Transaction Documents, or the performance of Master Servicer, or the ability of Master Servicer or any of its Affiliates to perform, thereunder.

(i) Promptly after Master Servicer becomes aware of the occurrence of any of the events listed in clauses (1) through (5) below, a notice indicating that such event has occurred

(1) the Secretary of the Treasury issues a notice to Master Servicer that a Plan has ceased to be a plan described in Section 4021(a)(2) of Title IV of ERISA or when the Secretary of Labor determines that any such plan is not in compliance with Title I of ERISA;

(2) the Secretary of the Treasury determines that there has been a termination or a partial termination within the meaning of Section 411(d)(3) of the Code or Section 4041 of ERISA of any Plan;

(3) any Plan fails to meet the minimum funding standards under Section 412 of the Code or Section 302 of ERISA;

(4) any Plan is unable to pay benefits thereunder when due; or

(5) Master Servicer or any of its ERISA Affiliates liquidates in a case under the Bankruptcy Code, or under any similar Law as now or hereafter in effect.

(d) Events of Termination. Notice of the occurrence of any Event of Termination, Unmatured Event of Termination, Master Servicer Termination Event or Unmatured Master Servicer Termination Event, accompanied by a written statement of an appropriate officer of Master Servicer setting forth details of such event and the action that it proposes to take with respect thereto, such notice to be provided promptly (but not later than two (2) Business Days) after any of its officers obtains knowledge of any such event.

(e) Litigation. Promptly, and in any event within three (3) Business Days of any of its officers' knowledge thereof, notice of (i) any litigation, investigation or proceeding initiated against any CHR Party which may exist at any time which has had or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) any adverse development in litigation previously disclosed which could reasonably be expected to result in a Material Adverse Effect.

(f) Agreed Upon Procedures Report. Not later than thirty (30) days following Administrative Agent's delivery to the Master Servicer of a written request therefor (at the sole cost and expense of Master Servicer), a report of an accounting firm or consulting firm reasonably acceptable to Administrative Agent, addressed to Administrative Agent and each Purchaser Agent and setting forth the results of such firm's performance of agreed upon procedures with respect to the performance of Master Servicer for the prior fiscal year or twelve (12) calendar month period, as requested by Administrative Agent. The scope of the above agreed upon procedures report shall be as reasonably requested by Administrative Agent. Notwithstanding the foregoing, so long as no Unmatured Event of Termination or Event of Termination has occurred, Master Servicer shall not be required to deliver the foregoing agreed upon procedures report more than once in any twelve (12) calendar month period.

(g) Change in Accountants or Accounting Policy. Prompt notice of any change in (i) the external accountants of any CHR Party, (ii) any accounting policy of Seller or (iii) any material accounting policy of Originators that is relevant to the transactions contemplated by this Agreement or any other Transaction Document (it being understood that any change to the manner in which either the Seller or any Originator accounts for the Pool Receivables or the transactions contemplated hereby shall be deemed "material" for such purpose).



(h) Other Information. Promptly, from time to time, such Records or other information, documents, records or reports respecting the condition or operations, financial or otherwise, of Master Servicer or Performance Guarantor as Administrative Agent or any Purchaser Agent may from time to time reasonably request in order to protect the interests of Administrative Agent, any Purchaser Agent or any Purchaser under or as contemplated by this Agreement or any other Transaction Document or to comply with any Law or any Governmental Authority.

(i) Servicing Programs. If a license or approval is required for Administrative Agent's or such successor Master Servicer's use of any software or other computer program used by CHR in the servicing of the Receivables, then CHR shall at its own expense arrange for Administrative Agent or such successor Master Servicer to receive any such required license or approval.

Any information required to be furnished pursuant to Section 7.5(a)(i), 7.5(a)(ii) or 7.5(b)(i) shall be deemed to have been furnished on the date on which the Master Servicer has filed such information with the SEC on its Electronic Data Gathering, Analysis and Retrieval System (EDGAR) or any successor SEC electronic filing system for such purposes.

**SECTION 7.6 Negative Covenants of Master Servicer.** From the date hereof until the Final Payout Date, CHR, individually and as Master Servicer shall not, without the prior written consent each Consent Party pursuant to Section 13.1, do or permit to occur any act or circumstance with which it (in its capacity as Master Servicer) has covenanted not to do or permit to occur in any Transaction Document to which it is a party in any capacity, or:

(a) Extension or Amendment of Receivables. Except as permitted under Section 8.2(b), extend, amend or otherwise modify the terms of any Pool Receivable or amend, modify or waive any term or condition of any related Contract, in each case unless a corresponding Deemed Collection payment in respect of the related Pool Receivable is made, in full, in connection therewith.

(b) Change in Credit and Collection Policies or Business. (i) Make or consent to any change in, or waive any of the provisions of, the Credit and Collection Policies that could reasonably be expected to impair the value, validity, collectability or enforceability of, or increase the days-to-pay or Dilution with respect to, any Pool Receivable or otherwise make any material change thereto without the prior written consent of each Consent Party (such consent not to be unreasonably withheld, and the Administrative Agent, on behalf of the Consent Parties, shall respond to such request for consent within 10 Business Days after receipt of sufficient notification from Master Servicer or Seller), (ii) make any change in the character of its business that would have or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (iii) amend, waive or otherwise modify any other Transaction Document to which it is a party, in any capacity, or consent to any amendment, waiver or modification of any Transaction Document.

(c) Change in Lock-Box Banks. (i) Add any bank or lock-box account not listed on Schedule 6.1(n) as a Lock-Box Bank or Lock-Box Account unless Administrative Agent shall have previously approved and received duly executed copies of all Lock-Box Agreements and/or amendments thereto covering each such new bank and lock-box account, (ii) terminate any Lock-Box Bank, Lock-Box Agreement or related Lock-Box Account without the prior written consent of each Consent Party and, in each case, only if all of the payments from Obligors that were being sent to such Lock-Box Bank or Lock-Box Account will, upon termination of such Lock-Box Bank or Lock-Box Account and at all times thereafter, be deposited in a Lock-Box Account with another Lock-Box Bank covered by a Lock-Box Agreement or (iii) amend, supplement or otherwise modify any Lock-Box Agreement.

(d) Deposits to Accounts. Deposit or otherwise credit, or cause or permit to be so deposited or credited, or direct any Obligor to deposit or remit, any Collection or proceeds thereof (other than as remitted to Seller pursuant to Section 1.3(a)(ii) hereof) to any account (or related lock-box, if applicable) other than any Lock-Box Account covered by a Lock-Box Agreement.

(e) Mergers, Acquisitions, Sales, Etc. Consolidate or merge with or into any other Person or sell, lease or transfer all or substantially all of its property and assets, or agree to do any of the foregoing, unless (i) no Event of Termination, Unmatured Event of Termination, Master Servicer Termination Event or Unmatured Master Servicer Termination Event has occurred and is continuing or would result immediately after giving effect thereto, (ii) if CHR is not the surviving corporation or if CHR sells, leases or transfers all or substantially all of its property and assets, the surviving corporation or the Person purchasing or being leased the assets agrees to be bound by the terms and provisions applicable to CHR hereunder, (iii) Administrative Agent provides prior written consent to such transaction, (iv) Performance Guarantor reaffirms in a writing, in form and substance reasonably satisfactory to Administrative Agent, that its obligations under the Performance Guaranty shall apply to the surviving entity and (v) Administrative Agent receives such additional certifications and opinions of counsel as it shall reasonably request, including as to the necessity and adequacy of any new UCC financing statements or amendments to existing UCC financing statements.

(f) Actions Contrary to Separateness. Take any action inconsistent with the terms of Section 7.8.

(g) Sales, Liens, Etc. Except as otherwise provided herein, sell, assign (by operation of Law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Pool Receivable or related Contract or Related Assets, or any interest therein, or any proceeds of any of the foregoing, or any Lock-Box Account to which any Collections of any Pool Receivable are sent, or any right to receive income or proceeds from or in respect of any of the foregoing or purport to do any of the foregoing.

(h) Actions Evidencing Transfers by Originators. Notwithstanding anything to the contrary set forth in the Sale Agreement, Master Servicer shall not consent to any change or removal of any notation required to be made by any Originator pursuant to Section 3.3 of the Sale Agreement without the prior written consent of Administrative Agent and each Purchaser Agent.

(i) No Adverse Claim on Seller. Master Servicer shall not create or permit to exist any Adverse Claim on the Voting Stock of Seller.

(j) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Request any Purchase, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Purchase or Reinvestment (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or Anti-Terrorism Laws, (B) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any Sanctions or (C) in any other manner that would result in liability to any Affected Party under any applicable Sanctions or result in the violation of any Anti-Corruption Laws, Anti-Terrorism Laws or Sanctions.

**SECTION 7.7 Full Recourse**. Notwithstanding any limitation on recourse contained herein or in any other Transaction Document: (i) Seller has the obligation to pay all Yield and other amounts due under Sections 3.1(c) and 3.4 or under Articles IV or XII (which obligation shall be full recourse general obligations of Seller), and (ii) all obligations of Master Servicer so specified hereunder shall be full recourse general obligations of Master Servicer.

**SECTION 7.8 Corporate Separateness; Related Matters and Covenants**. Each of Master Servicer and Seller covenant, until the Final Payout Date as follows:

(a) Seller and Master Servicer shall assure that Seller, Performance Guarantor, Master Servicer and each Originator (and each of their respective Affiliates) shall observe the applicable legal requirements for the recognition of Seller as a legal entity separate and apart from each of each Originator, Performance Guarantor, Master Servicer and any of their respective Affiliates, and comply with (and cause to be true and correct) its organizational documents and assuring that each of the following is complied with:

(i) Seller shall maintain (or cause to be maintained) separate company records, books of account and financial statements (each of which shall be sufficiently full and complete to permit a determination of Seller's assets and liabilities and to permit a determination of the obligees thereon and the time for performance on each of Seller's obligations) from those of each CHR Party and their respective Affiliates other than Seller;

(ii) except as otherwise permitted by this Agreement, Seller shall not commingle any of its assets or funds with those of any other CHR Party or any of their respective Affiliates other than Seller;

(iii) at least one member of Seller's Board of Directors shall be an Independent Director and the limited liability company agreement of Seller shall provide: (i) for the same definition of "Independent Director" as used herein, (ii) that Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to Seller unless the Independent Director shall approve the taking of such action in writing before the taking of such action and (iii) that the provisions required by clauses (i) and (ii) of this sentence cannot be amended except in accordance with Section 13.1 and without the prior written consent of the Independent Director;

(iv) the members and Board of Directors of Seller shall hold all regular and special meetings appropriate to authorize Seller's actions. The members and managers of Seller may act from time to time by unanimous written consent or through one or more committees in accordance with Seller's certificate of formation and its limited liability company agreement. Seller shall not take any Material Actions (as defined in its limited liability company agreement) without the consent of all its managers, including its Independent Director. Appropriate minutes of all meetings of Seller's members and managers (and committees thereof) shall be kept by Seller;

(v) Seller shall compensate its Independent Director in accordance with its limited liability company agreement;

(vi) decisions with respect to Seller's business and daily operations shall be independently made by Seller and shall not be dictated by any other CHR Party or any of their respective Affiliates (except by CHR as a member and/or manager of Seller in accordance with Seller's limited liability company agreement); provided that Master Servicer shall service the Pool Receivables as contemplated by the Transaction Documents;

(vii) Seller shall use, as needed, its own separate stationery;

(viii) no transactions shall be entered between Seller, on the one hand and any other CHR Party or any Affiliate of any of them, on the other hand (other than as contemplated hereby and in the other Transaction Documents);

(ix) Seller shall act solely in its own name and through its own authorized managers, members, directors, officers and agents, except that, as a general matter, the Obligors will not be informed in the first instance that Master Servicer, Originators or Performance Guarantor are acting on behalf of Seller. No Originator, Master Servicer, Performance Guarantor or any Affiliates of Master

Servicer shall be appointed as an agent of Seller, except in the capacity of Master Servicer or Sub-Servicer hereunder;

(x) none of Master Servicer, any Originator, Performance Guarantor or any of their respective Affiliates shall advance funds or credit to Seller; and none of Master Servicer, Performance Guarantor nor any Affiliate of Master Servicer, any Originator or Performance Guarantor will otherwise supply funds or credit to, or guarantee any obligation of, Seller except for CHR's contributions of capital to Seller and the issuance by Seller of Subordinated Notes to Originators as contemplated by the Transaction Documents;

(xi) Seller shall maintain separate space which shall be physically separate from space occupied by an Originator or Performance Guarantor (but may be in a separate space occupied solely by Seller and any Subsidiary of Performance Guarantor that is not an Originator, and is not domiciled in the United States, at the offices of Performance Guarantor or any Originator) and shall be clearly identified as Seller's space so it can be identified by outsiders;

(xii) other than as permitted by the Transaction Documents, Seller shall not guarantee, or otherwise become liable with respect to, any obligation of any Originator, Master Servicer, Performance Guarantor or any Affiliate of any Originator;

(xiii) Seller shall at all times hold itself out to the public under Seller's own name as a legal entity separate and distinct from its equity holders, members, managers, Performance Guarantor, each Originator, Master Servicer and each of their respective Affiliates (the foregoing to include, but not be limited to, Seller not using the letterhead or telephone number of any such Person);

(xiv) Master Servicer or Performance Guarantor may issue consolidated financial statements that will include Seller, but such financial statements shall disclose the separateness of Seller and that the Pool Receivables are owned by Seller and are not available to creditors of CHR or the Originators to the extent required by GAAP; in addition Seller shall prepare separate financial statements in compliance with GAAP consistently applied;

(xv) if any of Seller, Master Servicer, Performance Guarantor or any Originator shall provide Records relating to Pool Receivables to any creditor of Seller or Master Servicer, Seller or Master Servicer, as the case may be, shall also provide (or cause any Originator to provide) to such creditor a notice indicating that the Collections relating to such Pool Receivables are held in trust pursuant to Section 3.4;

(xvi) any allocations of direct, indirect or overhead expenses (including, but not limited to, overhead for shared office space) for items shared between Seller and any Originator, Performance Guarantor or any of their respective

Affiliates that are not included as part of the Master Servicing Fee shall be made among Seller and such Originator, Performance Guarantor or any of their respective Affiliates to the extent practical on the basis of actual use or value of services rendered and otherwise on a basis reasonably related to actual use or the value of services rendered;

(xvii) Seller shall not be named, directly or indirectly, as a contingent beneficiary or loss payee on any insurance policy covering the Master Servicer, Originator, Performance Guarantor or any Affiliate of any of them (other than Seller) other than insurance policies entered into in the ordinary course of business covering other Affiliates of any of the foregoing;

(xviii) Seller shall maintain adequate capital in light of its contemplated business operations;

(xix) Seller shall generally maintain an arm's-length relationship with each Originator, Performance Guarantor, Master Servicer and its Affiliates and each transaction entered into with the Seller shall be undertaken in good faith for a bona fide business purpose; and

(xx) the Independent Director shall not at any time serve as a trustee in bankruptcy for Seller, Master Servicer, any Originator, Performance Guarantor or any of their respective Affiliates.

(b) Seller agrees that (and Master Servicer, in its capacity as the sole member of Seller, agrees that it will cause Seller to comply therewith), until the Final Payout Date:

(i) Seller shall not (A) issue any security of any kind except certificates evidencing membership interests issued to CHR in connection with its formation, or (B) incur, assume, guarantee or otherwise become directly or indirectly liable for or in respect of any Debt or obligation other than the Subordinated Notes and otherwise as expressly permitted by the Transaction Documents.

(ii) Seller shall not sell, pledge or dispose of any of its assets, except as permitted by, or as provided in, the Transaction Documents.

(iii) Seller shall not purchase any asset (or make any investment, by share purchase, loan or otherwise) except as permitted by, or as provided in, the Transaction Documents.

(iv) Seller shall not engage in any activity (whether or not pursued for gain or other pecuniary advantage) other than as permitted by the Transaction Documents.

(v) Seller shall not create, assume or suffer to exist any Adverse Claim on any of its assets.

(vi) Seller shall not make any payment, directly or indirectly, to, or for the account or benefit of, any owner of any Voting Stock, security interest or equity interest in Seller or any Affiliate of any such owner (except, in each case, as expressly permitted by the Transaction Documents).

(vii) Seller shall not make, declare or otherwise commence or become obligated in respect of, any dividend, stock or other security redemption or purchase, distribution or other payment to, or for the account or benefit of, any owner of any Voting Stock or other equity interest, security interest or equity interest in Seller to any such owner or any Affiliate of any such owner other than from funds received by it under Article III and so long as, in any case, (I) the result would not directly or indirectly cause any non-compliance with Section 7.3(j) or (II) before or after giving effect thereto, no Event of Termination shall have occurred that has not been waived in accordance with this Agreement and no Unmatured Event of Termination shall have occurred that remains continuing.

(viii) Seller shall not acquiesce in, or direct Master Servicer or any other agent to take, any action that is prohibited to be taken by Seller in clauses (i) through (vii) above or in Section 7.3 hereof.

(ix) Seller shall not have any employees.

(x) Seller will provide for not less than ten (10) Business Days' prior written notice to Administrative Agent of any removal, replacement or appointment of any director that is currently serving or is proposed to be appointed as an Independent Director, such notice to include the identity of the proposed replacement Independent Director, together with a certification that such replacement satisfies the requirements for an Independent Director set forth in this Agreement and the limited liability company agreement of Seller.

(c) Neither Master Servicer nor Seller shall take any action or permit any of their respective Affiliates to take any action inconsistent with this Section 7.8.

## ARTICLE VIII

### ADMINISTRATION AND COLLECTION

#### SECTION 8.1 Designation of Master Servicer.

(a) CHR as Initial Master Servicer. The servicing, administering and collection of the Pool Receivables on behalf of Administrative Agent, Purchaser Agents and Purchasers shall be conducted by the Person designated as Master Servicer hereunder ("Master Servicer") from time to time in accordance with this Section 8.1.

Until Administrative Agent (with the consent, or acting at the direction of, the Purchaser Agents) gives to CHR a Successor Notice (as defined in Section 8.1(b)), CHR is hereby designated as, and hereby agrees to perform the duties and obligations of, Master Servicer pursuant to the terms hereof. Master Servicer shall receive the Master Servicing Fee, payable as described in Article III, for the performance of its duties hereunder.

(b) Successor Notice. In the event that a Master Servicer Termination Event has occurred and has not been waived in accordance with this Agreement, Administrative Agent shall have the right, upon notice 10 Business Days' notice to CHR and Seller, to immediately designate a successor Master Servicer pursuant to the terms hereof (a "Successor Notice"). Upon receipt of a Successor Notice, CHR agrees that it shall terminate its activities as Master Servicer hereunder in a manner that Administrative Agent reasonably believes will facilitate the transition of the performance of such activities to the successor Master Servicer, and Administrative Agent (or its designee) shall assume each and all of CHR's obligations to service and administer the Pool Receivables, on the terms and subject to the conditions herein set forth, and CHR shall use commercially reasonable efforts to assist Administrative Agent (or its designee) in assuming such obligations. Such cooperation shall include access to and transfer of records and use by the new Master Servicer of all records, licenses, hardware or software necessary or desirable to collect the Receivables and the Related Assets. Administrative Agent agrees not to give CHR a Successor Notice except after the occurrence of any Master Servicer Termination Event that has not been waived in accordance with this Agreement.

(c) Sub-Servicers. The Master Servicer may delegate its duties and obligations hereunder to any subservicer (each a "Sub-Servicer"); provided, that, in each such delegation: (i) such Sub-Servicer shall agree in writing to perform the delegated duties and obligations of the Master Servicer pursuant to the terms hereof, (ii) the Master Servicer shall remain liable for the performance of the duties and obligations so delegated, (iii) the Seller, the Administrative Agent, each Purchaser and each Affected Party shall have the right to look solely to the Master Servicer for performance, (iv) the terms of any agreement with any Sub-Servicer shall provide that the Administrative Agent may terminate such agreement upon the termination of the Master Servicer hereunder by giving notice of its desire to terminate such agreement to the Master Servicer (and the Master Servicer shall provide appropriate notice to each such Sub-Servicer) and (v) if such Sub-Servicer is not an Affiliate of the Master Servicer, the Administrative Agent and each Purchaser Agent shall have consented in writing in advance to such delegation.

**SECTION 8.2 Duties of Master Servicer**. Each Purchaser, each Purchaser Agent and Administrative Agent hereby appoints as its agent Master Servicer, as from time to time designated pursuant to Section 8.1, to enforce its rights and interests in and under the Pool Receivables, the Related Security and the related Contracts. Master Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect, administer and



service each Pool Receivable from time to time with reasonable care and diligence and, in any event, with no less care and diligence than it uses in the collection, administration and servicing of its own assets, and in accordance with (i) applicable Laws and (ii) the Credit and Collection Policies. Seller hereby acknowledges and agrees to this appointment of Master Servicer.

(a) Allocation of Collections; Segregation. Master Servicer shall set aside and hold in trust Collections of Pool Receivables in accordance with Section 1.3.

(b) Extension and Modification of Receivables. So long as no Unmatured Event of Termination or Event of Termination has occurred that has not been waived in accordance with this Agreement, CHR, while it is Master Servicer, may, in accordance with the Credit and Collection Policies and the servicing standards set forth herein, extend the maturity or adjust the Unpaid Balance of any Pool Receivable as CHR may reasonably determine to be appropriate to maximize Collections thereof; provided, that, (A) after giving effect to such extension of maturity or such adjustment, the sum of Purchasers' Total Investment and the Required Reserves at such time shall not exceed the Net Portfolio Balance at such time, (B) no such extension of maturity shall extend the maturity of any Receivable more than once or extend the due date of any Receivable to a date more than 30 days after the original due date thereof, and (C) no such extension of maturity or such adjustment shall make or be deemed to make any such Pool Receivable current or otherwise modify the aging thereof.

(c) Documents and Records. Seller shall deliver (and cause each Originator to deliver) to Master Servicer, and Master Servicer shall hold in trust for Seller, each Originator, Administrative Agent, each Purchaser Agent, each Purchaser and each other Affected Party in accordance with their respective interests, all Records (and all original documents relating thereto) (and after the occurrence of any Unmatured Event of Termination or Event of Termination, shall deliver the same to Administrative Agent promptly upon Administrative Agent's written request). Upon written request of Administrative Agent, Master Servicer shall provide Administrative Agent with the location(s) of all Records (and all original documents relating thereto).

(d) Certain Duties of Master Servicer and Seller. Master Servicer shall, promptly following receipt of the collections of any receivable that is not a Pool Receivable, a Related Asset or any other property included in the grant set forth in Section 9.1, turn over such collection to the Person entitled to such collection. Master Servicer, if other than CHR (or any of its Affiliates), shall, as soon as practicable upon demand, deliver to Seller (A) all documents, instruments, books, records, purchase orders, agreements, reports and other information (including computer programs, tapes, disks, other information storage media, data processing software and related property and rights) in its possession that evidence or relate to Receivables of Seller other than Pool Receivables and the Obligors of such Receivables, and (B) copies of all Records in its possession.

(e) Termination. Master Servicer's authorization as such under this Agreement shall terminate upon the Final Payout Date.

(f) Power of Attorney. Seller hereby grants to Master Servicer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of Seller any and all steps which are necessary or advisable to endorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by Seller or transmitted or received by Seller in connection with any Pool Receivable or under the related Records.

(g) Resignation of CHR as Master Servicer. CHR shall not resign in its capacity as Master Servicer hereunder without the prior written consent of Administrative Agent and each Purchaser Agent, which consent shall be given or withheld in the sole and absolute discretion of Administrative Agent and each Purchaser Agent.

**SECTION 8.3 Rights of Administrative Agent.** In addition to all of its other rights herein including under Articles IX and X, under the other Transaction Documents or at Law or in equity, Administrative Agent shall have the other following rights set forth in this Section 8.3:

(a) Notice to Obligors. At any time after (i) the occurrence of any Event of Termination that has not been waived in accordance with this Agreement or (ii) the commencement of the Liquidation Period, Master Servicer shall (on behalf of Seller), at Administrative Agent's request and at Seller's expense, give notice of Administrative Agent's ownership and security interest in the Pool Receivables to each said Obligor and instruct them that payments on the Pool Receivables will only be effective if made to, or as otherwise instructed in writing by, Administrative Agent.

(b) Notice to Lock-Box Banks. At any time after (i) the occurrence of an Unmatured Event of Termination or an Event of Termination that has not been waived in accordance with this Agreement or (ii) the commencement of the Liquidation Period, Administrative Agent may in its sole discretion, and is hereby authorized to, give notice to the Lock-Box Banks, as provided in the Lock-Box Agreements, of the assumption by Administrative Agent of exclusive dominion and control over the Lock-Box Accounts, and Seller and Master Servicer shall take any further action that Administrative Agent may reasonably request to effect such assumption.

(c) Other Rights. At any time after (i) the occurrence of an Event of Termination that has not been waived in accordance with this Agreement, (ii) the occurrence and during the continuance of an Unmatured Event of Termination or (iii) the commencement of the Liquidation Period, Master Servicer shall (on behalf of Seller), (A) at Administrative Agent's request and at Seller's expense, assemble all of the Records and deliver such Records to or at the direction of Administrative Agent and (B) at the request of Administrative Agent or its designee, exercise or enforce any of their respective rights hereunder, under any other Transaction Document, under any Pool

Receivable or under any Related Asset (to the extent permitted hereunder or thereunder). Without limiting the generality of the foregoing, each of Master Servicer and Seller shall, at any time and from time to time, upon the request of Administrative Agent or its designee and at Seller's expense:

(I) authorize, execute (if required) and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate;

(II) mark its master data processing records evidencing that the Pool Receivables have been sold in accordance with this Agreement; and

(III) following the occurrence of an Event of Termination that has not been waived in accordance with this Agreement or an Unmatured Event of Termination, mark conspicuously each Contact evidencing each Pool Receivable with a legend reasonably acceptable to the Administrative Agent evidencing that the Pool Receivables have been sold or otherwise pledged pursuant to this Agreement.

(d) Additional Financing Statements; Performance by Administrative Agent. Seller hereby authorizes Administrative Agent or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof, or any similar instruments in any relevant jurisdiction relative to all or any of the Pool Receivables and Related Assets now existing or hereafter arising in the name of Seller. Seller agrees that an "all assets" or similar filing against it may also be filed for the purposes hereof and to perfect the security interest and transfers created hereby. If Seller fails to perform any of its agreements or obligations under this Agreement or any other Transaction Document, Administrative Agent or its designee may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of Administrative Agent or its designee incurred in connection therewith shall be payable by Seller as provided in Section 13.6.

**SECTION 8.4 Responsibilities of Master Servicer**. Anything herein to the contrary notwithstanding:

(a) Contracts. Master Servicer shall, in accordance with the Credit and Collection Policy, applicable law and the terms of this Agreement, perform all of its obligations and enforce all of its rights under the Records, so long as it is an Affiliate of Seller, to the same extent as if the Asset Interest had not been sold hereunder and the exercise by Administrative Agent or its designee of its rights hereunder shall not relieve Master Servicer from such obligations.

(b) Limitation of Liability. None of Administrative Agent, any Purchaser or any Purchaser Agent shall have any obligation or liability with respect to any Pool Receivables or Related Assets related thereto, nor shall any of them be obligated to perform any of the obligations of Master Servicer or Seller thereunder.

**SECTION 8.5 Further Action Evidencing Purchases and Reinvestments.** Seller agrees that from time to time, at its expense, it shall (or cause Master Servicer to) promptly execute and deliver all further instruments and documents, and take all further actions, that Administrative Agent or its designee may reasonably request or that are necessary in order to perfect, protect or more fully evidence the transactions contemplated by the other Transaction Documents, the Purchases hereunder and the resulting Asset Interest.

**SECTION 8.6 Application of Collections.** Unless Administrative Agent instructs otherwise, any payment by an Obligor in respect of any indebtedness owed by it shall, except as otherwise specified in writing or otherwise by such Obligor, required by Law or by the underlying Contract, be applied: first, as a Collection of any Pool Receivable or Receivables then outstanding of such Obligor, with such Pool Receivables being paid in the order of the oldest first, and, second, to any other indebtedness of such Obligor.

## ARTICLE IX SECURITY INTEREST

**SECTION 9.1 Grant of Security Interest.** To secure all obligations of Seller arising in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, all Indemnified Amounts, payments on account of Collections received or deemed to be received and fees and expenses, in each case pro rata according to the respective amounts thereof, Seller hereby assigns and pledges to Administrative Agent, for the benefit of the Affected Parties, and hereby grants to Administrative Agent, for the benefit of the Affected Parties, a first and prior perfected security interest in, and general lien on all of the following: all of Seller's right, title and interest now or hereafter existing in, to and under all of Seller's assets, whether now owned or hereafter acquired, and wherever located (whether or not in the possession or control of Seller), including all of its right, title and interest in, to and under all the Pool Receivables and Related Assets, all rights and remedies of Seller under the Sale Agreement and each of the following, in each case, whether now owned or existing hereafter arising, acquired, or originated, or in which Seller now or hereafter has any rights, and wherever located (whether or not in the possession or control of Seller) and all proceeds of any of the foregoing (collectively, the "Collateral"): (I) all Receivables; (II) the Related Assets; (III) the Collections; (IV) all Accounts; (V) all Chattel Paper; (VI) all Contracts; (VII) all Deposit Accounts; (VIII) all Documents; (IX) all Payment Intangibles; (X) all General Intangibles; (XI) all Instruments; (XII) all Inventory; (XIII) all Investment Property; (XIV) all letter of credit rights and supporting obligations; (XV) the Sale Agreement and all rights and remedies of Seller thereunder and rights under each Lock Box Agreement; (XVI) all other assets in the Asset Interest; (XVII) all rights, interests, remedies and privileges of Seller relating to any of the foregoing (including the right to sue for past, present or future infringement of any or all of the foregoing); and (XVIII) to the extent not otherwise included, all products and Proceeds (each capitalized term in clauses I through XVIII, as defined in the UCC) of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of

the foregoing (including insurance proceeds), and all distributions (whether in money, securities or other property) and collections from or with respect to any of the foregoing.

Seller hereby authorizes the filing of financing statements, including those filed under Section 8.3(d), describing the collateral covered thereby as “all of debtor’s personal property and assets” or words to that effect, notwithstanding that such wording may be broader in scope than the collateral described in this Section 9.1. This Agreement shall constitute a security agreement under applicable Law.

**SECTION 9.2 Further Assurances.** The provisions of Section 8.5 shall apply to the security interest granted, and to the assignment effected, under Section 9.1 as well as to the Purchases, Reinvestments and the Asset Interest hereunder.

**SECTION 9.3 Remedies; Waiver.** After the occurrence and during the continuance of an Event of Termination, Administrative Agent, on behalf of the Affected Parties, shall have, with respect to the Collateral granted pursuant to Section 9.1, and in addition to all other rights and remedies available to any Affected Party under this Agreement and the other Transaction Documents or other applicable Law, all the rights and remedies of a secured party upon default under the UCC. To the fullest extent it may lawfully so agree, Seller agrees that it will not at any time insist upon, claim, plead, or take any benefit or advantage of any appraisal, valuation, stay, extension, moratorium, redemption or similar Law now or hereafter in force in order to prevent, delay, or hinder the enforcement hereof or the absolute sale of any part of the Collateral; Seller for itself and all who claim through it, so far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such Laws and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose this Agreement may order the sale of the Collateral in its entirety. Without limiting the generality of the foregoing, Seller hereby waives and releases any and all right to require Administrative Agent to collect any of such obligations from any specific item or items of the Collateral or from any other party liable as guarantor or in any other manner in respect of any of such obligations or from any collateral (including, without limitation, the Collateral) for any of such obligations.

## ARTICLE X

### EVENTS OF TERMINATION

**SECTION 10.1 Events of Termination.** The following events shall be “Events of Termination” hereunder:

(a) Any of the following events:

(i) Any CHR Party shall fail to perform or observe any term, covenant or agreement as and when required hereunder or under any other Transaction Document (other than as referred to in clause (a)(ii) below) and such failure shall remain unremedied for three (3) Business Days;

(ii) any of the following shall occur: (A) any CHR Party shall fail to make any payment or deposit or transfer of monies to be made by it hereunder or under any other Transaction Document as and when due and such failure is not remedied within three (3) Business Days, (B) Seller shall breach Sections 7.3(a), 7.3(e), 7.3(h), 7.3(i), 7.8(a)(iii) or 7.8(b)(x), (C) Master Servicer shall breach Sections 7.6(a), 7.6(e) or 7.6(g); or (D) Master Servicer shall breach Section 3.1(a) and such breach shall remain unremedied for two (2) Business Days;

(b) any representation or warranty made or deemed to be made by Seller, Master Servicer, Performance Guarantor or any Originator under or in connection with any Transaction Document shall prove to have been false or incorrect in any respect when made or deemed to be made and has caused or could reasonably be expected to result in a Material Adverse Effect;

(c) (i) failure of any CHR Party or any Subsidiary thereof (other than Seller) to pay when due any principal of or premium or interest on its Debt in an aggregate amount exceeding \$50,000,000, in any such case, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); and such failure shall continue after the applicable grace period, if any, specified in the applicable agreement relating to such Debt (whether or not such failure shall have been waived under the related agreement); (ii) the default by any such Person in the performance of any term, provision or condition contained in any agreement under which any such Debt was created or is governed, or any other event shall occur or condition exist (whether or not any such failure shall have been waived under the related agreement), the effect of which is to cause, or to permit the holder or holders of such Debt to cause (whether or not acted upon), such Debt to become due prior to its stated maturity (or permit such holders to terminate any undrawn committed thereunder); or (iii) any such Debt of any CHR Party or any Subsidiary thereof shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment), redeemed, defeased, accelerated or repurchased, or the commitment of any lender thereunder to be terminated, in each case, prior to the stated maturity thereof;

(d) (i) failure of Seller to pay when due any principal of or premium or interest on its Debt in an aggregate amount exceeding \$10,000, in any such case, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); and such failure shall continue after the applicable grace period, if any, specified in the applicable agreement relating to such Debt (whether or not such failure shall have been waived under the related agreement); or (ii) the default by Seller in the performance of any term, provision or condition contained in any agreement under which any such Debt was created or is governed, or any other event shall occur or condition exist (whether or not any such failure shall have been waived under the related agreement), the effect of which is to cause, or to permit the holder or holders of such Debt to cause (whether or not acted upon), such Debt to become due prior to its stated maturity (or permit such holders to terminate any undrawn committed thereunder);

(e) an Event of Bankruptcy shall have occurred with respect to any CHR Party;

(f) the occurrence of any litigation, or any development has occurred in any litigation to which any CHR Party is a party (including derivative actions), arbitration proceedings or proceedings of any Governmental Authority which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or solely with respect to Seller, is or could reasonably be expected to be for an amount (or economic equivalent thereof) equal to or in excess of \$10,000;

(g) the average of the Default Ratios for the three preceding Settlement Periods shall at any time exceed 3.25%;

(h) the average of the Dilution Ratios for the three preceding Settlement Periods shall at any time exceed 1.50%;

(i) the average of the Delinquency Ratios for the three preceding Settlement Periods shall at any time exceed 5.50%;

(j) on any date, after giving effect to the payments made under Section 3.1(c), either (i) the sum of the aggregate Purchasers' Total Investment and the Required Reserves exceeds the Net Portfolio Balance, or (ii) Purchasers' Total Investment exceeds the Purchasers' Total Commitment;

(k) (i) a Change of Control shall occur or (ii) any Originator shall at any time cease to own or control all notes or other evidences of debt of Seller to it in respect of any unpaid purchase price of Pool Receivables (including any Subordinated Note in favor of such Originator);

(l) [Intentionally omitted];

(m) [Intentionally omitted];

(n) any CHR Party shall make any change in any of the Credit and Collection Policies except as permitted by this Agreement;

(o) (A) Administrative Agent, for the benefit of the Affected Parties, fails at any time to have a valid and perfected first priority ownership interest or first priority perfected security interest in the Pool Receivables and to the extent such security interest can be perfected by filing a financing statement or the execution of an account control agreement, any Related Assets (or any portion thereof) and all cash proceeds of any of the foregoing, in each case, free and clear of any Adverse Claim or (B) Administrative Agent shall fail to have a valid first priority perfected security interest in each Lock-Box Account (and all amounts and instruments from time to time on deposit therein), for the benefit of the Administrative Agent;

(p) either (i) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any assets of any CHR Party and such lien shall not have been released within five (5) days or (ii) the Pension Benefit Guaranty Corporation shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of any CHR Party or any of their Affiliates;

(q) (i) the occurrence of a Reportable Event; (ii) the adoption of an amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) the existence with respect to any Multiemployer Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iv) the failure to satisfy the minimum funding standard under Section 412 of the Code with respect to any Plan (v) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of any CHR Party or any of their respective ERISA Affiliates from any Multiemployer Plan; (vi) the receipt by any CHR Party or any of their respective ERISA Affiliates from the PBGC or any plan administrator of any notice relating to the intention to terminate any Plan or Multiemployer Plan or to appoint a trustee to administer any Plan or Multiemployer Plan; (vii) the receipt by any CHR Party or any of their respective ERISA Affiliates of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (viii) the occurrence of a prohibited transaction with respect to any CHR Party or any of their respective ERISA Affiliates (pursuant to Section 4975 of the Code); (ix) the occurrence or existence of any other similar event or condition with respect to a Plan or a Multiemployer Plan, with respect to each of clause (i) through (ix), either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(r) any CHR Party shall be required to register as an “investment company” within the meaning of the Investment Company Act;

(s) any CHR Party fails to cooperate in Administrative Agent’s assumption of exclusive control of any Lock-Box Account subject to any Lock-Box Agreement or Administrative Agent is unable to obtain exclusive control thereof in accordance with Section 8.3(b) or such Lock-Box Agreements;

(t) any Transaction Document or any of the terms thereof shall cease to be the valid and binding obligation enforceable against any CHR Party;

(u) Seller shall fail to pay in full all of its obligations to Administrative Agent and Purchasers hereunder and under the other Transaction Documents on or prior to the Legal Final;

(v) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (other than judgments covered by insurance issued by an



insurer that has accepted coverage and has the ability to pay such judgments) shall be rendered against any CHR Party or any Subsidiary of any CHR Party or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any CHR Party or any Subsidiary of any CHR Party to enforce any such judgment which is not effectively stayed for a period of 10 consecutive days;

(w) one or more judgments shall be rendered against Seller;

(x) Receivables cease being sold or contributed to the Seller pursuant to the Sale Agreement;

(y) the Performance Guaranty is canceled, rescinded, amended or modified without the prior written consent of Administrative Agent and each Purchaser Agent; or

(z) any Master Servicer Termination Event.

#### **SECTION 10.2 Remedies.**

(a) Optional Liquidation. Upon, or anytime after, the occurrence of an Event of Termination (other than an Event of Termination described in Section 10.1(e)), Administrative Agent shall, at the request, or may with the consent, of the Required Purchasers, by notice to Seller and Master Servicer declare the Purchase Termination Date to have occurred and the Liquidation Period to have commenced and shall have all of the remedies set forth in Section 9.3 or otherwise herein or in equity or at Law.

(b) Automatic Liquidation. Upon the occurrence of an Event of Termination described in Section 10.1(d), the Purchase Termination Date shall occur and the Liquidation Period shall commence automatically.

(c) Remedies. Upon, or at any time after, the declaration or automatic occurrence of the Purchase Termination Date pursuant to this Section 10.2, no Purchases or Reinvestments thereafter will be made. Upon the declaration or automatic occurrence of the Purchase Termination Date pursuant to this Section 10.2, Administrative Agent, on behalf of the Affected Parties, shall have, in addition to all other rights and remedies under this Agreement, any other Transaction Document or otherwise, (i) all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable Laws (including all the rights and remedies of a secured party upon default under the UCC (including the right to sell any or all of the Collateral subject hereto)) and (ii) all rights and remedies with respect to the Collateral granted pursuant to Section 9.1, all of which rights shall be cumulative.

(d) Specific Remedies. (1) Without limiting Section 10.2(c) or any other provision herein or in any other Transaction Document, the parties hereto agree that the terms of this Section 10.2(d) are agreed upon in accordance with Section 9-603 of the

New York UCC, that they do not believe the terms of this Section 10.2(d) to be “manifestly unreasonable” for purposes of Section 9-603 of the New York UCC, and that compliance therewith shall constitute a “commercially reasonable” disposition under Section 9-610 of the New York UCC, and further agree as follows:

(i) After the occurrence of the Purchase Termination Date, Administrative Agent, on behalf of the Affected Parties, shall have all rights, remedies and recourse granted in any Transaction Document and any other instrument executed to provide security for or in connection with the payment and performance of the Obligations or existing at common Law or equity (including specifically those granted by the New York UCC and the UCC of any other state which governs the creation or perfection (and the effect thereof) of any security interest in the Collateral), and such rights and remedies: (A) shall be cumulative and concurrent; (B) may be pursued separately, successively or concurrently against Seller, Master Servicer and any Originator and any other party obligated under the Obligations, or any of such Collateral, or any other security for the Obligations, or any of them, at the sole discretion of Administrative Agent, on behalf of the Affected Parties; (C) may be exercised as often as occasion therefor shall arise, it being agreed by Seller, Master Servicer, any Originator and any other party obligated under the Obligations that the exercise or failure to exercise any of same shall in no event be construed as a waiver or release thereof or of any other right, remedy or recourse; and (D) are intended to be and shall be, non exclusive. For the avoidance of doubt, with respect to any disposition of the Collateral or any part thereof (including any purchase by Administrative Agent, any Affected Party, or any Affiliate of any of them) in accordance with the terms of this Section 10.2 for consideration which is insufficient, after payment of all related costs and expenses of every kind, to satisfy the Obligations, (1) such disposition shall not act as, and shall not be deemed to be, a waiver of any rights by Administrative Agent or the Affected Parties and Administrative Agent on behalf of the Affected Parties shall have a claim for such deficiency and (2) Administrative Agent shall not be liable or responsible for any such deficiency.

Upon the declaration or automatic occurrence of the Purchase Termination Date pursuant to Section 10.2(a) or Section 10.2(b), Administrative Agent, on behalf of the Affected Parties, shall have the right, in accordance with this Section 10.2(d), to dispose of the Collateral or any part thereof upon giving at least three (3) days’ prior notice to Seller and Master Servicer of the time and place of disposition, for cash or upon credit or for future delivery, with Seller and Master Servicer hereby waiving all rights, if any, to require Administrative Agent or any other Person to marshal the Collateral and at the option and in the complete discretion of Administrative Agent, Administrative Agent may:

(I) dispose of the Collateral or any part thereof at a public disposition;

(II) dispose of the Collateral or any part thereof at a private disposition, in which event such notice shall also contain a summary of the material

terms of the proposed disposition, and Seller shall have until the time of such proposed disposition during which to redeem the Collateral or to procure a Person willing, ready and able to acquire the Collateral on terms at least as favorable to Seller and the Affected Parties, and if such an acquirer is so procured, then Administrative Agent shall dispose of the Collateral to the acquirer so procured;

(III) dispose of the Collateral or any part thereof in bulk or parcels;

(IV) dispose of the Collateral or any part thereof to any Affected Party or any Affiliate thereof at a public disposition;

(V) bid for and acquire, unless prohibited by applicable Law, free from any redemption right, the Collateral or any part thereof, and, if the Affected Parties are then the holders of any Obligations or any participation or other interest therein, in lieu of paying cash therefor, Administrative Agent on behalf of the Affected Parties may make settlement for the selling price by crediting the net selling price, if any, after deducting all costs and expenses of every kind, upon the outstanding principal amount of the Obligations, in such order and manner as Administrative Agent on behalf of the Affected Parties, in its discretion, may deem advisable and as permissible and required under the Transaction Documents. Administrative Agent for the benefit of Affected Parties, upon so acquiring the Collateral or any part thereof shall be entitled to hold or otherwise deal with or dispose of the same in any manner not prohibited by applicable Law; or

(VI) enforce any other remedy available to Administrative Agent on behalf of the Affected Parties at Law or in equity.

From time to time Administrative Agent may, but shall not be obligated to, postpone the time and change the place of any proposed disposition of any of the Collateral for which notice has been given as provided above and may retain the Collateral until such time as the proposed disposition occurs if, in the sole discretion of Administrative Agent, such postponement or change is necessary or appropriate in order that the provisions of this Agreement applicable to such disposition may be fulfilled or in order to obtain more favorable conditions under which such disposition may take place. Seller and Master Servicer each acknowledges and agrees that private dispositions may be made at prices and upon other terms less favorable than might have been attained if the Collateral were disposed of at public disposition. For the avoidance of doubt, to the extent permitted by Law, Administrative Agent shall not be obligated to make any disposition of the Collateral or any part thereof notwithstanding any prior notice of a proposed disposition. No demand, advertisement or notice, all of which are hereby expressly waived by Seller and Master Servicer to the extent permitted by Law, shall be required in connection with any disposition of the Collateral or any part thereof, except for the notice described in this clause (ii).

In case of any disposition by Administrative Agent of any of the Collateral on credit, which may be elected at the option and in the complete discretion of Administrative Agent, on behalf of the Affected Parties, the Collateral so disposed may be retained by Administrative Agent for the benefit of the Affected Parties until the disposition price is paid by the purchaser, but neither Administrative Agent nor the Affected Parties shall incur any liability in case of failure of the purchaser to take up and pay for the Collateral so disposed. In case of any such failure, such Collateral so disposed may be again disposed.

After deducting all costs or expenses of every kind (including the attorneys' fees and legal expenses incurred by Administrative Agent or the Affected Parties, or both), Administrative Agent shall apply the residue of the proceeds of any disposition or dispositions, if any, to pay the principal of and interest upon the Obligations in such order and manner as Administrative Agent in its discretion may deem advisable and as permissible and required under the Transaction Documents. The excess, if any, shall be paid to Seller in accordance with the Transaction Documents. Neither Administrative Agent nor the Affected Parties shall incur any liability as a result of the dispositions of the Collateral at any private or public disposition that complies with the provisions of this Section 10.2(d).

Notwithstanding a foreclosure upon any of the Collateral or exercise of any other remedy by Administrative Agent on behalf of the Affected Parties in connection with any Purchase Termination Date, neither Seller nor Master Servicer shall be subrogated thereby to any rights of Administrative Agent for the benefit of the Affected Parties against the Collateral or any other security for the Obligations, nor shall Seller or Master Servicer be deemed to be the owner of any interest in any Obligations, or exercise any rights or remedies with respect to itself or any other party until the Obligations (other than any Indemnified Amounts that have not then been requested under this Agreement) have been paid to Administrative Agent for the benefit of the Affected Parties and are fully and indefeasibly performed and discharged.

Administrative Agent shall have no duty to prepare or process the Collateral for disposition.

## ARTICLE XI

### PURCHASER AGENTS; ADMINISTRATIVE AGENT; CERTAIN RELATED MATTERS

#### SECTION 11.1 [Reserved].

**SECTION 11.2 Limited Liability of Purchasers, Purchaser Agents and Administrative Agent.** The obligations of Administrative Agent, each Program Administrator, each Purchaser, each Purchaser Agent, each Enhancement Provider, each Liquidity Provider and each agent for any Purchaser under the Transaction Documents are solely the corporate obligations of such Person. Except with respect to any claim arising out of the willful misconduct or gross negligence of such Person (including with respect to the servicing, administering or collecting Pool Receivables by such Person as successor Master Servicer pursuant to Section 8.1), no claim may be made by any CHR Party against any

Program Administrator, Administrative Agent, any Purchaser, any Purchaser Agent, any Enhancement Provider, any Liquidity Provider or any agent for any Purchaser or their respective Affiliates, directors, members, managers, officers, employees, attorneys or agents, including Global Securitization Services, LLC, any Program Administrator and Wells, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Transaction Document, or any act, omission or event occurring in connection therewith; and each of Seller, Master Servicer, Performance Guarantor and CHR hereby waives, releases, and agrees not to sue upon any claim for any such damages not expressly permitted by this Section 11.2, whether or not accrued and whether or not known or suspected to exist in its favor. Notwithstanding any provision of this Agreement or any other Transaction Document to the contrary: (i) in no event shall Administrative Agent or any Purchaser Agent ever be required to take any action which exposes it to personal liability or which is contrary to the provision of any Transaction Document or applicable Law and (ii) neither Administrative Agent nor any Purchaser Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any party hereto or any other Person, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of Administrative Agent or any Purchaser Agent shall be read into this Agreement or the other Transaction Documents or otherwise exist against Administrative Agent or any Purchaser Agent. In performing its functions and duties hereunder, Administrative Agent shall act solely as the agent of the Purchasers, the Purchaser Agents and the other Affected Parties, as applicable, and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for Seller, any Originator, Performance Guarantor or Master Servicer or any other Person.

**SECTION 11.3 Authorization and Action of each Purchaser Agent.** By its execution hereof, in the case of each Conduit Purchaser and Committed Purchaser, and by accepting the benefits hereof, each Enhancement Provider and Liquidity Provider, each such party hereby designates and appoints its related Purchaser Agent to take such action as agent on its behalf and to exercise such powers as are delegated to such Purchaser Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Each Purchaser Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies, in each case, authorized or provided for under this Agreement or any other Transaction Document and any related agreements and documents.

**SECTION 11.4 Authorization and Action of Administrative Agent.** By its execution hereof, in the case of each Conduit Purchaser, Committed Purchaser and Purchaser Agent, each such party hereby designates and appoints Wells as the Administrative Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Administrative Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies, in each case, authorized or provided for under this Agreement or any other Transaction Document and any related agreements and documents.

**SECTION 11.5 Delegation of Duties of each Purchaser Agent.** Each Purchaser Agent may execute any of its duties through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Purchaser Agent shall be responsible to any Purchaser in its Purchaser Group for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

**SECTION 11.6 Delegation of Duties of Administrative Agent.** Administrative Agent may execute any of its duties through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible to any Purchaser, any Purchaser Agent or any other Person for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

**SECTION 11.7 Successor Agent.** The Administrative Agent may, upon at least thirty (30) days notice to the Seller and each Purchaser Agent, resign as Administrative Agent. Such resignation shall not become effective until a successor agent (i) is appointed by the Required Purchasers and so long as no Event of Termination or Unmatured Event of Termination has occurred and is continuing, the Seller and (ii) has accepted such appointment. Upon such acceptance of its appointment as Administrative Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Transaction Documents.

**SECTION 11.8 Indemnification.** Each Committed Purchaser shall indemnify and hold harmless the Administrative Agent and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Seller or the Master Servicer and without limiting the obligation of the Seller or the Master Servicer to do so), ratably in accordance with its Commitment from and against any and all liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses and disbursements of any kind whatsoever (including in connection with any investigative or threatened proceeding, whether or not the Administrative Agent or such Person is designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Administrative Agent for such Person as a result of, or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection therewith (but excluding any such liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses or disbursements to the extent resulting solely from the gross negligence or willful misconduct of the Administrative Agent or such Person as finally determined by a court of competent jurisdiction).

**SECTION 11.9 Reliance, etc.** Without limiting the generality of Section 11.2, each of any Program Administrator, Administrative Agent, any Purchaser Agent, any Enhancement Provider and any Liquidity Provider: (a) may consult with legal counsel (including counsel for Seller), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith

by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Purchaser or any other holder of any interest in Pool Receivables and shall not be responsible to any Purchaser or any such other holder for any statements, warranties or representations made by other Persons in or in connection with any Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Transaction Document on the part of Seller or to inspect the property (including the books and records) of Seller; (d) shall not be responsible to any Purchaser or any other holder of any interest in Pool Receivables for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Transaction Document; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile or telex) believed by it to be genuine and signed or sent by the proper party or parties.

**SECTION 11.10 Purchasers and Affiliates.** Any Purchaser, any Purchaser Agent, any Program Administrator, Administrative Agent and any of their respective Affiliates may generally engage in any kind of business with any CHR Party or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of any CHR Party or any Obligor or any of their respective Affiliates, all as if it was not a Purchaser, a Purchaser Agent, a Program Administrator or Administrative Agent hereunder, and without any duty to account therefor to any Purchaser or any other holder of an interest in Pool Receivables.

**SECTION 11.11 Sharing of Recoveries.** Each Purchaser agrees that if it receives any recovery, through set-off, judicial action or otherwise, on any amount payable or recoverable hereunder in a greater proportion than should have been received hereunder or otherwise inconsistent with the provisions hereof, then the recipient of such recovery shall purchase for cash an interest in amounts owing to the other Purchasers (as return of Investment or otherwise), without representation or warranty except for the representation and warranty that such interest is being sold by each such other Purchaser free and clear of any Lien created or granted by such other Purchaser, in the amount necessary to create proportional participation by the Purchaser in such recovery. If all or any portion of such amount is thereafter recovered from the recipient, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

**SECTION 11.12 Non-Reliance on Administrative Agent, Purchaser Agents and Other Purchasers.** Each Purchaser expressly acknowledges that none of the Administrative Agent, the Purchaser Agents nor any of their respective officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent, or any Purchaser Agent hereafter taken, including any review of the affairs of the Seller, Master Servicer or any Originator, shall be deemed to constitute any representation or warranty by the Administrative Agent or such Purchaser Agent, as applicable. Each Purchaser represents and warrants to the Administrative Agent and the Purchaser Agents that,

independently and without reliance upon the Administrative Agent, Purchaser Agents or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, Master Servicer or the Originators, and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. Except for items specifically required to be delivered hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Purchaser Agent with any information concerning the Seller, Master Servicer or the Originators or any of their Affiliates that comes into the possession of the Administrative Agent or any of its officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact or Affiliates.

**ARTICLE XII**  
**INDEMNIFICATION**

**SECTION 12.1 Indemnities by Seller.**

(a) General Indemnity. Without limiting any other rights which any such Person may have hereunder or under applicable Law, but subject to Sections 12.1(b) and 13.5, Seller agrees to indemnify and hold harmless Administrative Agent, each Program Administrator, each Purchaser, each Purchaser Agent, each Enhancement Provider, each Liquidity Provider, each other Affected Party, any sub-agent of Administrative Agent or any Purchaser Agent, any assignee or successor of any of the foregoing and each of their respective Affiliates, and all directors, members, managers, directors, shareholders, officers, employees and attorneys or agents of any of the foregoing (each an "Indemnified Party"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses (including all filing fees), including reasonable attorneys', consultants' and accountants' fees and disbursements but excluding all Excluded Taxes other than any amounts reimbursable pursuant to Section 3.3, (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of, relating to or in connection with the Transaction Documents, any of the transactions contemplated thereby, or the ownership, maintenance or funding, directly or indirectly, of the Asset Interest (or any part thereof) or in respect of or related to any Collateral, including Pool Receivables or any Related Assets or otherwise arising out of or relating to or in connection with the actions or inactions of Seller, Master Servicer or any other party to a Transaction Document (other than such Indemnified Party), provided, however, notwithstanding anything to the contrary in this Article XII, excluding Indemnified Amounts solely to the extent (x) determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct on the part of such Indemnified Party as determined by a final non-appealable judgment by a court of competent jurisdiction or (y) they constitute recourse with respect to a Pool Receivable and the Related Assets by reason of bankruptcy or insolvency, or the financial or credit



condition or financial default, of the related Obligor. Without limiting the foregoing, Seller shall indemnify, subject to the express limitations set forth in this Section 12.1, and hold harmless each Indemnified Party for any and all Indemnified Amounts arising out of, relating to or in connection with:

(i) the transfer by Seller or any Originator of any interest in any Pool Receivable other than the transfer of any Pool Receivable and Related Assets to Administrative Agent and any Purchaser pursuant to this Agreement, to Administrative Agent and to Seller pursuant to the Sale Agreement and the grant of a security interest to Administrative Agent pursuant to this Agreement and to Seller pursuant to the Sale Agreement;

(ii) any representation or warranty made by Seller, Master Servicer or any other party to a Transaction Document (other than such Indemnified Party) (or any of their respective officers or Affiliates) under or in connection with any Transaction Document, any Information Package or any other information or report delivered by or on behalf of Seller pursuant hereto, which shall have been untrue, false or incorrect when made or deemed made;

(iii) the failure of Seller, Master Servicer or any other party to a Transaction Document (other than such Indemnified Party) to comply with the terms of any Transaction Document or any applicable Law (including with respect to any Pool Receivable or Related Assets), or the nonconformity of any Pool Receivable or Related Assets or any servicing thereof with any such Law;

(iv) the lack of an enforceable ownership interest, or a first priority perfected security interest, in the Pool Receivables (and all Related Assets) against all Persons (including any bankruptcy trustee or similar Person);

(v) the failure to file, or any delay in filing of (other than as a result of actions or omissions of the Administrative Agent or Purchaser Group), financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or under any other applicable Laws with respect to any Pool Receivable whether at the time of any Purchase or Reinvestment or at any time thereafter other than as a result of the Administrative Agent or the Purchaser Group;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Pool Receivable in, or purporting to be in, the Receivables Pool (including a defense based on such Pool Receivable's or the related Contract's not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms) or any other claim resulting from the sale of the merchandise or services related to such Pool Receivable or the furnishing or failure to furnish such merchandise or services or the servicing or collection of such Receivable;

(vii) any suit or claim related to the Pool Receivables, Related Assets or any Transaction Document (including any products liability or environmental liability claim arising out of or in connection with merchandise or services that are the subject of any Pool Receivable or Related Asset);

(viii) the ownership, delivery, non-delivery, possession, design, construction, use, maintenance, transportation, performance (whether or not according to specifications), operation (including the failure to operate or faulty operation), condition, return, sale, repossession or other disposition or safety of any Related Assets (including claims for patent, trademark, or copyright infringement and claims for injury to persons or property, liability principles, or otherwise, and claims of breach of warranty, whether express or implied);

(ix) the failure by Seller, Master Servicer or any other party to a Transaction Document (other than such Indemnified Party) to notify any Obligor of the assignment pursuant to the terms hereof of any Pool Receivable or Related Assets to Administrative Agent for the benefit of Purchasers or the failure to require that payments (including any under the related insurance policies) be made directly to Administrative Agent for the benefit of Purchasers;

(x) failure by Seller, Master Servicer or any other party to a Transaction Document (other than such Indemnified Party) to comply with the “bulk sales” or analogous Laws of any jurisdiction;

(xi) any Taxes (other than Excluded Taxes) imposed upon any Indemnified Party or upon or with respect to the Pool Receivables or Related Assets, all interest and penalties thereon or with respect thereto, and all costs and expenses related thereto or arising therefrom, including the fees and expenses of counsel in defending against the same;

(xii) any loss arising, directly or indirectly, as a result of the imposition of sales or similar transfer type taxes or the failure by Seller, any Originator, Performance Guarantor or Master Servicer to timely collect and remit to the appropriate authority any such taxes;

(xiii) any commingling of any Collections by Seller, any Originator, Performance Guarantor or Master Servicer relating to the Pool Receivables or Related Assets with any of their funds or the funds of any other Person ([including the commingling of Collections of Pool Receivables with Excluded Collections](#));

(xiv) any failure by Seller, any Originator, Performance Guarantor or Master Servicer to perform its duties or obligations in accordance with the provisions of the Transaction Documents and the related Contracts;

(xv) any failure by Seller, any Originator, Master Servicer or any of their Affiliates to obtain consent from any Obligor prior to the assignment of any

Pool Receivable and Related Assets pursuant to the terms of the Transaction Documents;

(xvi) any breach of any Contract as a result of the sale or contribution thereof or any Receivables related thereto pursuant to the Sale Agreement or this Agreement;

(xvii) the failure or delay to provide any Obligor with an invoice or other evidence of indebtedness; or

(xviii) any inability of any Originator or Seller to assign any Receivable or Related Asset as contemplated under the Transaction Documents; or the violation or breach by any Originator, Seller, Master Servicer, Performance Guarantor or any of their respective Affiliates of any confidentiality provision, or of any similar covenant of non-disclosure, with respect to any Contract, or any other Indemnified Amount with respect to or resulting from any such violation or breach.

(b) Contest of Tax Claim; After-Tax Basis. Subject to the provisions of Section 3.3, if any Indemnified Party shall have notice of any attempt to impose or collect any Indemnified Tax or governmental fee or charge for which indemnification will be sought from Seller under Sections 12.1(a)(xi) or (xii), such Indemnified Party shall give prompt and timely notice of such attempt to Seller and Seller shall, provided that Seller shall first deposit with the applicable Purchaser Agent amounts which are sufficient to pay both the aforesaid tax, fee or charge and the costs and expenses of the Indemnified Parties, have the right, at its sole expense, to participate in any proceedings resisting or objecting to the imposition or collection of any such Tax, governmental fee or charge. Indemnification in respect of such tax, governmental fee or charge shall be in an amount necessary to make the Indemnified Party whole after taking into account any tax consequences to the Indemnified Party of the payment of any of the aforesaid Taxes and the receipt of the indemnity provided hereunder or of any refund of any such Tax previously indemnified hereunder, including the effect of such Tax or refund on the amount of Tax measured by net income or profits which is or was payable by the Indemnified Party.

(c) Contribution. If for any reason the indemnification provided above in this Section 12.1 is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless, then Seller shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and Seller on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

**SECTION 12.2 Indemnity by Master Servicer**. Without limiting any other rights which any such Person may have hereunder or under applicable Law, Master Servicer agrees to indemnify and hold harmless each Indemnified Party from any and all Indemnified

Amounts incurred by any of them and arising out of, relating to or in connection with: (i) any breach by it (in any capacity) of any of its obligations or duties under this Agreement, any other Transaction Document or any Contract; (ii) the untruth or inaccuracy of any representation or warranty made by it (in any capacity) hereunder, under any other Transaction Document or in any certificate or statement delivered by it or on its behalf pursuant hereto or to any other Transaction Document, including any Information Package; (iii) the failure of any information contained in an Information Package to be true and correct, or the failure of any other information provided to any such Indemnified Party by, or on behalf of, Master Servicer (in any capacity) to be true and correct; (iv) any negligence or willful misconduct on its (in any capacity) part arising out of, relating to, in connection with, or affecting any transaction contemplated by the Transaction Documents, any Pool Receivable or any Related Asset; (v) the failure by Master Servicer (in any capacity) to comply with any applicable Law, rule or regulation with respect to any Pool Receivable or the related Contract or its servicing thereof; (vi) the violation or breach by Master Servicer or any of its Affiliates of any confidentiality provision, or of any similar covenant of non-disclosure, with respect to any Contract, or any other Indemnified Amount with respect to or resulting from any such violation or breach; (vii) any failure by Master Servicer or any of its Affiliates to obtain consent from any Obligor prior to the assignment of any Pool Receivable and Related Assets pursuant to the terms of the Transaction Documents; (viii) any breach of any Contract as a result of the sale or contribution thereof or any Receivables related thereto pursuant to the Sale Agreement or this Agreement; or (ix) any commingling of any funds by it (in any capacity) relating to the Asset Interest with any of its funds or the funds of any other Person ([including the commingling of Collections of Pool Receivables with Excluded Collections](#)).

### ARTICLE XIII

#### MISCELLANEOUS

**SECTION 13.1 Amendments, Etc.** No amendment, modification or waiver of any provision of this Agreement nor consent to any departure by Seller or Master Servicer therefrom shall in any event be effective unless the same shall be in writing and signed by, unless otherwise described herein, Seller, Administrative Agent, Master Servicer and the Required Purchasers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or modification shall (i) decrease the outstanding amount of, or extend the repayment of or any scheduled payment date for the payment of, any Yield in respect of the Purchasers' Total Investment or any fees owed to any Purchaser, any Purchaser Agent or Administrative Agent without the prior written consent of such Person; (ii) forgive or waive or otherwise excuse any repayment of the Purchasers' Total Investment without the prior written consent of each Purchaser and the related Purchaser Agent affected thereby; (iii) increase the Commitment of any Purchaser without its prior written consent; (iv) amend or modify the ratable share of any Committed Purchaser's Commitment or its percentage of the Purchasers' Total Commitment without such Committed Purchaser's prior written consent; (v) amend or modify the provisions of this Section 13.1, Section 10.1, or the definition of

“Asset Interest”, “Delinquent Receivable”, “Defaulted Receivable”, “Eligible Receivable”, “Event of Termination”, “Unmatured Event of Termination”, “Required Purchasers”, “Net Portfolio Balance”, “Purchase Termination Date”, “Related Asset”, “Required Reserves”, “Master Servicer Termination Events”, “Unmatured Master Servicer Termination Event”, “Specified Concentration Percentage” (other than any permitted changes contemplated by the definition thereof), or “Yield Period” or any of the definitions used in any such preceding definition, in each case without the prior written consent of each Committed Purchaser and each Purchaser Agent or (vi) release all or any material part of the Asset Interest from the security interest granted by the Seller to the Administrative Agent hereunder without the prior written consent of each Committed Purchaser and each Purchaser Agent; provided, further, that the consent of Seller and Master Servicer shall not be required for the effectiveness of any amendment which modifies on a prospective basis, the representations, warranties, covenants or responsibilities of Master Servicer at any time when Master Servicer is not CHR or an Affiliate of CHR or a successor Master Servicer is designated by Administrative Agent through a Successor Notice. Notwithstanding anything in any Transaction Document to the contrary, none of Seller or Master Servicer shall (and shall not permit Performance Guarantor to) amend, waive or otherwise modify any other Transaction Document, or consent to any such amendment or modification, without the prior written consent of Administrative Agent and the Required Purchasers.

**SECTION 13.2 Notices, Etc.** All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile and email communication) and shall be personally delivered or sent by express mail or nationally recognized overnight courier or by certified mail, first class postage prepaid, or by facsimile or email, to the intended party at the address, facsimile number or email address of such party set forth in Schedule 13.2 or at such other address, facsimile number or email address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (a) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (b) if transmitted by facsimile or email, when receipt is confirmed by telephonic or electronic means.

**SECTION 13.3 Successors and Assigns; Participations; Assignments.**

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, none of Seller, Master Servicer or Performance Guarantor may assign or transfer any of its rights or delegate any of its duties hereunder or under any Transaction Document without the prior consent of Administrative Agent and each Purchaser Agent.

(b) Participations. Any Purchaser may sell to one or more Persons (each a “Participant”) participating interests in the interests of such Purchaser hereunder; provided, however, that no Purchaser shall, without the consent of the Seller, grant any participation under which the Participant shall have rights to approve any amendment to or waiver of this Agreement or any other Transaction Document. Such Purchaser shall

remain solely responsible for performing its obligations hereunder, and Seller, Master Servicer, each Purchaser Agent and Administrative Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations hereunder. A Purchaser shall not agree with a Participant to restrict such Purchaser's right to agree to any amendment hereto; and in no event shall Seller or Master Servicer be liable to any such Participant under Article IV for an amount in excess of that which would be payable to the applicable Purchaser under such Article. Each Purchaser that sells a participating interest hereunder to a Participant shall notify Administrative Agent, the related Purchaser Agent and Seller of any such sale.

(c) Assignment by Conduit Purchasers. This Agreement and each Conduit Purchaser's rights and obligations under this Agreement (including its interest in the Asset Interest) or any other Transaction Document shall be freely assignable in whole or in part by such Conduit Purchaser and its successors and permitted assigns to any Eligible Assignee without the consent of Seller except as required pursuant to clause (iv) of the definition of Eligible Assignee. Each assignor of all or a portion of its interest in the Asset Interest shall notify Administrative Agent, the related Purchaser Agent and Seller of any such assignment. Each assignor of all or a portion of its interest in the Asset Interest may, in connection with such assignment and subject to Section 13.8, disclose to the assignee any information relating to the Asset Interest, furnished to such assignor by or on behalf of Seller, Master Servicer or Administrative Agent. Notwithstanding anything to the contrary set forth herein, any Conduit Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement (including its interest in the Asset Interest) to any Conduit Trustee without notice to or consent of the Seller; provided, that no such pledge or grant of security interest shall release such Conduit Purchaser from any of its obligations hereunder or substitute any such Conduit Trustee for such Conduit Purchaser as a party hereto.

(d) Assignment by Committed Purchasers. (i) Each Committed Purchaser may freely assign to any Eligible Assignee without the consent of Seller except as required pursuant to clause (iv) of the definition of Eligible Assignee all or a portion of its rights and obligations under this Agreement or in any other Transaction Document (including all or a portion of its Commitment and its interest in the Asset Interest) in each case, with prior written consent of Administrative Agent, the related Purchaser Agent and prior written notice to Seller; provided, however that the parties to each such assignment shall execute and deliver to Administrative Agent and to Seller, for its recording in the Register, a duly executed and enforceable joinder to this Agreement ("Joinder").

(ii) From and after the effective date specified in such Joinder, (x) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations under this Agreement have been assigned to it pursuant to such Joinder, have the rights and obligations of a Committed Purchaser thereunder and (y) the assigning Committed Purchaser shall, to the extent that rights and obligations have been assigned by it pursuant to such Joinder, relinquish such rights and be released from such obligations under this

Agreement. In addition, any Committed Purchaser may assign all or any portion of its rights (including its interest in the Asset Interest) under this Agreement to any Federal Reserve Bank without notice to or consent of Seller, Master Servicer, any other Committed Purchaser, Conduit Purchaser or Administrative Agent.

(e) Register.

(i) Seller or Master Servicer on Seller's behalf shall maintain a register for the recordation of the names and addresses of the Purchasers, and the Purchases (and Yield, fees and other similar amounts under this Agreement) pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and Seller, Master Servicer and the Purchasers shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a lender solely for U.S. federal income tax purposes. The Register shall be available for inspection by the Purchaser, at any reasonable time and from time to time upon reasonable prior notice.

(ii) Seller or Master Servicer on Seller's behalf shall also maintain in the Register each participant's and/or assignee's interest or obligations under the Transaction Documents with respect to each participation or assignment pursuant to Section 13.3(b) or 13.3(c) and shall record such participation or assignment upon notice from the Administrative Agent or the applicable Purchaser; provided that no Person shall have any obligation to disclose all or any portion of the Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, purchases or its other obligations under any Transaction Document) to any Person except to the extent that such disclosure is necessary to establish that such interest or obligation that is treated as indebtedness for U.S. federal income tax purposes is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Register shall be conclusive absent manifest error.

(f) Opinions of Counsel. If requested by Administrative Agent or an assigning Purchaser or related Purchaser Agent or necessary to maintain the ratings of any Conduit Purchaser's Commercial Paper Notes, each assignment agreement or transfer supplement, as the case may be, must be accompanied by an opinion of counsel of the assignee as to such matters as Administrative Agent or such Purchaser or related Purchaser Agent may reasonably request.

**SECTION 13.4 No Waiver; Remedies**. No failure on the part of Administrative Agent, any Liquidity Provider, any Enhancement Provider, any Affected Party, any Purchaser, any Purchaser Agent or any Indemnified Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by Law. Any waiver of this Agreement shall be effective only in the specific

instance and for the specific purpose for which given. Without limiting the foregoing, each Purchaser, each Purchaser Agent, Wells, individually and as Administrative Agent, each Enhancement Provider, each Liquidity Provider, each Affected Party, and any of their Affiliates (the “Set-off Parties”) are each hereby authorized by Master Servicer, Performance Guarantor and Seller at any time and from time to time (without notice to the Master Servicer, Performance Guarantor, Seller or any other Person (any such notice being expressly waived by Master Servicer and Seller)), to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing to, any such Set-off Party to or for the credit to the account of Master Servicer, Performance Guarantor or Seller, as applicable, against any and all obligations of Master Servicer, Performance Guarantor or Seller, as applicable, now or hereafter existing under this Agreement or any other Transaction Document, to any Set-off Party.

**SECTION 13.5 Binding Effect; Survival.**

(a) This Agreement shall be binding upon and inure to the benefit of Seller, Master Servicer, Performance Guarantor, Administrative Agent, each Purchaser, and the provisions of Articles IV and XII shall inure to the benefit of the Affected Parties and Indemnified Parties, respectively, and their respective successors and assigns.

(b) Each Liquidity Provider, each Enhancement Provider and each other Affected Party are express third party beneficiaries hereof. Subject to clause (i) of Section B of Appendix A hereto, this Agreement shall not confer any rights or remedies upon any other Person, other than the third party beneficiaries specified in this Section 13.5(b).

(c) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Final Payout Date. The rights and remedies with respect to any breach of any representation and warranty made by Seller pursuant to Article VI and the indemnification and payment provisions of Articles IV and XII and Sections 1.2(f), 3.2, 3.3, 11.8, 11.11, 13.4, 13.5, 13.6, 13.7, 13.8, 13.11, 13.12, 13.13, 13.14 and 13.15 shall be continuing and shall survive any termination of this Agreement.

**SECTION 13.6 Costs, Expenses and Taxes.** In addition to its obligations under Article XII, Seller and Master Servicer, jointly and severally, agree to pay on demand:

(a) All reasonable costs and expenses incurred by or on behalf of Administrative Agent, each Liquidity Provider, each Enhancement Provider, each Purchaser, each Purchaser Agent and each other Affected Party in connection with:

(i) the negotiation, preparation, execution and delivery of this Agreement and the other Transaction Documents and any amendment of or consent or waiver under any of the Transaction Documents (whether or not consummated), or the enforcement of, or any actual or claimed breach of, this



Agreement or any of the other Transaction Documents, including external accountants', external auditors', external consultants' external and external attorneys' fees and expenses to any of such Persons and the fees and charges of any nationally recognized statistical rating agency or any independent accountants, external auditors, external consultants or other agents incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents in connection with any of the foregoing; and

(ii) the administration (including periodic auditing as provided for herein) of this Agreement and the other Transaction Documents and the transactions contemplated thereby, including all expenses and accountants', consultants' and attorneys' fees incurred in connection with the administration and maintenance of this Agreement and the other Transaction Documents and the transactions contemplated thereby; and

(b) all stamp and other similar Taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents.

**SECTION 13.7 No Proceedings.**

(a) Seller, Master Servicer, Performance Guarantor, Administrative Agent, each Purchaser and each Purchaser Agent, each hereby agrees that it will not (and will not permit any of its Affiliates to) institute against any Conduit Purchaser, or join any other Person in instituting against any Conduit Purchaser, any proceeding of the type referred to in the definition of Event of Bankruptcy from the Closing Date until one year plus one day following the last day on which all Commercial Paper Notes and other publicly or privately placed indebtedness for borrowed money of such Conduit Purchaser shall have been indefeasibly paid in full.

(b) Master Servicer, Performance Guarantor, each Purchaser and each Purchaser Agent, each hereby agrees that it will not institute against Seller, or join any other Person in instituting against Seller, any proceeding of the type referred to in the definition of Event of Bankruptcy; provided, however, that Administrative Agent, with the prior consent of the Required Purchasers, may, or shall at the direction of the Required Purchasers institute or join any other Person in instituting any such proceeding against Seller. The foregoing shall not limit any such Person's right to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted by any Person other than such parties.

**SECTION 13.8 Confidentiality.**

(a) Each party hereto acknowledges that Administrative Agent, each Purchaser and each Purchaser Agent regards the terms of the transactions contemplated

by this Agreement to be proprietary and confidential, and each such party severally agrees that:

(i) it will not disclose without the prior consent of Administrative Agent (other than to the directors, officers, employees, auditors, counsel or Affiliates (collectively, “representatives”) of such party, each of whom shall be informed by such party of the confidential nature of the Program Information (as defined below) and of the terms of this Section 13.8), (1) any information regarding the pricing terms in, or copies of, this Agreement, any other Transaction Document or any transaction contemplated hereby or thereby, (2) any information regarding the organization, business or operations of any Purchaser generally or the services performed by Administrative Agent for any Purchaser, or (3) any information which is furnished by Administrative Agent to such party and is designated by Administrative Agent to such party in writing as confidential (the information referred to in clauses (1), (2) and (3) is collectively referred to as the “Program Information”), provided that such party may disclose any such Program Information: (A) to any other party to this Agreement (and any representatives so long as they are informed that such information is confidential and agree to keep such information confidential) for the purposes contemplated hereby, (B) as may be required by any Governmental Authority having jurisdiction over such party, (x) in order to comply with any Law applicable to such party or (y) subject to subsection (c), in the event such party is legally compelled (by interrogatories, requests for information or copies, subpoena, civil investigative demand or similar process) to disclose any such Program Information or (C) to any Conduit Trustee or to any permitted assignee of such party’s rights and obligations hereunder to the extent they agree to be bound by this Section;

(ii) it, and any Person to which it discloses such information, will use the Program Information solely for the purposes of evaluating, administering, performing and enforcing the transactions contemplated by this Agreement and making any necessary business judgments with respect thereto; and

(iii) it, and any Person to which it discloses such information, will, upon written demand from Administrative Agent, return (and cause each of its representatives to return) to Administrative Agent or destroy, all documents or other written material received from Administrative Agent, as the case may be, pursuant to clauses (2) or (3) of subsection (i) above and all copies thereof made by such party which contain all Program Information. Any Person required to maintain the confidentiality of any information as provided in this Section 13.8(a) shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

(b) Availability of Confidential Information. This Section 13.8 shall be inoperative as to such portions of the Program Information which are or become

generally available to the public or such party on a nonconfidential basis from a source other than Administrative Agent or were known to such party on a nonconfidential basis prior to its disclosure by Administrative Agent.

(c) Legal Compulsion to Disclose. In the event that any party or anyone to whom such party or its representatives transmits the Program Information is requested or becomes legally compelled (by interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Program Information, such party shall provide Administrative Agent, each Purchaser Agent and Master Servicer with prompt written notice so that Administrative Agent may at the expense of Master Servicer seek a protective order or other appropriate remedy and/or if it so chooses, agree that such party may disclose such Program Information pursuant to such request or legal compulsion. In the event that such protective order or other remedy is not obtained, or Administrative Agent waives compliance with the provisions of this Section 13.8(c), such party will furnish only that portion of the Program Information which (in such party's good faith judgment) is legally required to be furnished and will exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Program Information.

(d) Confidentiality of Administrative Agent and Purchasers. Each of Administrative Agent, each Purchaser, each Purchaser Agent, each Affected Party and their successors and assigns agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and be instructed and agree or be otherwise bound to keep such Information confidential), (ii) to the extent requested by any Governmental Authority or by any applicable Law, (iii) to the extent required by any subpoena or similar legal process, provided, however, to the extent permitted by applicable Law and if practical to do so under the circumstances, that the Person relying on this clause (iii) shall provide Seller with prompt notice of any such required disclosure so that Seller may seek a protective order or other appropriate remedy, and in the event that such protective order or other remedy is not obtained, such Person will furnish only that portion of the Information which is legally required, (iv) to any other Affected Party or to any Conduit Trustee, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, (vii) to any prospective participant or assignee provided such person agrees to be bound by this Section 13.8(d), (viii) with the consent of Seller, (ix) to the extent such Information (1) becomes publicly available other than as a result of a breach of this Section or any agreement contemplated by this Section or (2) becomes available to such Person on a nonconfidential basis from a source other than the Master Servicer or its Subsidiaries (and not in breach of this Section or any agreement contemplated by this Section) or (x) to any nationally recognized statistical rating organization as contemplated by Section 17g-5 of the 1934

Act or in connection with obtaining or monitoring a rating on any Commercial Paper Notes. For the purposes of this Section, "Information" means all information received from the Master Servicer or any Affiliate thereof relating to Seller, the Master Servicer, Performance Guarantor or any Affiliate or their business, other than any such information that is available to such Person on a nonconfidential basis prior to disclosure by the Master Servicer or any Affiliate thereof. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

**SECTION 13.9 Captions and Cross References.** The various captions (including the table of contents) in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement. Unless otherwise indicated, references in this Agreement to any Section, Appendix, Schedule or Exhibit are to such Section of or Appendix, Schedule or Exhibit to this Agreement, as the case may be, and references in any Section, subsection, or clause to any subsection, clause or subclause are to such subsection, clause or subclause of such Section, subsection or clause.

**SECTION 13.10 Integration.** This Agreement, together with the other Transaction Documents, contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire understanding among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

**SECTION 13.11 Governing Law.** THIS AGREEMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF, EXCEPT TO THE EXTENT THAT THE PERFECTION, THE EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF ADMINISTRATIVE AGENT OR ANY PURCHASER IN THE POOL RECEIVABLES OR RELATED ASSETS IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK).

**SECTION 13.12 Waiver of Jury Trial.** EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES

THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT A JURY.

**SECTION 13.13 Consent to Jurisdiction; Waiver of Immunities.** EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) IT IRREVOCABLY (i) SUBMITS TO THE JURISDICTION, FIRST, OF ANY UNITED STATES FEDERAL COURT, AND SECOND, IF FEDERAL JURISDICTION IS NOT AVAILABLE, OF ANY NEW YORK STATE COURT, IN EITHER CASE SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OTHER TRANSACTION DOCUMENT, (ii) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED ONLY IN SUCH NEW YORK STATE OR FEDERAL COURT AND NOT IN ANY OTHER COURT, AND (iii) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

**SECTION 13.14 Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart hereof by facsimile or other electronic means shall be equally effective as delivery of an originally executed counterpart.

**SECTION 13.15 No Recourse Against Other Parties.** Other than as provided for in the Transaction Documents with respect to Performance Guarantor, Master Servicer and any Originator, no recourse under any obligation, covenant or agreement of any party contained in this Agreement shall be had against any stockholder, employee, officer, director, member, manager, incorporator or organizer of such party.

**SECTION 13.16 Pledge to a Federal Reserve Bank or Security Trustee.**

(a) Federal Reserve. Notwithstanding anything to the contrary set forth herein (including in Section 13.3), (i) each Committed Purchaser or any assignee or participant thereof or (ii) in the event that any Conduit Purchaser assigns any of its interest in, to and under the Asset Interest to any Liquidity Provider or Enhancement

Provider, any such Person, may at any time pledge, grant a security interest in or otherwise transfer all or any portion of its interest in the Asset Interest or under this Agreement to secure the obligations of such Person to a Federal Reserve Bank or otherwise to any other federal Governmental Authority or special purpose entity formed or sponsored by any such federal Governmental Authority, in each case without notice to or the consent of Seller or Master Servicer, but such pledge, grant or transfer shall not relieve any Person from its obligations hereunder.

(b) Security Trustee. Notwithstanding anything to the contrary set forth herein (including in Section 13.3), each Conduit Purchaser may at any time pledge, grant a security interest in or otherwise transfer all or any portion of its interest in the Asset Interest or under this Agreement to a collateral trustee or security trustee under its Commercial Paper Notes program, without notice to or the consent of Seller or Master Servicer, but such pledge, grant or transfer shall not relieve such Conduit Purchaser from its obligations, if any, hereunder.

**SECTION 13.17 Severability.** Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**SECTION 13.18 No Party Deemed Drafter.** CHR, Master Servicer, Seller, Performance Guarantor, each Purchaser, each Purchaser Agent and Administrative Agent agree that no party hereto shall be deemed to be the drafter of this Agreement.

**SECTION 13.19 PATRIOT Act.** The Administrative Agent hereby notifies Seller, Performance Guarantor and Master Servicer that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), one or more of the Affected Parties are required to obtain, verify and record information that identifies Seller, Performance Guarantor and Master Servicer, which information includes the name and address of Seller, Performance Guarantor and Master Servicer and other information that will allow the Affected Parties to identify Seller, Performance Guarantor and Master Servicer in accordance with the Patriot Act. Seller, Performance Guarantor and Master Servicer shall, promptly following a request by any Affected Party, provide all documentation and other information that any Affected Party requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

[SIGNATURE PAGES FOLLOW]

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

**C.H. ROBINSON WORLDWIDE, INC.,**  
as initial Master Servicer and as Performance Guarantor  
By: \_\_\_\_\_  
Name:  
Title:

**C.H. ROBINSON RECEIVABLES, LLC,**  
as Seller  
By: \_\_\_\_\_  
Name:  
Title:

**WELLS FARGO BANK, N.A.,**  
as Administrative Agent  
By: \_\_\_\_\_  
Name:  
Title:

**WELLS FARGO BANK, N.A.,**  
as a Purchaser Agent for the Wells Purchaser Group  
By: \_\_\_\_\_  
Name:  
Title:

**WELLS FARGO BANK, N.A.,**  
as a Committed Purchaser for the Wells Purchaser Group  
By: \_\_\_\_\_  
Name:  
Title:

## APPENDIX A

### DEFINITIONS

This is Appendix A to the Receivables Purchase Agreement, dated as of April 26, 2017, among C.H. ROBINSON WORLDWIDE, INC., a Delaware corporation, as initial Master Servicer and as Performance Guarantor, C.H. ROBINSON RECEIVABLES, LLC, a Delaware limited liability company, as seller, the various CONDUIT PURCHASERS, COMMITTED PURCHASERS and PURCHASER AGENTS from time to time party hereto, and WELLS FARGO BANK, N.A., as administrative agent on behalf of the Affected Parties.

#### A. Defined Terms.

As used in this Agreement, unless the context requires a different meaning, the following terms have the meanings indicated herein below:

“1934 Act” means the Securities Exchange Act of 1934.

“Adjusted Dilution Ratio” means, as of any day, the average of the Dilution Ratios for the preceding twelve Settlement Periods.

“Administrative Agent” is defined in the preamble.

“Administrative Agent Fee Letter” means the fee letter, dated as of the Closing Date, among Seller, Master Servicer and Administrative Agent.

“Adverse Claim” means any claim of ownership or any Lien; it being understood that any thereof in favor of, or assigned to, the Administrative Agent (for the benefit of the Affected Parties) shall not constitute an Adverse Claim.

“Affected Party” means Administrative Agent, each Purchaser, each Exiting Purchaser, each Purchaser Agent, each Liquidity Provider, each Enhancement Provider and each Program Administrator.

“Affiliate” when used with respect to a Person means any other Person controlling, controlled by, or under common control with, such Person. For the purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management and policies, whether through the ownership of voting securities, by contract or otherwise.

“Affiliate Receivable” means any Pool Receivable the Obligor of which (a) is an Affiliate of any CHR Party; (b) is a Person 10% or more of the Voting Stock of which is controlled, directly or indirectly, by any CHR Party or any Affiliate of any CHR Party; or (c) is a Person which, together with any Affiliates of such Person, controls, directly or indirectly, 10% of the Voting Stock of any CHR Party.



“Agent’s Office” means the office of Administrative Agent at 1100 Abernathy Road, Suite 1500, Atlanta, GA 30328, Attention: Jonathan Davis, or such other address as shall be designated by Administrative Agent in writing to Seller and Purchasers.

“Agreement” is defined in the preamble.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Seller, the Master Servicer, the Originators, the Performance Guarantor or any of their respective Subsidiaries from time to time concerning or relating to bribery or corruption, including, without limitation, the Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act of 2010, and any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

“Anti-Terrorism Laws” means each of: (a) the Executive Order; (b) the Patriot Act; (c) the Money Laundering Control Act of 1986, 18 U.S.C. Sect. 1956 and any successor statute thereto; (d) the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); (e) the Bank Secrecy Act, and the rules and regulations promulgated thereunder; and (f) any other Law of the United States, Canada or any member state of the European Union now or hereafter enacted to monitor, deter or otherwise prevent: (i) terrorism or (ii) the funding or support of terrorism or (iii) money laundering.

“Asset Interest” is defined in Section 1.2(c).

“Bank Rate” for any day falling in a particular Yield Period with respect to any Rate Tranche and any Purchaser Group means an interest rate per annum equal to LMIR on such day.

“Bankruptcy Code” means Title 11 of the United States Code.

“Base Rate” means, with respect to any Purchaser, on any date, a fluctuating rate of interest per annum equal to the highest of:

- (a) the applicable Prime Rate for such date;
- (b) the Federal Funds Rate for such date, plus 0.50%; and
- (c) LMIR on such day, plus 0.50%.

“BASEL Accord” means, the second accord adopted by the BASEL Committee on Banking Supervision (as defined below), to the extent and in the manner implemented as an applicable law, guideline or request (or any combination thereof) from any Governmental Authority (whether or not having the force of law), as such accord and any related law, guideline or request may be amended, supplemented, restated or otherwise modified, including, but not limited to, each similar and subsequent accord that may be adopted by the BASEL Committee on Banking Supervision (including, but not limited to, the proposed accord known as BASEL III) and all related laws, guidelines or requests implementing each such accord as may be adopted and amended or supplemented from time to time. As used herein, “BASEL Committee on Banking Supervision” means, the committee created in 1974 by the central bank governors of the

Group of Ten nations. For purposes hereof “Group of Ten” shall mean the eleven countries of Belgium, Canada, France, Germany, Switzerland, the United States, Italy, Japan, the Netherlands, Sweden and the United Kingdom, which are commonly referred to as the “Group of Ten” or “G-10”, and any successor thereto.

“Beneficial Ownership Certification” is defined in Section 7.1(n).

“Beneficial Ownership Rule” means 31 C.F.R. § 1010.230.

“BofA” means Bank of America, N.A.

“Business Day” means a day on which commercial banks in New York City, New York are not authorized or required to be closed for business; provided, that, when used with respect to a Yield Rate or associated Rate Tranche based on LMIR, “Business Day” also means any day on which banks are open for domestic and international business (including dealings in U.S. Dollar deposits) in London, England.

“Change of Control” means the occurrence of any of the following:

(a) CHRCI shall at any time cease to directly own or control 100% of the Voting Stock of Seller free and clear of any Adverse Claim;

(b) Performance Guarantor shall at any time cease to directly or indirectly own or control 100% of the Voting Stock of any Originator free and clear of any Adverse Claim; or

(c) with respect to Performance Guarantor:

(i) any “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the 1934 Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of thirty-five percent (35%) or more of the voting power of the then outstanding Voting Stock of Performance Guarantor entitled to vote generally in the election of the directors of Performance Guarantor;

(ii) during any period of twelve (12) consecutive calendar months, the board of directors of Performance Guarantor shall cease to have as a majority of its members individuals (i) who were directors of Performance Guarantor on the first day of such period or (ii) whose election by the board of directors or whose nomination for election by the shareholders of the Performance Guarantor was approved by at least a majority of the directors then still in office at the time of such election or nomination who were directors of Performance Guarantor on the first day of such period or whose election or nomination for election was so approved; or

(iii) Performance Guarantor consolidates with or merges into another Person (other than a Subsidiary of Performance Guarantor) or conveys, transfers or leases all or substantially all of its property to any Person (other than a

Subsidiary of Performance Guarantor), or any Person (other than a Subsidiary of Performance Guarantor) consolidates with or merges into Performance Guarantor, in either event pursuant to a transaction in which the outstanding Voting Stock of Performance Guarantor is reclassified or changed into or exchanged for cash, securities or other property.

“CHR” is defined in the preamble.

“CHR Parties” means CHR, the Master Servicer, the Seller, the Originators and the Performance Guarantor.

“CHRCI” means C.H. Robinson Company Inc.

“Closing Date” is defined in Section 5.1.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” is defined in Section 9.1.

“Collections” means, with respect to any Pool Receivable, all funds which either (a) are received by Seller, an Originator, CHR, Master Servicer or any other Person from or on behalf of the related Obligor in payment of any amounts owed (including purchase prices, finance charges, interest and all other charges) in respect of such Pool Receivable, or applied to such other charges in respect of such Pool Receivable, or applied to such amounts owed by such Obligor (including insurance payments that Seller or Master Servicer applies in the ordinary course of its business to amounts owed in respect of such Pool Receivable and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor or any other party directly or indirectly liable for payment of such Pool Receivable and available to be applied thereon) or (b) are deemed to have been received by Seller or any other Person as a Collection pursuant to Section 3.2 (it being understood that Collections shall not refer to the purchase price paid by any Purchaser to Seller for Purchases of the Pool Receivables and Related Assets pursuant to Section 1.1).

“Commercial Paper Notes” means short-term promissory notes issued or to be issued by a Conduit Purchaser to fund its investments in accounts receivable or other financial assets.

“Commitment” means, with respect to each Committed Purchaser, the maximum amount which such Committed Purchaser is obligated to pay hereunder on account of any Purchase, as set forth on Schedule I hereto.

“Commitment Fee” is defined in the Fee Letter.

“Committed Purchaser” means each Person listed as such as set forth on the signature pages of this Agreement.

“Concentration Limit” means at any time for any Obligor, the product of (a) such Obligor’s Specified Concentration Percentage, and (b) the aggregate Unpaid Balance of the Eligible Receivables at the time of determination.

“Conduit Purchaser” means each commercial paper conduit listed as such as set forth on the signature pages of this Agreement.

“Conduit Trustee” means, with respect to any Conduit Purchaser, a security trustee or collateral agent for the benefit of the holders of the Commercial Paper Notes of such Conduit Purchaser or commercial paper note issuer appointed pursuant to such entity’s program documents.

“Consent Party” means each party required to sign any amendment, modification or waiver of any provisions of this Agreement or consent to any departure by Seller or Master Servicer therefrom pursuant to Section 13.1.

“Contract” means, with respect to any Receivable, a contract (including any purchase order or invoice), between an Originator and an Obligor, pursuant to which such Receivable arises or which evidences such Receivable and, for purposes of this Agreement only, which has been sold or contributed to Seller pursuant to the Sale Agreement. A “related” Contract with respect to a Pool Receivable means a Contract under which such Pool Receivable arises or which is relevant to the collection or enforcement of such Receivable.

“Control” when used with respect to any specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies, or activities of a Person or entity, whether through the ownership of voting securities or membership interests, by contract or otherwise, and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing.

“CP Rate” means, for any period and with respect to any Rate Tranche funded by Commercial Paper Notes of any Conduit Purchaser, the per annum rate equivalent to the weighted average cost (as determined by the applicable Purchaser Agent for such Conduit Purchaser and which shall include commissions and fees of placement agents and dealers, incremental carrying costs incurred with respect to Commercial Paper Notes maturing on dates other than those on which corresponding funds are received by such Conduit Purchaser, other borrowings by such Conduit Purchaser (other than under any Liquidity Agreement) and any other costs and expenses associated with the issuance of Commercial Paper Notes) of or related to the issuance of Commercial Paper Notes that are allocated, in whole or in part, by such Conduit Purchaser or the applicable Purchaser Agent to fund or maintain such Rate Tranche (and which may be also allocated in part to the funding of other assets of such Conduit Purchaser (determined in the case of Commercial Paper Notes issued on a discount by converting the discount to an interest equivalent rate per annum); provided, that notwithstanding anything in this Agreement or the other Transaction Documents to the contrary, Seller agrees that any amounts payable to the applicable Conduit Purchaser in respect of Yield for any Yield Period with respect to any Rate Tranche funded by such Conduit Purchaser at the CP Rate shall include an amount equal to the portion of the face amount of the outstanding Commercial Paper Notes

issued by such Conduit Purchaser to fund or maintain such Rate Tranche that corresponds to the portion of the proceeds of such Commercial Paper Notes that was used to pay the interest component of maturing Commercial Paper Notes issued by such Conduit Purchaser to fund or maintain such Rate Tranche, to the extent that such Conduit Purchaser had not received payments of interest in respect of such interest component prior to the maturity date of such maturing Commercial Paper Notes (for purposes of the foregoing, the “interest component” of Commercial Paper Notes equals the excess of the face amount thereof over the net proceeds received by such Conduit Purchaser from the issuance of Commercial Paper Notes, except that if such Commercial Paper Notes are issued on an interest-bearing basis its “interest component” will equal the amount of interest accruing on such Notes through maturity).

“Credit and Collection Policy” or “Credit and Collection Policies” means with respect to any Pool Receivable, Master Servicer’s credit and collection policies and practices, as applicable, relating to Contracts and Receivables, each as described in Schedule 6.2(n), as amended, restated, supplemented, waived or otherwise modified without violating Section 7.6(b).

“Cut-Off Date” means the last day of each Settlement Period.

“Days Sales Outstanding” means, on any date, the number of days equal to the product of (a) 30 and (b) the amount obtained by dividing (i) the aggregate Unpaid Balance of the Pool Receivables as of such date by (ii) the aggregate initial Unpaid Balance of Pool Receivables which were originated during the immediately preceding Settlement Period.

“Debt” means with respect to any Person at any time, without duplication, (a) all obligations of such Person for money borrowed or raised, all obligations (other than accounts payable and other similar items arising in the ordinary course of business) for the deferred payment of the purchase price of property, and all capital lease obligations or other obligations which, in each case, in accordance with GAAP, would be included in determining total liabilities as shown on the liability side of the balance sheet of such Person and all guarantees (whether contingent or otherwise) of such Person guaranteeing the Debt of any other Person, whether directly or indirectly (other than endorsements for collection or deposit in the ordinary course of business).

“Deemed Collections” is defined in Section 3.2(a).

“Default Rate” means, a rate per annum equal to the higher of (A) LMIR on such date, plus 2.0% per annum and (B) the applicable Prime Rate for such date

“Default Ratio” means, for any Settlement Period, a fraction (expressed as a percentage), (a) the numerator of which is the aggregate Unpaid Balance of all Defaulted Receivables as of the Cut-Off Date of such Settlement Period and (b) the denominator of which is the aggregate Unpaid Balance of all Pool Receivables on the Cut- Off Date of such Settlement Period.

“Defaulted Receivable” means a Pool Receivable: (a) as to which any payment, or part thereof, remains unpaid for more than 90 days from the original due date for such payment with respect to such Pool Receivable, (b) as to which the Obligor thereof is subject to an Event of

Bankruptcy that has occurred and is continuing or (c) which, consistent with the Credit and Collection Policy, would be or should have been written off as uncollectible; provided, that once a Pool Receivable has been written off as uncollectible it shall no longer be a Defaulted Receivable.

“Delinquency Ratio” means, for any Settlement Period, a fraction (expressed as a percentage) (a) the numerator of which is the aggregate Unpaid Balance of all Delinquent Receivables as of the Cut-Off Date of such Settlement Period and (b) the denominator of which is the aggregate Unpaid Balance of all Pool Receivables on the Cut-Off Date of such Settlement Period.

“Delinquent Receivable” means a Pool Receivable: (a) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment; or (b) which, consistent with the Credit and Collection Policies, is or should have been classified as delinquent or past due by the applicable Originator or Master Servicer.

“Designated Financial Officer” means, at any time and with respect to any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person.

“Dilution” means, as of any date of determination with respect to any Pool Receivable, the amount by which the Unpaid Balance of such Pool Receivable is reduced or cancelled due to returns, defective goods, refunds, allowances, cash discounts, rebates, disputes, rejections, set off, netting, deficit, failure to perform on the part of the related Originator or Master Servicer, adjustment or advertising, price protection or service credits, or any other similar reason other than with respect to the credit-worthiness of the related Obligor.

“Dilution Horizon Ratio” means, as of any date of determination, a fraction (expressed as a percentage), (a) the numerator of which is equal to the aggregate initial Unpaid Balance of all Receivables originated by each Originator during the most recently ended Settlement Period, and (b) the denominator of which is the Net Portfolio Balance as of the Cut-Off Date of the most recently ended Settlement Period.

“Dilution Ratio” means, with respect to any Settlement Period, a fraction (expressed as a percentage), (a) the numerator of which is the aggregate amount of all Dilutions in respect of Pool Receivables which occurred during such Settlement Period and (b) the denominator of which is the aggregate initial Unpaid Balance of all Receivables which were originated by the Originators during the immediately preceding Settlement Period.

“Dilution Reserve Floor Percentage”, mean with respect to any date of determination, an amount equal to the Adjusted Dilution Ratio, times the Dilution Horizon Ratio.

“Dilution Reserve Percentage” means, with respect to any date of determination, an amount equal to:

$$\text{DHR} \times \{(2.25 \times \text{ADR}) + \text{DVC}\}$$

where:

ADR = the Adjusted Dilution Ratio on such day,

DHR = the Dilution Horizon Ratio on such day, and

DVC = Dilution Volatility Component on such day.

“Dilution Volatility Component” means, with respect to any date of determination, the product of (a) the positive difference between (i) the highest average Dilution Ratio for any three consecutive Settlement Periods observed over the preceding twelve Settlement Periods (the “Dilution Spike”), minus (ii) the Adjusted Dilution Ratio, multiplied by (b) the quotient of (i) the Dilution Spike, divided by (ii) the Adjusted Dilution Ratio.

“Eligible Assignee” means (i) Administrative Agent, any Purchaser Agent, any Purchaser or any of their respective Affiliates that are financial institutions, insurance company entities or manage a commercial paper conduit or similar entity, (ii) any Liquidity Provider, any Program Administrator or any Enhancement Provider, (iii) any commercial paper conduit or similar entity that is managed by Administrative Agent, any Purchaser or any Purchaser Agent or any of their respective Affiliates and (iv) any financial or other institution that is acceptable to Administrative Agent, and solely with respect to this clause (iv) so long as the Liquidation Period has not commenced and no Event of Termination or Unmatured Event of Termination has occurred and is continuing, Seller (such consent not to be unreasonably withheld, conditioned or delayed).

“Eligible Contract” means a Contract governed by the law of the United States of America or of any State thereof that contains an obligation to pay a specified sum of money and that has been duly authorized by each party thereto and which (i) does not require the Obligor thereunder to consent to any transfer, sale or assignment thereof or of the related Receivable, any Related Asset or any proceeds of any of the foregoing, (ii) is not subject to a confidentiality provision, covenant of non-disclosure or similar restrictions that would restrict the ability of Administrative Agent or any Purchaser to fully exercise or enforce its rights under the Transaction Documents (including any rights thereunder assigned or originated to them hereunder) with respect to the related Receivable or any Related Asset, (iii) is not “chattel paper” as defined in the UCC of any jurisdiction governing the perfection or assignment of the related Receivable, (iv) has not been modified, extended or rewritten in any manner (except for extensions and modifications expressly permitted hereunder) and (v) remains in full force and effect.

“Eligible Foreign Country” means Canada.

“Eligible Receivable” means, as of any date of determination, a Receivable:

(a) (i) which represents all or part of the sales price of goods or services, sold by an Originator and billed to the related Obligor in the ordinary course of such Originator’s business and sold or contributed to Seller pursuant to the Sale Agreement, (ii) all obligations of the Originator in connection with which have been fully performed, (iii) no portion of which is in

respect of any amount as to which the related Obligor is permitted to withhold payment until the occurrence of a specified event or condition (including “guaranteed” or “conditional” sales or any performance by an Originator), (iv) which is not owed to any Originator or Seller as a bailee or consignee for another Person, (v) which is not issued under cash-in-advance or cash-on-account terms or (vi) with payment terms of less than 60 days from the original billing date; provided that, for the avoidance of doubt, no portion of any Receivable billed to any Obligor for which the related goods or services have not been delivered or performed by an Originator shall constitute an “Eligible Receivable” (including for purposes of calculating the Net Portfolio Balance);

(b) which (i) constitutes an “account” or a “payment intangible”, (ii) is not evidenced by “instruments” or “chattel paper” and (iii) does not constitute, or arise from the sale of, “as-extracted collateral”, in each case, as defined in the UCC;

(c) the Obligor of which (i) is not a Sanctioned Person, (ii) is not a Governmental Authority and (iii) is a commercial Obligor and not a natural Person acting in its individual capacity;

(d) the Obligor of which either (i) has a principal place of business and has provided an Originator a billing address, in either case located in the United States or (ii) both (A) has a principal place of business and has provided an Originator a billing address, in either case located in an Eligible Foreign Country (other than an Obligor located in Quebec, Canada) or the United States and (B) Administrative Agent has approved such Obligor in writing and has not notified Seller of the termination of such approval;

(e) the Obligor of which has an aggregate Unpaid Balance of Defaulted Receivables included in the Receivables Pool that is not more than 50% of the aggregate Unpaid Balance of all Pool Receivables owed by such Obligor;

(f) which is not a Defaulted Receivable or a Delinquent Receivable;

(g) with regard to which the representations of Seller in Section 6.1(k) are true and correct;

(h) the sale or contribution of which pursuant to the Sale Agreement and this Agreement does not (i) violate, contravene or conflict with any Law, the related Contract or any other applicable contracts or other restrictions or (ii) require the consent or approval of, or a license or consent from, the related Obligor, any Governmental Authority or any other Person;

(i) which is denominated and payable only in U.S. Dollars in the United States and the Obligor has been instructed to make payments to a Lock-Box Account at a Lock-Box Bank that is subject to a Lock-Box Agreement;

(j) which arises under an Eligible Contract that, together with such Receivable, (i) is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor to pay such Receivable enforceable against such Obligor in accordance with its terms,



except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or similar laws relating to and limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or in law), (ii) is not subject to any dispute, rebate, discount, offset, netting, litigation, counterclaim or defense whatsoever (including defenses arising out of violations of usury Laws) (other than potential discharge in a bankruptcy of the related Obligor) and (iii) is not subject to any Adverse Claim;

(k) which together with the Contract related thereto, does not (i) require the consent of the related Obligor in order for the related Originator or its assigns to sell, assign, transfer, pledge or hypothecate such Receivable or any Related Assets or (ii) contravene any Law applicable thereto (including Laws relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) in any respect which could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the value, validity, collectability or enforceability of the related Receivable or would or could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(l) which (i) was originated by the applicable Originator in the ordinary course of its business and (ii) satisfies all applicable requirements of the Credit and Collection Policy;

(m) which together with the Contract related thereto, has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 8.2;

(n) with respect to which all consents, licenses, approvals or authorizations of, or registrations or declarations with or notices to, any Governmental Authority or other Person required to be obtained, effected or given by an Originator in connection with the creation of such Receivable, the execution, delivery and performance by such Originator of the related Contract or the assignment thereof under the Sale Agreement have been duly obtained, effected or given and are in full force and effect;

(o) as to which Administrative Agent or any Purchaser Agent has not notified Seller and the Administrative Agent and the other Purchaser Agents prior to the time of Purchase or Reinvestment that Administrative Agent or such Purchaser Agent has determined, in its judgment, that such Receivable (or class of Receivables) or Obligor of such Receivable is not acceptable for purchase hereunder;

(p) the purchase of which is a "current transaction" within Section 3(a)(3) of the Securities Act;

(q) which represents part or all of the price of the sale of "merchandise," "insurance" or "services" within the meaning of Section 3(c)(5) of the Investment Company Act and which is an "eligible asset" as defined in Rule 3a-7 under the Investment Company Act;

(r) the purchase of which by Seller under the Sale Agreement, or by the related Purchaser under this Agreement, does not constitute a Security;

(s) which (i) does not arise from a sale of accounts made as part of a sale of a business or constitute an assignment for the purpose of collection only, (ii) is not a transfer of a single account made in whole or partial satisfaction of a preexisting indebtedness or an assignment of a right to payment under a contract to an assignee that is also obligated to perform under the contract and (iii) is not a transfer of an interest in or an assignment of a claim under a policy of insurance;

(t) which is not supported by any actual or inchoate mechanics, suppliers, materialmen, laborers, employees or repairmen liens or other rights to file or assert any of the foregoing;

(u) which does not relate to the sale of any consigned goods or finished goods which have incorporated any consigned goods into such finished goods;

(v) which is neither (i) a Supplier Receivable nor (ii) an Affiliate Receivable; ~~and~~

(w) the Obligor of which is not an Affiliate of any of the parties hereto; and

(x) for which the related invoice with respect to such Receivable does not include any Excluded Receivable.

“Enhancement Agreement” means any agreement between a Conduit Purchaser and any other Person(s), entered into to provide (directly or indirectly) credit enhancement to such Conduit Purchaser’s commercial paper facility.

“Enhancement Provider” means any Person providing credit or similar support to a Conduit Purchaser under an Enhancement Agreement, including pursuant to an unfunded commitment, or any similar entity with respect to any permitted assignee of such Conduit Purchaser.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means, with respect to any Person, any corporation, trade or business which together with the Person is a member of a controlled group of corporations or a controlled group of trades or businesses and would be deemed a “single employer” within the meaning of Sections 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

“Euro-Rate Reserve Percentage” means, the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency Liabilities”).

“Event of Bankruptcy” shall be deemed to have occurred with respect to a Person if either:

(a) (i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator (or other similar official) for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue unstayed or undismissed for a period of sixty (60) days (or, for purposes of [Section 10.1\(e\)](#), if such case or proceeding is in respect of Seller, zero (0) days); or (ii) an order for relief in respect of such Person shall be entered in an involuntary case under federal bankruptcy laws or other similar Laws now or hereafter in effect; or

(b) such Person (i) shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar Law now or hereafter in effect, or (ii) shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or (iii) shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors (or any board or Person holding similar rights to control the activities of such Person) shall vote to implement any of the foregoing.

“[Event of Termination](#)” is defined in [Section 10.1](#).

“[Excess Foreign Receivables Concentration Amount](#)” means, at any time, the amount (if any) by which (a) the aggregate Unpaid Balance of all Eligible Receivables, the Obligors of which have a principal place of business or a billing address in an Eligible Foreign Country at such time, exceeds (b) 5.0% of the aggregate Unpaid Balance of all Eligible Receivables at such time.

“[Excess Obligor Concentration Amount](#)” means, at any time, the aggregate of the amounts determined for each Obligor by which (a) the aggregate Unpaid Balance of all Eligible Receivables owed by such Obligor or an Affiliate of such Obligor at such time, exceeds (b) the Concentration Limit for such Obligor at such time.

“[Excluded Collections](#)” means, with respect to any Excluded Receivable, all funds which are received by Seller, an Originator, CHR, Master Servicer or any other Person from or on behalf of the related Excluded Obligors in payment of any amounts owed (including purchase prices, finance charges, interest and all other charges) in respect of such Excluded Receivable, or applied to such other charges in respect of such Excluded Receivable, or applied to such amounts owed by such Excluded Obligors.

“[Excluded Effective Date](#)” means, with respect to any Excluded Obligor, the effective date upon which such Excluded Obligor was first added to Schedule III hereto.

“[Excluded Obligor](#)” means any Person set forth on Schedule III hereto.

“Excluded Receivables” means any right to payment from a Person, whether constituting an account, chattel paper, payment intangible, instrument or a general intangible (as such terms are defined under the UCC), arising from the sale of goods and/or provision of services by any Originator pursuant to a contract, the obligor of which is an Excluded Obligor.

“Excluded Taxes” means (i) any Taxes based upon, or measured by, any Affected Party’s net income, but only to the extent such Taxes are imposed by a taxing authority (a) in a jurisdiction (or political subdivision thereof) under the laws of which such Affected Party is organized or incorporated, (b) in a jurisdiction (or political subdivision thereof) in which such Affected Party does business, or (c) in a jurisdiction (or political subdivision thereof) in which such Affected Party maintains a lending office (or branch), (ii) any franchise Taxes, branch Taxes or branch profits Taxes imposed by any jurisdiction (or political subdivision thereof) described in clause (i) or in which any of Seller, Master Servicer or Performance Guarantor is located, (iii) with regard to any Affected Party, any withholding Tax to the extent it is (a) imposed on amounts payable to such Affected Party because such Affected Party designates a new lending office, except to the extent that such Affected Party was entitled, at the time of designation of a new lending office (or assignment), to receive such additional amounts from any of Seller, Master Servicer or Performance Guarantor, as applicable, pursuant to Section 3.3, or (b) attributable to such Affected Party’s failure to comply with Section 3.3(vi), (vii) or (viii), as applicable and (iv) any FATCA Withholding Tax.

“Executive Order” means Executive Order No. 13224 on Terrorist Financings: Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism issued on September 23, 2001.

“Exiting Purchaser” is defined in Section 3.5.

“FATCA” means Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any agreements entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreements entered into in connection with the foregoing and any fiscal or regulatory legislation, rules or official practices implemented to give effect to any such intergovernmental agreements.

“FATCA Withholding Tax” means any Tax imposed under FATCA.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum, determined by Administrative Agent, equal (for each day during such period) to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the applicable Liquidity Provider or Purchaser Agent from three federal funds brokers of recognized standing selected by it.

“Federal Reserve Bank” means the Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.

“Fee Letter” means either the Administrative Agent Fee Letter or the RPA Fee Letter, or both, as the context requires.

“Final Payout Date” means the date following the Purchase Termination Date on which Purchasers’ Total Investment shall have been reduced to zero and all Obligations and other amounts then accrued or payable to any of the Affected Parties under the Transaction Documents shall have been paid in full in cash.

“First Amendment Date” means December 17, 2018.

“GAAP” means generally accepted accounting principles in the United States of America as consistently applied.

“Governmental Authority” means any government or political subdivision or any agency, authority, bureau, regulatory body, central bank, commission, department or instrumentality of any such government or political subdivision, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any court, tribunal, grand jury or arbitrator, or any accounting board or authority (whether or not part of a government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic (including any supra-national bodies such as the European Union or the European Central Bank).

“Indemnified Amounts” is defined in Section 12.1(a).

“Indemnified Party” is defined in Section 12.1(a).

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Independent Director” means a natural person who (I) is not at the time of initial appointment, or at any time while serving as Independent Director of Seller, and has not been at any time during the preceding five (5) years: (a) a stockholder, member, director, manager (with the exception of serving as an independent director of Seller or any Affiliate), officer, employee, partner, attorney or counsel of Seller or Master Servicer or any of their respective Affiliates; (b) a customer, supplier or other Person who derives any of its purchases or revenues from its activities with Seller or Master Servicer or any of their respective Affiliates; (c) a Person or other entity Controlling or under common Control with any such stockholder, member, director, manager, officer, employee, partner, attorney or counsel described in clauses (a) or (b) above; or (d) a member of the immediate family of any such customer, supplier, stockholder, member, director, manager, officer, employee, partner, attorney, counsel or other Person described in

clauses (a), (b) or (c) above; (II) (1) has prior experience as an independent director for a company whose charter documents required the unanimous consent of all independent directors thereof before such company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (2) has at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities and (III) is reasonably acceptable to Administrative Agent as evidenced in a writing executed by Administrative Agent.

“Information Package” is defined in Section 3.1(a).

“Intended Tax Treatment” is defined in Section 1.2(e).

“Investment” means at any time with respect to the Asset Interest and any Purchaser an amount equal to (a) such Purchaser’s Ratable Share of the amounts theretofore paid or allocated to Seller for Purchases pursuant to Section 1.1, less (b) the aggregate amount of Collections theretofore received and actually distributed to such Purchaser on account of such Purchaser’s Investment pursuant to Section 1.3 (and not rescinded or otherwise returned or reinvested pursuant to Section 1.3).

“Investment Company Act” means the Investment Company Act of 1940.

“Law” means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree, judgment, award or similar item of or by a Governmental Authority or any interpretation, implementation or application thereof.

“Legal Final” means the one-year anniversary of the occurrence of the Purchase Termination Date.

“Lien” means any mortgage, deed of trust, pledge, security interest, hypothecation, charge, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement, preferential arrangement or similar agreement or arrangement of any kind or nature whatsoever, including any conditional sale or other title retention agreement and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

“Liquidation Discount” on any day means an amount determined by Administrative Agent as follows:

$$\frac{\text{NPB} \times (\text{BR} + 3.00\%) \times \text{DSO} \times 1.5}{360}$$

where:

NPB = the Net Portfolio Balance on such day;

BR = the Base Rate on such day; and

DSO = the Days Sales Outstanding on such day.

“Liquidation Fee” means, for each Rate Tranche (or portion thereof) for each day in any Yield Period or Settlement Period (computed without regard to clause (iii) of the proviso of the definition of “Yield Period”) during the Liquidation Period, the amount, if any, by which:

(a) the additional Yield (calculated without taking into account any Liquidation Fee) which would have accrued on the reductions of such Purchaser’s Tranche Investment effected pursuant to Section 1.3(c)(ii) or (iii) with respect to such Rate Tranche for such day during such Yield Period or Settlement Period (as so computed) if such reductions had not been made until the last day of such Yield Period or Settlement Period exceeds,

(b) the income, if any, received for such day during such Yield Period or Settlement Period by the affected Purchaser from investing the proceeds of such reductions of such Purchaser’s Tranche Investment.

“Liquidation Period” means the period commencing on the date on which the conditions precedent to Purchases and Reinvestments set forth in Section 5.2 are not satisfied (or expressly waived by each Purchaser) and Administrative Agent shall have notified Seller and Master Servicer that the Liquidation Period has commenced, and ending on the Final Payout Date.

“Liquidity Advance” means a loan, advance, purchase or other similar action made by a Liquidity Provider pursuant to a Liquidity Agreement.

“Liquidity Agent” means any Person that is any time a liquidity agent under a Liquidity Agreement.

“Liquidity Agreement” means any agreement entered into, directly or indirectly, in connection with or related to, this Agreement pursuant to which a Liquidity Provider agrees to make loans or advances to, or purchase assets from, a Conduit Purchaser (directly or indirectly) in order to provide liquidity or other enhancement for such Conduit Purchaser’s Commercial Paper Notes or other senior indebtedness.

“Liquidity Provider” means any Purchaser or Purchaser Agent or any of their respective Affiliates or any other lender, credit enhancer or liquidity provider that is at any time party to a Liquidity Agreement or any successor or assign of such lender, credit enhancer or liquidity provider or any similar entity with respect to any permitted assignee of a Conduit Purchaser.

“LMIR” means for any day during any Yield Period, the greater of (a) 0.00% and (b) with respect to any Purchaser Group, the interest rate per annum determined by the Administrative Agent by dividing (i) the one-month Eurodollar rate for U.S. dollar deposits as reported by Bloomberg Finance L.P. and shown on US0001M Screen or any other service or page that may replace such page from time to time for the purpose of displaying offered rates of

leading banks for London interbank deposits in United States dollars, as of 11:00 a.m. (London time) on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source for interbank quotation), in each case, changing when and as such rate changes, by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage on such day. The calculation of LMIR may also be expressed by the following formula:

$$\text{LMIR} = \frac{\text{One-month Eurodollar rate for U.S. Dollars shown on Bloomberg US0001M Screen or appropriate successor}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

LMIR shall be adjusted on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date.

“Lock-Box Accounts” means each of the accounts (and any related lock-box or post office box) specified in Schedule 6.1(n) maintained at a Lock-Box Bank in the name of the Seller.

“Lock-Box Agreement” means a valid and enforceable agreement in form and substance reasonably satisfactory to Administrative Agent, among Seller, Master Servicer, Administrative Agent and any Lock-Box Bank, whereupon Seller, as sole owner of the related Lock-Box Account(s) and the customer of the related Lock-Box Bank in respect of such Lock-Box Account(s), shall transfer to the Administrative Agent exclusive dominion and control over and otherwise perfect a first-priority security interest in, such Lock-Box Account(s) and the cash, instruments or other property on deposit or held therein.

“Lock-Box Bank” means any bank at which Seller maintains one or more Lock-Box Accounts.

“Loss Horizon Ratio” means, as of any date of determination, a fraction (expressed as a percentage), (a) the numerator of which is the aggregate initial Unpaid Balance of all Receivables originated by each Originator during the immediately preceding four Settlement Periods then most recently ended and (b) the denominator of which is the Net Portfolio Balance as of the Cut-Off Date of the most recently ended Settlement Period.

“Loss Ratio” means, as of any date of determination, a fraction (expressed as a percentage), (a) the numerator of which is the sum of (i) the aggregate Unpaid Balance of all Receivables as to which any payment, or part thereof, remains unpaid for more than 90 but less than 121 days from the original due date for such payment as of the Cut-Off Date for the most recently ended Settlement Period, plus (without duplication), plus (ii) any Losses (net of recoveries) incurred in such Settlement Period, and (b) the denominator of which is the aggregate Unpaid Balance of all Receivables generated by the Originators four Settlement Periods prior to such Settlement Period.



“Loss Reserve Floor Percentage” means on any day, 10.00 %

“Loss Reserve Percentage” means, on any day:

$$2.25 \times \text{PLR} \times \text{LHR}$$

where:

PLR = Peak Loss Ratio on such day,

LHR = Loss Horizon Ratio on such day.

“Losses” means the Unpaid Balance of any Pool Receivables that have been, or should have been, written-off as uncollectible by Master Servicer in accordance with the Credit and Collection Policies.

“Master Servicer” is defined in Section 8.1(a).

“Master Servicer Termination Event” means any of the following events:

(a) any material adverse change in the ability of the Seller or Master Servicer to perform its duties and obligations (including payment obligations) under any Transaction Document to which it is a party;

(b) any Transaction Document shall be amended or otherwise modified except in accordance with the terms of this Agreement or shall cease to be the valid and binding obligation enforceable against Master Servicer;

(c) (i) Master Servicer fails to make any payment or deposit or transfer of monies to be made by it hereunder or under any other Transaction Documents as and when due and such failure is not remedied within two (2) Business Days or (ii) Master Servicer shall fail to perform or observe any term, covenant or agreement as and when required hereunder or under any other Transaction Document and such failure shall remain unremedied for five (5) Business Days;

(d) any representation or warranty made or deemed to be made by Master Servicer under or in connection with any Transaction Document shall prove to have been false or incorrect in any respect when made or deemed to be made and, only if such representation or warranty is able to be corrected, such representation or warranty is not corrected within five (5) Business Days;

(e) an Event of Bankruptcy has occurred with respect to the Master Servicer;

(f) any CHR Party fails to cooperate in Administrative Agent’s assumption of exclusive control of any Lock-Box Account subject to any Lock-Box Agreement or Administrative Agent is unable to obtain exclusive control thereof in accordance with Section 8.3(b) or such Lock-Box Agreements; or

(g) the occurrence of any Event of Termination.

“Master Servicing Fee” means the fee payable to cover the cost of servicing the Receivables for the current Settlement Period, which is equal, for each day of such Settlement Period to, (a) if Master Servicer is CHR or an Affiliate of CHR, the Master Servicing Fee Rate multiplied by the aggregate Unpaid Balance of all Pool Receivables as of the Cut-Off Date of such Settlement Period, multiplied by 1/360 and (b) if Master Servicer is not CHR or an Affiliate of CHR, 110% of the actual per annum costs incurred by the successor Master Servicer designated pursuant to Section 8.1(b) for its servicing during such Settlement Period, multiplied by 1/360, in either case, payable in arrears.

“Master Servicing Fee Rate” means 1.0% per annum.

“Master Servicing Reserve Percentage” means, at any time, a percentage equal to the product of (i) the Master Servicing Fee Rate divided by 360 and (ii) the highest Days Sales Outstanding for the immediately preceding 12 calendar months.

“Material Action” is defined in Seller’s limited liability company agreement.

“Material Adverse Effect” means, with respect to any event or circumstance, a material adverse effect on:

(a) (i) if a particular Person is specified, the ability of such Person to perform its obligations under this Agreement or any other Transaction Document or (ii) if a particular Person is not specified, the ability of any Originator, Master Servicer or Performance Guarantor or Seller to perform its obligations under this Agreement or any other Transaction Document;

(b) (i) the validity or enforceability against any Originator, Master Servicer, Performance Guarantor or Seller of any Transaction Document to which it is a party, or (ii) the value, validity, enforceability or collectability of a material portion of the Pool Receivables or the Related Assets with respect thereto;

(c) the status, existence, perfection, priority, enforceability or other rights and remedies of any Purchaser, Administrative Agent or any other Affected Party associated with its respective interest in the Pool Receivables or the Related Assets; or

(d) (i) if a particular Person is specified, the business, assets, liabilities, property, operations or condition (financial or otherwise) of such Person and its Subsidiaries, taken as a whole, (ii) if a particular Person is not specified, the business, assets, liabilities, property, operations or conditions (financial or otherwise) of (A) the Master Servicer, the Originators and the Performance Guarantor and their Subsidiaries, taken as a whole or (B) the Seller.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which any CHR Party or any of their respective ERISA Affiliates (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

“Net Portfolio Balance” means, at any time, an amount equal to the aggregate Unpaid Balance of Pool Receivables that are Eligible Receivables determined at such time, minus (without duplication) the sum of (a) the aggregate Excess Obligor Concentration Amount at such time, plus (b) the Excess Foreign Receivables Concentration Amount at such time.

“Obligations” means all obligations of Seller arising in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, all Indemnified Amounts, payments on account of Collections received or deemed to be received and fees.

“Obligor” means a Person obligated to make payments under a Contract with respect to a Receivable, including any guarantor thereof.

“OECD Country” means a country which is a member of the Organization for Economic Cooperation and Development.

“OFAC” has the meaning set forth in the definition of Sanctioned Person.

“Originator” means, each Person from time to time party to the Sale Agreement, as an originator. As of the Closing Date, CHRCI is the only Originator.

“PBGC” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

“Peak Loss Ratio” means, with respect to any date of determination, the highest average Loss Ratio for any three consecutive Settlement Periods observed over the preceding twelve Settlement Periods.

“Performance Guarantor” means CHR.

“Performance Guaranty” means any performance guaranty (or similar agreement) entered into by a Performance Guarantor in favor of Administrative Agent and the other beneficiaries thereto, in form and substance acceptable to Administrative Agent in its sole discretion.

“Person” means a natural individual, partnership, sole proprietorship, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company, any Governmental Authority or any other entity of whatever nature.

“Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA or Section

412 of the Code, and that is maintained by or contributed to by any CHR Party or any of their respective ERISA Affiliates, or to which any such entity is obligated to contribute.

“Pool Receivable” means a Receivable in the Receivables Pool.

“Prime Rate” means, with respect to any Purchaser Group, the rate of interest in effect for such day as publicly announced from time to time by the applicable Purchaser Agent, the related Committed Purchaser or their Affiliates as its “reference rate” or “prime rate”, as applicable. Such “reference rate” or “prime rate” is set by the applicable Purchaser Agent, the related Committed Purchaser or their Affiliates based upon various factors, including such Person’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and is not necessarily the lowest rate charged to any customer.

“Program Administration Agreement” means that certain administration agreement between a Conduit Purchaser and Program Administrator governing certain aspects of the administration of such Conduit Purchaser’s commercial paper facility or any other agreement having similar purposes, as in effect from time to time.

“Program Administrator” means the administrator designated for Purchaser under the Program Administration Agreement.

“Program Fee” is defined in the Fee Letter.

“Program Information” is defined in Section 13.8(a)(i).

“Purchase” is defined in Section 1.1.

“Purchase Termination Date” means the earliest of (a) December 17, 2020, (b) ten (10) Business Days following the date of receipt by each of the other parties to this Agreement of a written notice of termination provided by Seller, (c) the declaration of the Purchase Termination Date by Administrative Agent in accordance with Section 10.2(a) and (d) the occurrence of an Event of Termination under Section 10.1(e).

“Purchaser” means each of Conduit Purchaser and Committed Purchaser, as applicable.

“Purchaser Agent” means each Person acting as agent on behalf of a Purchaser Group and listed as such as set forth on the signature pages of this Agreement.

“Purchaser Group” means each Purchaser Agent, its Committed Purchaser and, if applicable, its Conduit Purchaser. For the avoidance of doubt, it is understood that a Purchaser Group may contain only a Committed Purchaser and a Purchaser Agent without any Conduit Purchaser.

“Purchaser Group Commitment” means, at any time with respect to any Purchaser Group, the aggregate Commitments of all Committed Purchasers at such time in such Purchaser Group.

“Purchaser Group Investment” means, at any time with respect to any Purchaser Group, the aggregate Investment of all Purchasers at such time in such Purchaser Group.

“Purchasers’ Total Commitment” means, at any time, the aggregate Commitments of all Committed Purchasers at such time.

“Purchasers’ Total Investment” means at any time with respect to the Asset Interest, an amount equal to (a) the aggregate of the amounts theretofore paid to Seller for Purchases in cash pursuant to Section 1.1, less (b) the aggregate amount of Collections theretofore received and actually distributed to a Purchaser, and not reinvested as a Reinvestment, on account of such Purchaser’s Investment pursuant to Section 1.3 (and not rescinded or otherwise returned or reinvested pursuant to Section 1.3).

“Purchaser’s Tranche Investment” means in relation to any Rate Tranche the amount of Purchasers’ Total Investment allocated by Administrative Agent to such Rate Tranche pursuant to Section 2.1; provided, that at all times the aggregate amounts allocated to all Rate Tranches shall equal Purchasers’ Total Investment.

“Ratable Share” means, at any time, for any Purchaser Group, a percentage equal to the quotient of (a) the Purchaser Group Commitment for such Purchaser Group at such time, divided by (b) the Purchasers’ Total Commitment at such time.

“Rate Tranche” means at any time a portion of the Asset Interest selected by the applicable Purchaser Agent pursuant to Section 2.1 and designated as a Rate Tranche solely for purposes of computing Yield.

“Receivable” means any right to payment from a Person, whether constituting an account, chattel paper, payment intangible, instrument or a general intangible (as such terms are defined under the UCC), arising from the sale of goods and/or provision of services by any Originator pursuant to a Contract, including the right to payment of any interest, finance charges and other payment obligations of such Person with respect thereto; provided, however, that “Receivable” does not include any Excluded Receivable.

“Receivables Pool” means at any time all then outstanding Receivables sold, purported to be sold or contributed to Seller pursuant to the Sale Agreement.

“Records” means all Contracts and other documents, instruments, books, records, purchase orders, agreements, reports and other information (including computer programs, tapes, disks, other information storage media, data processing software and related property and rights) prepared or maintained by an Originator, CHR, Master Servicer, or Seller, respectively, with respect to, or that evidence or relate to, the Pool Receivables, the Related Assets and the Obligors of such Pool Receivables or the origination, collection or servicing of any of the foregoing.

“Regulatory Change” means, relative to any Affected Party:

(a) any change in (or in the adoption, implementation, phase-in or interpretations or commencement of effectiveness of):

(i) any Law applicable to such Affected Party;

(ii) any regulation, interpretation, directive, guideline, requirement, order or request (whether or not having the force of Law) applicable to such Affected Party of (A) any Governmental Authority charged with the interpretation, implementation, enforcement or administration of any Law referred to in clause (a)(i) or of (B) any fiscal, monetary or other authority having jurisdiction over such Affected Party or its assets;

(iii) GAAP consistently applied or regulatory accounting principles applicable to such Affected Party and affecting the application to such Affected Party of any Law, regulation, interpretation, directive, requirement or request referred to in clause (a)(i) or (a)(ii) above; or

(b) any change in the application to, or implementation by, such Affected Party of any existing Law, regulation, interpretation, directive, guideline, requirement, order, request or accounting principles referred to in clause (a)(i), (a)(ii) or (a)(iii) above.

“Reinvestment” is defined in Section 1.3(a)(ii).

“Related Assets” means (a) all rights to, but not any obligations under, all Related Security with respect to the Pool Receivables, (b) all Records (but excluding any obligations or liabilities under the Contracts), (c) all Collections in respect of, and other proceeds of, the Pool Receivables or any other Related Security, (d) all Lock-Box Accounts and all amounts, instruments or other items from time to time on deposit therein, (e) all rights and remedies of Seller or any Originator, as applicable, under the Sale Agreement, each Lock-Box Agreement and the other Transaction Documents and any other rights or assets pledged, sold or otherwise transferred or purportedly transferred to Seller thereunder, and (f) all the products and proceeds of any of the foregoing.

“Related Security” means, with respect to any Pool Receivable: (a) all of Seller’s or Originator’s, as applicable, right, title and interest in, to and under all Contracts that relate to such Pool Receivable; (b) all of Seller’s or Originator’s, as applicable, interest in the merchandise and goods (including returned merchandise and goods), if any, relating to the sale which gave rise to such Pool Receivable and in any and all insurance related thereto (including any insurance payments that Seller, any Originator or Master Servicer receives with respect to amounts owed in respect of Pool Receivables and net proceeds of sale or other disposition of repossessed goods or other collateral or property of any Obligor or any other party directly or indirectly liable for payment of any Pool Receivable and available to be applied to the payment of any Pool Receivable); (c) all other security interests, liens, mortgages or similar rights and property subject thereto and rights to file, perfect or enforce any such security interest, liens, mortgages or rights from time to time purporting to secure payment of such Pool Receivable, whether pursuant to the Contract related to such Pool Receivable or otherwise; (d) all UCC financing statements filed by or on behalf of Seller or the Originators describing any collateral

securing payment of such Pool Receivable; (e) all guaranties, letters of credit and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Pool Receivable (including insurance policies or other similar arrangements) whether pursuant to the Contract related to such Pool Receivable or otherwise; and (f) all the proceeds of any of the foregoing.

“Reportable Event” shall mean any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder with respect to a Plan, other than an event for which the 30-day notice period is waived.

“Reporting Date” is defined in Section 3.1(a).

“Required Purchasers” means, at any time, Committed Purchasers whose Commitments at such time aggregate more than 66 2/3% of the Purchasers’ Total Commitment at such time (or, if at such time, the Purchasers’ Total Commitment is zero, the Committed Purchasers whose Investments at such time aggregate more than 66 2/3% of the Purchasers’ Total Investment at such time); provided if at any time there are only two Committed Purchasers, Required Purchasers shall mean both such Committed Purchasers.

“Required Reserves” means, for any day, the product of (A) the higher of (i) the sum of the Loss Reserve Percentage, the Dilution Reserve Percentage, the Master Servicing Reserve Percentage and the Yield Reserve Percentage and (ii) the sum of Loss Reserve Floor Percentage, the Dilution Reserve Floor Percentage, and the Master Servicing Fee and Yield Reserve Percentage, and (B) the Net Portfolio Balance, in each case, for such day.

“Responsible Officer” shall mean, with respect to any Person, any executive officer or Designated Financial Officer of such Person, and any other officer, similar official or employee thereof responsible for the administration of the obligations of such Person in respect of this Agreement.

“RPA Fee Letter” means the fee letter, dated as of the First Amendment Date, among Seller, Master Servicer, Administrative Agent and the Purchaser Agents.

“S&P” means Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business, and any successor thereto that is a nationally recognized statistical rating organization.

“Sale Agreement” means the Purchase and Sale Agreement, dated as of the Closing Date, among the Originators, as sellers, and Seller, as buyer.

“Sanctioned Country” means, at any time, a country or territory which is the subject or target of any Sanctions, including, without limitation, as of the date hereof, Cuba, Crimea (Ukraine), Iran, Sudan, Syria and North Korea.

“Sanctioned Person” means, at any time, (a) any Person currently the subject or the target of any Sanctions, including any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury

("OFAC") (or any successor thereto) or the U.S. Department of State, available at: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or as otherwise published from time to time; (b) that is fifty-percent or more owned, directly or indirectly, in the aggregate by one or more Persons described in clause (a) above; (c) that is operating, organized or resident in a Sanctioned Country; (d) with whom engaging in trade, business or other activities is otherwise prohibited or restricted by Sanctions; or (e) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a Person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

"Sanctions" means the laws, rules, regulations and executive orders promulgated or administered to implement economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time (a) by the United States government, including those administered by OFAC, the US State Department, the US Department of Commerce or the US Department of the Treasury, (b) by the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom or (c) by other relevant sanctions authorities to the extent compliance with the sanctions imposed by such other authorities would not entail a violation of applicable Law.

"SEC" means the U.S. Securities and Exchange Commission or any successor governmental authority.

"Securities Act" means the Securities Act of 1933.

"Security" is defined in Section 2(a)(1) of the Securities Act.

"Seller" is defined in the preamble.

"Settlement Date" means, with respect to any Settlement Period, the third (3<sup>rd</sup>) Business Day following the Reporting Date for such Settlement Period; provided, that the last Settlement Date shall be the last day of the last Settlement Period.

"Settlement Period" means:

- (a) the period from the Closing Date to the end of the next calendar month thereafter; and
- (b) thereafter, each subsequent calendar month;

provided, that the last Settlement Period shall end on the Final Payout Date.

"Solvent" means, with respect to any Person and as of any particular date, (i) the present fair market value (or present fair saleable value) of the assets of such Person is not less than the total amount required to pay the probable liabilities of such Person on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (ii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (iii) such Person



is not incurring debts or liabilities beyond its ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in any business or transaction, and is not about to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged.

“SPE Account” is defined in Section 1.2(b).

“Specified Concentration Percentage” means, with respect to any Obligor, the percentage appearing opposite such Obligor’s applicable rating on the table below:

S&P Short-Term Rating / Long-Term Rating	Moody’s Short-Term Rating / Long-Term Rating	Specified Concentration Percentage
A-1 / A+ or higher	P-1 / A1 or higher	10.00%
A-2 / BBB+ or higher	P-2 / Baa1 or higher	5.00%
A-3 / BBB- or higher	P-3 / Baa3 or higher	3.33%
Below A-3 / BBB- or Not Rated / Withdrawn	Below P-3 / Baa3 or Not Rated / Withdrawn	2.00%

Each Obligor’s “Specified Concentration Percentage” shall be computed as follows:

(i) if such Obligor has a short-term unsecured debt rating (A) from both Moody’s and S&P, such Obligor’s “Specified Concentration Percentage” shall be determined based on the lower of such short-term unsecured debt ratings or (B) from only one of Moody’s or S&P, such Obligor’s “Specified Concentration Percentage” shall be determined based upon the short-term unsecured debt rating that is maintained;

(ii) if such Obligor (A) does not have a short-term unsecured debt rating from either Moody’s or S&P and (B) has a long-term unsecured debt rating (I) from both Moody’s and S&P, such Obligor’s “Specified Concentration Percentage” shall be determined based on the lower of such long-term unsecured debt ratings or (II) from only one of Moody’s or S&P, such Obligor’s “Specified Concentration Percentage” shall be determined based upon the long-term unsecured debt rating that is maintained; and

(iii) if such Obligor has neither a short-term unsecured debt rating nor a long-term unsecured debt rating from either Moody’s or S&P, such Obligor’s “Specified Concentration Percentage” shall be the lowest percentage set forth on the table above.

“Specified Regulation” means (A) the final rule titled *Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Regulatory Capital; Impact of Modifications to Generally Accepted Accounting Principles; Consolidation of Asset-Backed Commercial Paper Programs; and Other Related Issues*, adopted by the United States bank regulatory agencies on December 15, 2009 (the “FAS 166/167 Capital Guidelines”), (B) the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), (C) the

BASEL Accord, or (D) any existing or future rules, regulations, guidance, interpretations or directives from any Governmental Authority relating to Accounting Standards Codification 860-10-40-5(a), the FAS 166/167 Capital Guidelines, the Dodd-Frank Act or the BASEL Accord (whether or not having the force of law).

“Sub-Servicer” is defined in Section 8.1(c).

“Subordinated Note” as defined in the Sale Agreement.

“Subsidiary” means a corporation or other entity of which Performance Guarantor and/or its other direct or indirect Subsidiaries own, directly or indirectly, such number of outstanding shares or other ownership or control interest as have more than 50% of the ordinary voting power for the election of directors or managers, as the case may be.

“Successor Notice” as defined in Section 8.1(b).

“Supplier Receivable” means any Pool Receivable the Obligor of which is a material supplier to any Originator or an Affiliate of a material supplier.

“Taxes” means all income, gross receipts, rental, franchise, excise, stamp, occupational, capital, value added, sales, use, ad valorem (real and personal), property (real and personal) and taxes, fees, levies, imposts, charges or withholdings of any nature whatsoever, together with any assessments, penalties, fines, additions to tax and interest thereon, howsoever imposed, by any Governmental Authority or other taxing authority in the United States or by any foreign government, foreign governmental subdivision or other foreign or international taxing authority.

“Tranche Investment” means in relation to any Rate Tranche and any Purchaser the amount of such Purchaser’s Investment allocated by the related Purchaser Agent to such Rate Tranche pursuant to Section 2.1; provided, that at all times the aggregate amounts allocated to all Rate Tranches of all Purchasers shall equal Purchasers’ Total Investment; provided, further, that at all times the aggregate amounts allocated to all Rate Tranches of any Purchaser shall equal the aggregate Investment of such Purchaser.

“Transaction Documents” means this Agreement, the Sale Agreement, the Performance Guaranty, the Fee Letters, the Lock-Box Agreements, Seller’s limited liability company agreement, and all other documents, agreements and certificates to be executed and delivered in connection herewith or in connection with any of the foregoing as to which any CHR Party or any of their Affiliates is a party.

“UCC” means, in respect of each state in the United States of America, the Uniform Commercial Code as from time to time in effect in such state.

“Unmatured Event of Termination” means any event which, with the giving of notice or lapse of time, or both, would become an Event of Termination.

“Unmatured Master Servicer Termination Event” means any event which, with the giving of notice or lapse of time, or both, would become a Master Servicer Termination Event.

“Unpaid Balance” of any Receivable means, at any time, the sum of (a) the unpaid amount thereof, plus (b) the unpaid amount of all finance charges, interest payments and other amounts actually accrued thereon at such time, but excluding, in the case of clause (b) above, all late payment charges, delinquency charges, and extension or collection fees.

“U.S. Dollars” means dollars in lawful money of the United States of America.

“Voting Stock” of any Person means the common stock of such Person and any other security of, or ownership interest in, such Person having ordinary voting power to elect a majority of the board of directors (or other Persons serving similar function) of such Person.

“Wells” is defined in the preamble.

“Withdrawal Liability” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Yield” means, for any day with respect to any Rate Tranche:

$$\{(PTI \times YR)/360\} + LF$$

where:

YR	=	the Yield Rate for such Rate Tranche;
PTI	=	Purchaser’s Tranche Investment in such Rate Tranche on such day; and
LF	=	the Liquidation Fee, if any, for such day.

“Yield Period” means (x) with respect to any Rate Tranche that is funded or maintained other than through the issuance of Commercial Paper Notes:

(a) the period commencing on the date of the initial Purchase of the Asset Interest, the making of such Liquidity Advance or funding under such Enhancement Agreement or the creation of such Rate Tranche pursuant to Section 2.1 (whichever is latest) and ending such number of days thereafter as the applicable Purchaser Agent shall select in its sole discretion; and

(b) each period commencing on the last day of the immediately preceding Yield Period for the related Rate Tranche and ending such number of days thereafter as the applicable Purchaser Agent shall select in its sole discretion;

provided, that:

(i) any such Yield Period (other than a Yield Period consisting of one day) which would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day;

(ii) in the case of Yield Periods of one day for any Rate Tranche, (A) the initial Yield Period shall be the date such Yield Period commences as described in clause (a) above; and (B) any subsequently occurring Yield Period which is one day shall, if the immediately preceding Yield Period is more than one day, be the last day of such immediately preceding Yield Period, and if the immediately preceding Yield Period is one day, shall be the next day following such immediately preceding Yield Period; and

(iii) in the case of any Yield Period for any Rate Tranche which commences before the Purchase Termination Date and would otherwise end on a date occurring after the Purchase Termination Date, such Yield Period shall end on the Purchase Termination Date and the duration of each such Yield Period which commences on or after the Purchase Termination Date for such Rate Tranche shall be of such duration as shall be selected by the applicable Purchaser Agent; and

(y) with respect to any Rate Tranche that is funded or maintained through the issuance of Commercial Paper Notes, each Settlement Period.

“Yield Rate” means for any Rate Tranche on any day:

(a) in the case of a Rate Tranche funded by Commercial Paper Notes, the applicable CP Rate; and

(b) in the case of a Rate Tranche not funded by Commercial Paper Notes, the applicable Bank Rate for such Rate Tranche;

provided, that:

(i) on any day as to any Rate Tranche which is not funded by Commercial Paper Notes, the Yield Rate shall equal the applicable Base Rate, if (A) Administrative Agent does not receive notice or determine, by 12:00 noon (New York City time) on the third Business Day prior to the first day of the related Yield Period, that such Rate Tranche shall not be funded by Commercial Paper Notes or (B) Administrative Agent determines that (I) funding that Rate Tranche on a basis consistent with pricing based on the applicable Bank Rate would violate any applicable Law or (II) that deposits of a type and maturity appropriate to match fund such Rate Tranche based on the applicable Bank Rate are not available; and

(ii) on any day when any Event of Termination shall have occurred that has not been waived in accordance with this Agreement or the Purchase Termination Date has occurred by virtue of clause (b) of the definition thereof, the applicable Yield Rate for each Rate Tranche means the Default Rate.

“Yield Reserve Percentage” means, at any time, a percentage equal to the product of (i) the Prime Rate as of such date divided by 360, (ii) 1.5 and (iii) the highest Days Sales Outstanding for the immediately preceding 12 calendar months.

**B. Other Interpretive Matters.**

All accounting terms defined directly or by incorporation in this Agreement or the Sale Agreement shall have the defined meanings when used in any certificate or other document delivered pursuant thereto unless otherwise defined therein. For purposes of this Agreement, the Sale Agreement and all such certificates and other documents, unless the context otherwise requires: (a) except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; (b) terms defined in Article 9 of the UCC and not otherwise defined in such agreement are used as defined in such Article; (c) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (d) the words “hereof,” “herein” and “hereunder” and words of similar import refer to such agreement (or the certificate or other document in which they are used) as a whole and not to any particular provision of such agreement (or such certificate or document); (e) references to any Section, Schedule or Exhibit are references to Sections, Schedules and Exhibits in or to such agreement (or the certificate or other document in which the reference is made), and references to any paragraph, subsection, clause or other subdivision within any Section or definition refer to such paragraph, subsection, clause or other subdivision of such Section or definition; (f) the term “including” means “including without limitation”; (g) references to any Law refer to that Law as amended from time to time and include any successor Law; (h) references to any agreement refer to that agreement as from time to time amended, restated, extended or supplemented or as the terms of such agreement are waived or modified in accordance with its terms; (i) references to any Person include that Person’s permitted successors and assigns; (j) headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof; (k) unless otherwise provided, in the calculation of time from a specified date to a later specified date, the term “from” means “from and including”, and the terms “to” and “until” each means “to but excluding”; (l) if any calculation to be made hereunder refers to a Settlement Period (or any portion thereof) that would have occurred prior to the Closing Date, such reference shall be deemed to be a reference to a calendar month; (m) for the purposes of calculating the Required Reserves (or any component thereof) or the calculation of the Loss Ratio or Dilution Ratio, when a component of any such calculation is determined by reference to the first Settlement Period, such first Settlement Period for such purposes shall be deemed to refer to the first full calendar month after the Closing Date; (n) terms in one gender include the parallel terms in the neuter and opposite gender; and (o) the term “or” is not exclusive.

SCHEDULE I  
COMMITMENTS

<u>Party</u>	<u>Capacity</u>	<u>Commitment</u>
<b>Wells Purchaser Group</b>		
Wells	Committed Purchaser	\$150,000,000
Wells	Purchaser Agent	N/A
N/A	Conduit Purchaser	N/A
<b>BofA Purchaser Group</b>		
Bank of America, N.A.	Committed Purchaser	\$100,000,000
Bank of America, N.A.	Purchaser Agent	N/A
N/A	Conduit Purchaser	N/A

EXHIBIT 7.5  
FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement, dated as of April 26, 2017 among C.H. ROBINSON WORLDWIDE, INC., a Delaware corporation, as initial Master Servicer (in such capacity, together with its successors and assigns in such capacity, the “Master Servicer”), C.H. ROBINSON RECEIVABLES, LLC, a Delaware limited liability company, as seller (the “Seller”), the various CONDUIT PURCHASERS, COMMITTED PURCHASERS and PURCHASER AGENTS from time to time party hereto, and WELLS FARGO BANK, N.A., as administrative agent on behalf of the Affected Parties (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement (including those incorporated by reference therein).

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected \_\_\_\_\_ of Master Servicer.
2. I have reviewed the terms of the Agreement and each of the other Transaction Documents and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Master Servicer, each Originator and Seller during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 above did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Termination, an Unmatured Event of Termination or a Master Servicer Termination Event, as each such terms are defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate.
4. Described below are the exceptions, if any, to paragraph 3 above by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Master Servicer has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications and the financial statements delivered with this Compliance Certificate in support thereof, are made and delivered as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By: \_\_\_\_\_  
Name:  
Title:

## C.H. ROBINSON 2020 PERFORMANCE SHARE PROGRAM

C.H. Robinson Worldwide, Inc. (the "Company") is permitted under the terms of its 2013 Equity Incentive Plan (the "Plan") to issue its shares and other derivative securities to employees at various times and in various forms. The Company's Compensation Committee has approved a 2020 Performance Share Program (the "Program") pursuant to which performance share awards (the "Awards") will be made to designated managerial employees of the Company and its Subsidiaries. Each such Award will be subject to the terms of a participant-specific award notice (a "Notice"), the general terms of the Program as contained in this Program Outline, and the terms of the Plan. Unless the context clearly indicates otherwise, any capitalized term used but not defined in this Program Outline will have the meaning set forth in the Plan as it currently exists or as it is amended in the future.

### Program Outline

1. Each participant in the Program will be granted a number of performance shares as specified in the applicable Notice on the Grant Date specified in the Notice, and the performance shares will be credited to the participant's account maintained by the Company. Each performance share that vests represents the right to receive one share of the Company's common stock on the settlement date for the Award. Vesting of performance shares will be conditioned upon the satisfaction of the performance and continued Service conditions described below.
2. The Measurement Period for performance shall be January 1 through December 31 of each calendar/fiscal year during the years 2020 - 2024. Beginning on December 31, 2020, and on each December 31 thereafter through December 31, 2024, a portion of the Award will vest, but only if and only to the extent that the Company's Vesting Indicator ("VI") is greater than zero for the respective Measurement Period, as determined by the Compensation Committee, and the applicable Service conditions set forth below are satisfied. The VI is defined as the sum of 10 percentage points plus the percentage increase (or decrease) in Company diluted net income per share for the applicable Measurement Period over the prior year rounded to two decimal places. For purposes of calculating the VI for any year during the Measurement Period, the growth for a year is the percentage the current year's EPS exceeds the greater of the previous year's diluted net income per share or the diluted net income per share for 2019. That sum, in turn, is rounded to the nearest whole percentage.

#### Example

	Prior Year	Current Year	Percentage Increase
Diluted net income per share	\$2.00	\$2.19	9.50%
Add: 10 Percentage Points			19.50%
Rounded to the Nearest Whole Percentage			VI=20.00%

3. In determining how many performance shares subject to an Award are vested with respect to each Measurement Period, the VI is multiplied by the total number of performance shares subject to the Award, with the result then rounded to the nearest whole performance share.

#### Example

	Year 1	Year 2	Year 3
Grant of 1,000 Performance Shares			
VI:	20%	12%	26%
Rounded Number of Performance Shares Vested as of Dec. 31:	200	120	260

4. The Compensation Committee's calculation of the VI shall be final, and the Compensation Committee retains the discretion to eliminate unusual items, if any, for purposes of calculating the VI for any particular Measurement Period (including adjustments to the computation of diluted net income per share).
5. A participant's performance shares may vest pursuant to paragraph 2 above with respect to this award for up to 5 years (and may vest in less than 5 years if the VI during such time period is sufficiently high enough). Any performance shares remaining unvested after the calculation of VI for the Measurement Period ending December 31, 2024 will be forfeited and deleted from participant's account, and the participant will retain no rights with respect to the forfeited performance shares.
6. Except as otherwise provided in this paragraph and in paragraphs 14 and 15, a participant's performance shares will vest upon satisfaction of the performance condition only while the participant remains a Service Provider. If, prior to any separation from Service, a participant has executed and continues to adhere to a Management-Employee ("Key Employee") Agreement in favor of the Company which contains a non-competition provision, then such participant's Award shall not be terminated and vesting shall continue (to the extent the performance condition has been satisfied) through the end of two (2) additional Measurement Periods following the participant's separation from Service. In addition, if prior to any separation from Service, a participant has executed



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and continues to comply with the non-competition and non-solicitation provisions of a Management-Employee ("Key Employee") Agreement during any additional Measurement Periods, and if such participant has a minimum of five (5) consecutive years of Service at the time of such separation, then such participant's Award shall not be terminated and vesting shall continue (to the extent the performance condition has been satisfied) through the end of additional Measurement Periods following such separation from Service according to the following schedule:

<u>Sum of Age in Whole Years and Tenure in Whole Years</u>	<u>Years of Potential Post-Employment Vesting</u>
At least 50 and less than 60	3 years
At least 60 and less than 70	4 years
At least 70 or greater	5 years

Age and Tenure are individually rounded up to the nearest whole number and Tenure is defined as the period of time between a participant's date of separation from Service and the participant's last date of hire (or in the case of an acquisition, the equivalent last date of hire with the acquired entity). Under no event, however, will any entitlement to continued vesting under this paragraph cause the vesting period of any Award to exceed the five (5) year period specified in paragraph 5.

7. Notwithstanding the foregoing, participants who embezzle or misappropriate Company funds or property, or who the Company has determined have failed to comply with the terms and conditions of any of the following agreements which they may have executed in favor of the Company: (i) Confidentiality and Noncompetition Agreement, (ii) Management-Employee Agreement, (iii) Sales-Employee Agreement, (iv) Data Security Agreement, or (v) any other agreement containing post-employment restrictions, will automatically forfeit all Awards, whether vested or unvested, and will retain no rights with respect to such performance shares.
8. Except as otherwise provided in paragraphs 14 and 15, shares of the Company's common stock shall be delivered to a participant in settlement of vested performance shares in a single lump sum distribution of shares upon the earlier of (i) two years after the participant's separation from Service, or (ii) February 15, 2027. Payout of shares vested post-employment shall be accomplished as soon as administratively practical following the public announcement of the previous year's financial results.
9. Performance shares may not be sold, exchanged, assigned, transferred, discounted, pledged or otherwise disposed of at any time prior to delivery of the settlement shares as described herein.
10. A participant will be entitled to receive payments on the performance shares credited to the participant's account, whether vested or unvested, when and if dividends are declared by the Company's Board of Directors on the Company's common stock, in an amount of cash per performance share equal to the per share dividend amount payable to common stockholders of the Company. Such payments will be payable on the next regularly occurring payroll date after the corresponding dividend payment date. Such payments made before delivery of shares in settlement of performance shares will be paid through the Company's payroll process and treated as compensation income for tax purposes and will be subject to income and payroll tax withholding by the Company.
11. In order to comply with all applicable federal, state or local tax laws or regulations, at the time that shares are delivered to a participant in settlement of performance shares, the Company will withhold the minimum required statutory taxes based on the Fair Market Value of the shares at the time of delivery. In order to satisfy any such tax withholding obligation, the Company will withhold a portion of the shares otherwise to be delivered with a Fair Market Value equal to the amount of such taxes.
12. A performance share Award shall confer no rights of continued Service to any participant, nor will it interfere in any way with the right of the Company to terminate such Service at any time. The Company retains all rights to enforce any other agreement or contract that the Company has with any participant.
13. If there shall be any change in the Company's common stock through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, appropriate adjustments shall be made in the number of performance shares that are vested or unvested under an Award as contemplated by Section 12(a) of the Plan.
14. In the event of a Change in Control (as defined in the Plan after giving effect to the final sentence of Section 2(f) thereof), the vesting of outstanding performance shares shall be accelerated and shares in settlement of such vested performance shares shall be delivered as soon as administratively practical, but in all events by the date that is 60 days after the date of the Change in Control.



15. In the event a participant dies or is determined to be subject to a Disability while a Service Provider, vesting of outstanding performance shares shall be accelerated and shares shall be delivered in settlement of such vested performance shares as soon as administratively practical, but in all events by the date that is 60 days after the date of the death or Disability.
  
16. The Awards are made pursuant to the Plan, a copy of which has been provided to each participant, and are subject to its terms. The terms of this Program Outline will be interpreted as to be consistent with the Plan, but if any provision in this Program Outline is inconsistent with the terms of the Plan, the terms of the Plan will prevail. By participating in the Company's 2020 Performance Share Program, a participant shall be deemed to have accepted all the conditions of the Plan, the Notice, this Program Outline, and the terms and conditions of any rules adopted by the Compensation Committee pursuant to the Plan and shall be fully bound thereby. The documents governing an Award shall be subject to the choice of law provisions of Section 18(e) of the Plan. To the extent an Award is subject to Code Section 409A, it shall be subject to and administered in accordance with Section 18(g) of the Plan, including subjecting any share delivery or amount payable to a "specified employee" as the result of a "separation from service" (as those terms are defined in Code Section 409A) to the six-month payment delay rule described there. If the six month payment delay rule is applicable, then any shares that would have otherwise have been delivered during that six-month period will be delivered upon completion of that six-month period, and any subsequent share deliveries shall be made as scheduled. Notwithstanding the foregoing, although the intent is to comply with Code Section 409A, a participant shall be responsible for all taxes and penalties that could result from a failure to comply (the Company and its employees shall not be responsible for such taxes and penalties).

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## C.H. ROBINSON INCENTIVE STOCK OPTION (TIME-BASED U.S.) AGREEMENT

**THIS AGREEMENT** (the "Agreement"), made on the Grant Date set forth in the C. H. Robinson Worldwide, Inc. Equity Award letter dated February 6, 2020 by and between **C.H. ROBINSON WORLDWIDE, INC.**, a Delaware corporation (the "Company"), and the employee named on the C. H. Robinson Worldwide, Inc. Equity Award letter ("Employee"), pursuant to the Company's 2013 Equity Incentive Plan (the "Plan").

Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan as it currently exists or as it is amended in the future. For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and Employee hereby agree as follows:

### 1. Grant of Option

The Company hereby grants to Employee, on the Grant Date set forth in the C. H. Robinson Worldwide, Inc. Equity Award letter, the right and option (hereinafter called the "Option") to purchase all or any part of an aggregate of the number of shares of Common Stock, par value \$0.10 per share (the "Common Stock"), set forth on the C. H. Robinson Worldwide, Inc. Equity Award letter (the "Option Shares") at the price per share set forth on the C. H. Robinson Worldwide, Inc. Equity Award letter on the terms and conditions set forth in this Agreement and in the Plan. This Option is intended to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Option shall terminate at the close of business ten (10) years from the Award Date, or such shorter period as is prescribed herein. Employee shall not have any of the rights of a stockholder with respect to the shares subject to the Option until such shares shall be issued to Employee upon the proper exercise of the Option.

### 2. Vesting and Exercisability

(a) Except as otherwise provided in paragraphs 3 and 5, Options granted to a participant will vest in equal annual installments over a five (5) year period contingent on the participant's continued Service. Beginning on December 31, 2020, and on each December 31 thereafter through December 31, 2024, an equal portion (20%) of the Options will vest and become a right to receive an equal number of shares of the Company's common stock.

(b) Subject to the terms and conditions set forth herein and in the Plan, the vested portion of this Option shall be exercisable by Employee until the termination of the Option. The vesting terms provided above shall be cumulative, meaning that to the extent the Option has not already been exercised and has not expired, terminated or been forfeited, Employee or the person otherwise entitled to exercise the Option under the terms of this Agreement and the Plan may at any time purchase all or any portion of the then vested Option Shares.

(c) During the lifetime of Employee, the Option shall be exercisable only by Employee and shall not be assignable or transferable by Employee, other than by will or the laws of descent and distribution, as further provided in Section 6(c) of the Plan.

(d) Notwithstanding Section 2(a), the vesting of this Option shall be accelerated, and this Option may be exercised as to all Option Shares remaining subject to this Option Agreement, on the date of a Change in Control.

(e) Employee understands that to the extent that the aggregate Fair Market Value (determined at the time the Option was granted) of the shares of Common Stock with respect to which all incentive stock options within the meaning of Section 422 of the Code are exercisable for the first time by Employee during any calendar year exceed \$100,000, in accordance with Section 422(d) of the Code such options shall be treated as options that do not qualify as incentive stock options.

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### 3. Effect of Termination of Employment

(a) Except as otherwise provided herein, if Employee ceases to be an Employee (as defined in the Plan) prior to the termination of the Option, then Employee shall (i) forfeit the Option Shares that have not yet become vested, which shall be cancelled and be of no further force or effect, and (ii) subject to Section 3(b), retain the right to exercise any Option Shares that have previously become vested until the termination date of the Option. If, prior to any termination of Employment, Employee has executed and continues to adhere to a Management-Employee (“Key Employee”) Agreement in favor of the Company which contains a non-competition provision, then the Option shall not be terminated and vesting shall continue through the end of two (2) additional Measurement Periods following Employee’s termination of Employment with the Company. In addition, if prior to any termination of Employment, Employee has executed and continues to comply with the non-competition and non-solicitation provisions of a Management-Employee (“Key Employee”) Agreement during any additional Measurement Periods, and if Employee has a minimum of five (5) consecutive years of service at the time of such termination, then the Option shall not terminate and vesting shall continue through the end of additional Measurement Periods following such termination according to the following schedule:

<u>Sum of Age in Whole Years and Tenure in Whole</u> <u>Years</u>	<u>Years of Potential Post-Employment Vesting</u>
At least 50 and less than 60	3 years
At least 60 and less than 70	4 years
At least 70 and greater	5 years

Age and Tenure are individually rounded up to the nearest whole number and Tenure is defined as the period of time between Employee’s date of separation from Service with the Company and Employee’s last date of hire (or in the case of an acquisition, the equivalent last date of hire with the acquired entity). Under no event, however, will any entitlement to continued vesting under this Section 3(a) cause the vesting period of this Option to exceed five (5) years. Employee understands that if the Option or any portion of the Option is exercised in accordance with the above later than three months from the date of termination of employment, the Option or such portion of the Option may not qualify for treatment as an incentive stock option within the meaning of Section 422 of the Code.

(b) Notwithstanding the foregoing, if Employee embezzles or misappropriates Company funds or property, or is determined by the Company to have failed to comply with the terms and conditions of any of the following agreements which Employee may have executed in favor of the Company: i) Confidentiality and Noncompetition Agreement, ii) Management-Employee Agreement, iii) Sales-Employee Agreement, iv) Data Security Agreement, or v) any other agreement containing post-employment restrictions (collectively the “Obligations”), will immediately and automatically forfeit the Option, whether vested or unvested, and will retain no rights with respect to such Option.

(c) If Employee shall die while this Option is still exercisable according to its terms, or if employment is terminated because Employee has died or become subject to a Disability while in the employ of the Company or a subsidiary, if any, and Employee shall not have fully exercised the Option, such Option shall immediately vest in full and may be exercised at any time up to the expiration of the Option after Employee’s death or date of termination of employment for Disability by Employee, personal representatives or administrators, or guardians of Employee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution.

### 4. Manner of Exercise

(a) The Option may be exercised only by Employee or as otherwise provided herein or in the Plan by delivering within the Option period written notice to the Company at its principal office. The notice shall state the number of Option Shares as to which the Option is being exercised and be accompanied by payment in full of the Option price for all Option Shares designated in the notice.



(b) Employee may pay the Option price in cash, by check (bank check, certified check or personal check), by money order, or with the approval of the Company (i) by delivering to the Company for cancellation shares of Common Stock of the Company with a Fair Market Value as of the date the Option is exercised equal to the purchase price of the Option Shares being purchased or (ii) by delivering to the Company a combination of cash and shares of Common Stock of the Company with an aggregate Fair Market Value equal to the purchase price.

#### 5. Additional Forfeiture Provisions

Employee and the Company have entered into one or more of the agreements included as Obligations under Section 3(b). Any shares of Common Stock of the Company acquired by Employee pursuant to the exercise of this Option shall be forfeited to the Company, in full, if Employee violates any of the terms of the Obligations or embezzles or misappropriates Company funds or property.

#### 6. Miscellaneous

(a) This Option is issued pursuant to the Company's 2013 Equity Incentive Plan, a copy of which has been provided to the Employee, and is subject to its terms. This Agreement and the other documents governing the Option shall be subject to the choice of law provisions of Section 18(e) of the Plan.

(b) This Agreement shall not confer on Employee any right with respect to continuance of employment by the Company or any of its affiliates, nor will it interfere in any way with the right of the Company to terminate such employment at any time for any reason. Employee shall have none of the rights of a stockholder with respect to shares subject to this Option until such shares shall have been issued to Employee upon exercise of this Option.

(c) The exercise of all or any parts of this Option shall only be effective at such time that the sale of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws.

(d) If there shall be any change in the shares of Common Stock of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, and all or any portion of the Option shall then be unexercised and not yet expired, appropriate adjustments in the outstanding Option shall be made by the Company in accordance with Section 12(a) of the Plan. Such adjustments shall include, where appropriate, changes in the number of shares of Common Stock and the price per share subject to the outstanding Option as further provided in Section 12(a) of the Plan.

(e) The Company shall at all times during the term of the Option reserve and keep available such number of shares as will be sufficient to satisfy the requirements of this Agreement.

(f) If Employee shall dispose of any of the shares of Common Stock of the Company acquired by Employee pursuant to the exercise of the Option within two years from the date the Option was granted or within one year after the transfer of any such shares to Employee upon exercise of the Option, then in order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it under the circumstances, Employee shall promptly notify the Company of the dates of acquisition and disposition of such shares, the number of shares so disposed of and the consideration, if any, received for such shares. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure (i) notice to the Company of any disposition of the Common Stock of the Company within the time periods described above and (ii) that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Employee.

(g) In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option when the Option does not qualify as an incentive stock option within the meaning of Section 422 of the Code and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable



federal or state payroll, withholding, income or other taxes are withheld or collected from Employee. Employee may elect to satisfy his federal and state income tax withholding obligations upon exercise of this option by (i) having the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon exercise of such option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld upon such exercise, in accordance with such rules as the Company may from time to time establish, or (ii) delivering to the Company shares of its Common Stock other than the shares issuable upon exercise of such option with a fair market value equal to such taxes, in accordance with such rules.

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

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## C.H. ROBINSON RESTRICTED STOCK UNIT (NON U.S. PERFORMANCE-BASED) PROGRAM

C.H. Robinson Worldwide, Inc. (the "Company") is permitted under the terms of its 2013 Equity Incentive Plan to issue its shares and other derivative securities to employees at various times and in various forms. The units are subject to the terms and conditions contained in the 2013 Equity Incentive Plan (unless expressly modified below), and will be vested, earned and delivered in the form of C.H. Robinson Worldwide, Inc. Common Stock ("Common Stock") as outlined below.

### Program Outline

1. Participants are awarded restricted stock units, which will be recorded on the books and records of the Company until delivered in accordance with this agreement.
2. The Measurement Period for performance shall be January 1 through December 31 of a calendar/fiscal year. Beginning on December 31, 2020, and on each December 31 thereafter through December 31, 2024, a portion of the Award will vest, but only if and only to the extent that the Company's Vesting Indicator (VI) is greater than zero for the respective year, as determined by the Compensation Committee of the Company's Board of Directors. The VI is defined as the sum of 10 percentage points plus the percentage increase (or decrease) in Company diluted net income per share for the current year over the prior year rounded to two decimal places. For purposes of calculating the VI for any year during the Measurement Period, the growth for a year is the percentage the current year's EPS exceeds the greater of the previous year's diluted net income per share or the diluted net income per share for 2019. That sum, in turn, is rounded to the nearest whole percentage.

Example:

	Prior Year	Current Year	Percentage Increase
Diluted EPS	\$2.00	\$2.19	9.50%
Add: 10 Percentage Points			19.50%
Rounded to the Nearest Whole Percentage			VI=20.00%

3. In determining how many restricted stock units are vested at the end of each year, the VI is multiplied by the original restricted stock unit grant and then rounded to the nearest whole unit.

Example:

	Year 1	Year 2	Year 3
Restricted Stock Unit Grant: 1,000 shares			
VI:	20%	12%	26%
Rounded Number of Units Vested on Dec. 31:	200	120	260

4. The Compensation Committee's calculation of VI shall be final, and the Compensation Committee retains the discretion to eliminate unusual items, if any, for purposes of calculating the VI for any particular year.
5. Participant's restricted stock units may vest pursuant to paragraph 2 above with respect to this award for up to 5 years (and may vest in less than 5 years if the VI during such time period is sufficiently high enough). Any restricted stock units remaining unvested after December 31, 2024 will be forfeited and the participant will retain no rights with respect to the forfeited units.
6. Participant's restricted stock units vest only while the participant is employed by the Company. A participant must be an employee of the Company on December 31 of a particular year in order to vest in any restricted stock units for that year. If a participant's employment is terminated, whether voluntarily or involuntarily, prior to vesting of any restricted stock units, any units remaining unvested as of the date of termination will be forfeited, and the participant will retain no rights with respect to the forfeited units.
7. Notwithstanding the foregoing, participants who embezzle or misappropriate Company funds or property, or who the Company has determined have failed to comply with the terms and conditions of any of the following agreements which they may have executed in favor of the Company: i) Confidentiality and Noncompetition Agreement, ii) Management-Employee Agreement, iii) Sales-Employee Agreement, iv) Data Security Agreement, or v) any other agreement containing post-employment restrictions, will automatically forfeit all restricted stock awarded, whether vested or unvested, and will retain no rights with respect to such units.
8. Although certain units may become vested, the Common Stock shall be delivered to participant in a single distribution of shares upon the earlier of: February 15, 2027 or two years after the participant terminates employment with the Company.
9. Restricted stock may not be sold, exchanged, assigned, transferred, discounted, pledged or otherwise disposed of at any time prior to delivery of the Common Stock.



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10. As allowed by local law, participants will be entitled to receive dividends on units awarded, whether vested or unvested, when and if dividends are declared by the Company's Board of Directors on the Company's Common Stock, in an amount of cash per share equal to and on the next regularly occurring payroll date. Dividends paid before delivery of the Common Stock will be treated as compensation income for tax purposes and will be subject to income and payroll tax withholding by the Company.
11. The value of this stock award, the fair market value of the underlying shares, and the payment of dividends are outside the scope of compensation under the participant's employment agreement and will not be taken into account in calculating severance or termination payments, irrespective of the reason for termination of employment.
12. In order to comply with all applicable tax laws or regulations, the Company will withhold the minimum required statutory taxes based on the Fair Market Value of the Common Stock as required. You may want to contact a financial advisor and/or a tax advisor to explain what stock ownership impacts there might be to you as the owner of stock.
13. Participation in this program may cause a taxable event either at the time of vesting or the time of delivery. Please consult a tax adviser to explain your responsibility and local tax laws. For the purpose of taxation the value of the award is determined by the use of "Fair Market Value". Fair Market value for a share shall mean the last sale price of a share of the Company's Common Stock on the Nasdaq National Market (or other national securities exchange on which the Company's Common Stock is then listed) on the trading date immediately preceding the date of taxation. If the Company's Common Stock is not then traded in an established securities market, the Compensation Committee of the Board of Directors shall determine Fair Market Value in accordance with the 2013 Equity Incentive Plan.
14. This restricted stock award shall confer no rights of continued employment to the participant, nor will it interfere in any way with the right of the Company to terminate such employment at any time. The Company retains all rights to enforce any other agreement or contract that the Company has with the participant.
15. 2013 Equity Incentive Plan is entirely discretionary and may be amended or terminated by the company at any time, (b) the issuance of awards is entirely in the discretion of the company, and (c) the issuance of awards in one year does not entitle the participant to any awards in any future year.
16. If there shall be any change in the Company's Common Stock through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, appropriate adjustments shall be made in the number of restricted stock units that are vested or unvested under this agreement in order to prevent dilution or enlargement of rights.
17. In the event of a Change in Control, the Compensation Committee may, in its discretion, accelerate the vesting of the restricted stock units. A "Change in Control" shall be deemed to occur on the date (i) a public announcement [which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended] is made by the Company or any Person (as defined below) that such Person beneficially owns more than 50% of the Common Stock outstanding, (ii) the Company consummates a merger, consolidation or statutory share exchange with any other Person in which the surviving entity would not have as its directors at least 60% of the Continuing Directors (as defined below) and would not have at least 60% of its Common Stock owned by the common shareholders of the Company prior to such merger, consolidation or statutory share exchange, (iii) a majority of the Board of Directors is not comprised of Continuing Directors or (iv) a sale or disposition of all or substantially all of the assets of the Company or the dissolution of the Company. A "Continuing Director" is a director recommended by the Board of Directors of the Company for election as a director of the Company by stockholders. "Person" means any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.
18. In the event participant dies or is determined to be "disabled" as that term is defined in the Company's current Long Term Disability Summary Plan Description while employed by the Company, vesting of outstanding restricted units shall be accelerated and outstanding restricted units shall be deemed fully vested and deliverable as soon as administratively practical.
19. This restricted stock unit award is made pursuant to the Company's 2013 Equity Incentive Plan and is subject to the terms of such plan. Participant may request a copy of the plan from the Company. By participating in the CHRW Restricted Stock Unit Program, participant shall be deemed to have accepted all the conditions of the 2013 Equity Incentive Plan and this agreement, and the terms and conditions of any rules adopted by the Committee (as defined in the 2013 Equity Incentive Plan) and shall be fully bound thereby. This agreement shall be construed under the laws of the state of Minnesota.





**C. H. ROBINSON WORLDWIDE, INC.**  
and Subsidiaries and Affiliates  
**MANAGEMENT-EMPLOYEE AGREEMENT**  
(Key Employee)

This Management-Employee Agreement, dated as of \_\_\_\_\_ ("Agreement"), is made and entered into between C. H. Robinson Worldwide, Inc., a Delaware corporation, and its subsidiaries and affiliated companies (collectively referred to as "CHRW") and \_\_\_\_\_ ("Key Employee").

WHEREAS, in return for the benefits provided by this Agreement, Key Employee will be employed by C.H. Robinson Worldwide, Inc. and/or one of its subsidiaries or affiliated companies, such company or companies employing Key Employee being referred to herein as Employer.

WHEREAS, CHRW and Key Employee agree that the position in which Key Employee will work is of critical importance to the operation of Employer's and/or CHRW's business.

WHEREAS, Key Employee acknowledges and agrees that Key Employee's position will require Key Employee to exercise significant responsibility and maintain the utmost trust and fiduciary duty to Employer and/or CHRW;

WHEREAS Key Employee and CHRW agree that Employer and/or CHRW will give Key Employee access to CHRW's highly sensitive, confidential, and proprietary information and provide Key Employee opportunities to represent Employer and/or CHRW in important relationships with customers and other business partners; and

WHEREAS, as a condition of employment or continued employment, Key Employee agrees to be bound by and act in accordance with this Agreement.

NOW, THEREFORE, in consideration of the mutual obligations incurred and benefits obtained hereunder and other good and valuable consideration (including, without limitation, access to CHRW's confidential information, customers, and other business partners, opportunities for learning and experience, opportunities for increased compensation and other benefits, restricted stock opportunities, bonus opportunities, and opportunities for advancement) which would not be available to Key Employee except in return for entering into this Agreement and the sufficiency of such valuable consideration Key Employee hereby acknowledges, CHRW and Key Employee agree as follows:

1. Employment. Employer hereby employs Key Employee, and Key Employee accepts such employment and agrees to perform services for Employer, upon the terms and conditions set forth in this Agreement.
2. Term. Employer and Key Employee mutually agree that this Agreement shall become effective when executed by Key Employee and shall remain in full force and effect until terminated in accordance with Section 6. Upon termination, Key Employee shall remain obligated to comply with all of the post-employment obligations contained in the Agreement, including, but not limited to, the restrictions and limitations contained in Sections 7, 8, and 9 of this Agreement.
3. Performance of Duties. Key Employee agrees to serve Employer faithfully and to the best of Key Employee's ability and to devote Key Employee's full time, attention and efforts to the business and affairs of Employer during the term of Key Employee's employment. Key Employee hereby confirms that Key Employee has no obligations or commitments, whether by contract or otherwise, inconsistent with Key Employee's obligations set forth in this Agreement. During the term of this Agreement, Key Employee shall not render or perform any services (whether or not Key Employee receives any compensation) for any other corporation, firm, entity, or person that are inconsistent with the provisions of this Agreement or that would otherwise impair Key Employee's ability to perform Key Employee's duties to CHRW, including, without limitation, the duties set forth under this Agreement. Key Employee shall not use or disclose any data, information, opportunities, or documents which Key Employee has a duty not to use or disclose,

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including, without limitation, confidential information belonging to any prior employer or any other person or entity.

4. Compensation.

4.01 Base Salary. As compensation for all services to be rendered by Key Employee under this Agreement, Employer shall pay to Key Employee an annualized salary which shall be set on an annual basis in accordance with Employer's standard practices and procedures. Key Employee's salary shall be paid in accordance with Employer's normal payroll procedures and policies, as such procedures and policies may be modified from time to time.

4.02 Annual Bonus. Key Employee may also be eligible to receive an annualized bonus in an amount to be determined in the sole discretion of Employer's management or the Compensation Committee of the Board of Directors of CHRW, if applicable.

4.03 Participation in Benefits. During the term of Key Employee's employment by Employer, Key Employee shall be entitled to participate in the employee benefit plans offered generally by Employer to its employees, to the extent that Key Employee's position, tenure, salary, health, and other qualifications make Key Employee eligible to participate. Key Employee's participation in such benefit plans shall be subject to the terms of the applicable plans, as the same may be amended from time to time. Employer does not guarantee the adoption or continuance of any particular employee benefit plan during Key Employee's employment, and nothing in this Agreement is intended to, or shall in any way restrict the right of Employer, to amend, modify or terminate any of its benefit plans during the term of Key Employee's employment.

4.04 Equity Grants. Key Employee shall be eligible to participate in the 1997 Omnibus Stock Plan and any successor plans adopted by C.H. Robinson Worldwide, Inc. Grants made under such 1997 Omnibus Stock Plan and any successor plans are made in the sole discretion of Employer. The nature and amount of any equity grants made by Employer to Key Employee shall be determined in the sole discretion of Employer's management or the Compensation Committee of the Board of Directors of C.H. Robinson Worldwide, Inc., if applicable. The terms and conditions of Key Employee's entitlement to any equity compensation shall be determined by the terms of the equity grant.

4.05 Expenses. In accordance with Employer's normal policies for expense reimbursement, Employer will reimburse Key Employee for all reasonable and necessary expenses incurred by Key Employee in the performance of Key Employee's duties under this Agreement, subject to the presentment of receipts or other documentation acceptable to Employer.

5. Other Employment Policies. As a condition precedent to Employer's hiring or continued employment of Key Employee and Employer's performance of its obligations hereunder, Key Employee shall comply with all of applicable state and federal laws and regulations, and all the policies, rules, or codes of conduct generally in effect for employees of Employer during the Term.

6. Termination.

6.01 Termination Due to Key Employee's Death or Total Disability. This Agreement shall terminate automatically in the event of Key Employee's death, or in the event of Key Employee's failure or inability to perform the essential functions of Key Employee's position, subject to any legal obligations to provide reasonable accommodation, provided Key Employee has exhausted Key Employee's entitlement to any applicable leave or short term disability, if Key Employee desires to take and satisfies all eligibility requirements for such leave.

6.02 Termination by Employer for Cause. Key Employee's employment pursuant to this Agreement shall terminate immediately in the event Employer shall determine, in its sole discretion, that there is "cause" to terminate Key Employee's employment, included but not limited to any of the following:

(i) Key Employee's material breach of any contractual obligation to Employer under the terms of this Agreement or any other agreement between Key Employee and Employer, or of any fiduciary duty to Employer;





- (ii) Key Employee's indictment, charge, or conviction for any crime involving moral turpitude or any felony;
- (iii) Key Employee's failure to carry out any reasonable directive of Employer;
- (iv) Key Employee's embezzlement or misappropriation of funds or other assets of Employer;
- (v) Any failure by Key Employee to comply with any policy, rule or code of conduct generally applicable to Employer's employees or to Employer's management employees such as Key Employee; or
- (vi) A demonstrated lack of commitment of Key Employee to Employer, or conduct by Key Employee which is detrimental to Employer, or Key Employee's failure to perform the assigned duties of his position at a level of individual performance adequate to Employer; provided that, in the case of any conduct that is reasonably susceptible of cure, Key Employee shall have thirty (30) days to cure any such lack of commitment or failure after Employer provides Key Employee written notice of the actions or omissions constituting the lack of commitment, detrimental conduct or failure.

6.03 Termination by Employer without Cause. Employer may immediately terminate Key Employee's employment at any time and for any reason.

6.04 Termination by Key Employee. Key Employee may terminate this Agreement at any time by giving fifteen (15) days written notice thereof to Employer. Upon notice of termination by Key Employee, Employer may at its option elect to have Key Employee cease to provide services immediately, provided that during such 15-day notice period, Key Employee shall be entitled to earn and be paid his base salary.

6.05 Effect of and Compensation Upon Termination.

A. If this Agreement is terminated in accordance with Section 6.01, 6.02, or 6.04, Key Employee shall not be entitled to receive any additional compensation under this Agreement after the effective date of such termination.

B. If this Agreement is terminated in accordance with Section 6.03, Key Employee will be entitled to receive his base salary for fifteen (15) days, provided that Key Employee has complied with all his obligations to CHRW, including but not limited to, Key Employee's obligations under this Agreement and further provided that Key Employee signs and does not rescind a separation agreement and release in a form acceptable to Employer.

C. Notwithstanding any other provision in this Agreement, should Key Employee's employment be terminated for any reason, Key Employee shall not earn and will have no right to receive any compensation except as expressly provided in this Agreement or in the terms and conditions of a compensation plan or program expressly referenced herein.

D. Notwithstanding any termination of Key Employee's employment with Employer, Key Employee, in consideration of Key Employee's employment hereunder to the date of such termination, shall remain bound by the provisions of this Agreement which specifically relate to periods, activities or obligations upon or subsequent to the termination of Key Employee's employment, including, but not limited to, the covenants contained in Sections 7, 8, and 9 hereof.

6.06 Surrender of Records and Property. Upon termination of Key Employee's employment with Employer for any reason, or whenever requested by Employer or CHRW, Key Employee shall deliver promptly to Employer all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, computer disks, computer software, computer programs (including source code, object code, on-line files, documentation, testing materials and plans and reports) designs, drawings, formulae, data, tables or calculations or copies, summaries or abstracts thereof, which are the property of Employer or CHRW or which relate in any way to the business, products, practices or techniques of Employer or CHRW, and all other property, trade secrets and confidential information of Employer or CHRW, including, but not limited to, all tangible, written, graphical, machine readable and other materials (including all copies, summaries, and abstracts) which in whole or in part contain any trade secrets or confidential information of Employer or CHRW which in any of these cases are in Key Employee's possession or under Key Employee's control.



7. Restrictive Covenants.

7.01 Noncompetition. In consideration of Key Employee's employment or continued employment with Employer, and the significant benefits, financial and otherwise, which Key Employee will receive in return for signing this Agreement, including, but not limited to, the benefits under the 1997 Omnibus Stock Plan, and any successor plans, Key Employee agrees that, during the "Restricted Period" (as hereinafter defined), Key Employee shall not, except as otherwise agreed in writing, directly or indirectly, engage in any "Competing Business Activity" (as hereinafter defined), in any manner or capacity, including but not limited to as an advisor, principal, agent, consultant, partner, officer, director, shareholder, employee, or member of any association.

(i) Geographical Extent of Covenant. Except as otherwise agreed in writing signed by Key Employee and an officer of Employer, the obligations of Key Employee under this Section 7 shall apply anywhere within the United States or any other country in which Key Employee has worked for Employer within the last twelve (12) months of employment with Employer.

(ii) Limitation on Covenant as It Relates to Passive Stock Ownership. Ownership by Key Employee, as a passive investment, of less than five (5) percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.01.

(iii) Competing Business Activity. As used in this Agreement, "Competing Business Activity" shall mean any business activities that are competitive with the business conducted by CHRW at or prior to the date of the termination of Key Employee's employment, or any prospective business activity or relationship of CHRW of which Key Employee was aware prior to termination, including, but not limited to:

(a) freight contracting, freight brokerage, contract logistics, freight forwarding or backhauling, or custom house brokerage business; or

(b) contracting, arranging, providing, procuring, furnishing or soliciting of distributors, freight contracting, freight brokerage, contract logistics, freight forwarding or backhauling, custom house brokerage or transportation services; or

(c) any activities that involve offering or providing products or services that are the same or similar to products or services offered by CHRW or which could be used in place of products or services offered by CHRW; or

(d) any activity conducted by a business engaged in the transportation or logistics industries as a shipper, receiver or carrier; or

(e) the provision of payment, financing, and information services to entities engaged in the transportation industry, or

(f) the purchase, sale and/or sourcing of fresh fruits and vegetables.

7.02 Nonsolicitation, Non-hire and Noninterference. During the Restricted Period, Key Employee shall not (a) induce or attempt to induce any employee or agent of CHRW to leave the employ or service of CHRW, or in any way interfere adversely with the relationship between any such employee or agent and CHRW; (b) induce or attempt to induce any employee or agent of CHRW to work for, render services to, provide advice to, or supply confidential business information or trade secrets of CHRW to any person or entity engaged in a Competing Business Activity; (c) recruit, employ, or otherwise engage the services any employee or agent of CHRW in any business activity with which Key Employee may be associated, connected or affiliated; or (d) induce or attempt to induce any customer, supplier, consultant, vendor, licensee, licensor or other person or entity with whom CHRW has done business or sought to do business within the last two (2) years to cease, limit, or reduce business with CHRW, or in any way interfere with the existing or prospective business relationship between any such person or entity and CHRW.

7.03 Indirect Competition or Solicitation. Key Employee agrees that, during the Restricted Period, Key Employee shall not, directly or indirectly, assist, solicit or encourage any other person in carrying out,

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directly or indirectly, any activity that would be prohibited by the provisions of this Section 7 if such activity were carried out by Key Employee, either directly or indirectly; and, in particular, Key Employee agrees that Key Employee will not, directly or indirectly, induce any employee of Employer to carry out, directly or indirectly, any such activity.

7.04 Notification of Employment. If at any time during the Restricted Period Key Employee accepts new employment or becomes affiliated with a third party, Key Employee shall immediately notify Employer of the identity and business of the new Employer or affiliation. Without limiting the foregoing, Key Employee's obligation to give notice under this Section 7.04 shall apply to any business ventures in which Key Employee proposes to engage, even if not with a third-party employer (such as, without limitation, a joint venture, partnership or sole proprietorship). Key Employee hereby consents to Employer notifying any such new employer or business venture of this Agreement or any portion of it. .

7.05 Restricted Period. As used in this Section 7, "Restricted Period" shall mean the period between the Effective Date and two (2) years after the termination of Key Employee's employment with Employer for any reason (whether such termination is occasioned by Key Employee or Employer).

7.06 Set-Off Right. In the event Key Employee breaches any of the covenants set forth in this Section 7 or in Section 8 or 9, Key Employee acknowledges and agrees that Employer may set-off any loss, cost, damage, liability or expense (including, without limitation, lost profits and reasonable attorneys' fees and expenses) against amounts otherwise payable under this Agreement or any other amount that CHRW may owe to Key Employee. Neither the exercise of nor failure to exercise such right of set-off or to give notice of a claim therefor will constitute an election of remedies or limit Employer in any manner in the enforcement of any other remedies available to it.

7.07 Opportunity to Request Modification. In the event that Key Employee has an employment or other opportunity that may conflict with the provisions of this Section 7, Key Employee is encouraged to bring that situation to the attention of the Vice President of Human Resources or General Counsel for C.H. Robinson Worldwide, Inc. Depending upon the circumstances, it may be possible to agree to an amendment of the restrictions contained in this Agreement, so long as CHRW's interests can still be protected and preserved.

8. Confidential Information. In consideration of Key Employee's employment or continued employment with Employer, and the significant benefits, financial and otherwise, which Key Employee will receive in return for signing this Agreement, including, but not limited to, the benefits under the 1997 Omnibus Stock Plan, and any successor plans, and because Key Employee's duties as a high-level management employee will necessitate his having access to and being entrusted with confidential and proprietary information relating to CHRW's business, customers, and persons or entities with whom CHRW does business, Key Employee shall not at any time, whether during or after employment with Employer, disclose to a third party or use for any purpose other than to benefit CHRW, any Confidential Information of CHRW. "Confidential Information" means all information written (or generated/stored on magnetic, digital, photographic or other media) or oral, relating to any aspect of CHRW's existing or reasonably foreseeable business which is disclosed to Key Employee, to which Key Employee was given access, or which was conceived, discovered or developed by Key Employee (alone or jointly with others), and which is not generally known or which is proprietary to CHRW. Confidential Information includes, without limitation: Employer's strategic and other business plans; designs; information relating to employees, consultants, vendors, customers, carriers, suppliers, and/or any other person or entity with whom CHRW does business; customer and/or carrier lists, marketing information, aids, or materials; accounting information; merchandising information; rate and/or pricing information; information-gathering techniques and methods; all accumulated data, listings, or similar recorded matter used or useful in food sales (including the purchase, sale, and sourcing of fresh fruits and vegetables), freight brokerage and contracting, contracting logistics, freight forwarding and backhauling (all modes), customs house brokerage operations, all aspects of the logistics or transportation industries, including but not limited to, business forms, weekly loading lists, service contracts, all contract terms (including all pricing and cost information), and tariff information, and computer programs, software, and/or code.

Key Employee agrees that all the following Information shall be presumed to be Confidential Information and, unless otherwise directed or authorized by an officer of CHRW, Key Employee agrees to treat all the following information as Confidential: (a) all information contained on any computer or computer system of Employer and/or CHRW; and (b) all information which has been disclosed to Key Employee or to which





Key Employee has access during the period of employment with Employer which Employer and CHRW do not intentionally disclose to the general public. If Key Employee has any uncertainty or question about whether any information is or should be treated as Confidential Information, Key Employee agrees to inquire with the Vice President of Human Resources or the General Counsel of C.H. Robinson Worldwide, Inc. before taking any action with respect to such information which would involve treatment of such information in any way inconsistent with its status as Confidential Information. In addition, Key Employee shall comply with the terms of any Confidentiality Agreement by which Employer or CHRW is bound to a third party. Key Employee's disclosure to attorneys, accountants and other advisors at the Employer's or CHRW's request, or in the performance of Key Employee's duties, shall not be treated as a violation of this Agreement.

## 9. Inventions.

9.01 Key Employee shall communicate to Employer as promptly and fully as practicable all Inventions (as defined below) which are (or were) conceived or reduced to practice by Key Employee (alone or jointly with others) (1) during Key Employee's employment with Employer, or (2) within one (1) year following the termination of Key Employee's employment with Employer for any reason (and whether occasioned by Key Employee or Employer). Key Employee hereby assigns to Employer and/or its nominees, all of Key Employee's right, title, and interest in such Inventions, and all of Key Employee's right, title, and interest in any patents, copyrights, patent applications or copyright applications based thereon. Key Employee shall assist Employer and/or its nominees (without charge but at no expense to Key Employee) at any time and in every proper way to obtain for Employer and/or its nominees the benefits, patents and copyrights for all such Inventions anywhere in the world and to enforce its and/or their rights in legal proceedings. To the extent any materials prepared by Key Employee (alone or jointly with others) during Key Employee's employment with Employer include material subject to copyright protection (or other intellectual property protection), it is understood and agreed that such materials have been specially commissioned by Employer and they shall be deemed "work for hire" as such term is defined under U.S. copyright law. Key Employee acknowledges and agrees that all documents, digitally, magnetically or optically encoded media, and other tangible materials created by Key Employee (alone or jointly with others) during Key Employee's employment with Employer shall be owned by CHRW. Key Employee irrevocably acknowledges CHRW's sole ownership in all right, title, and interest to all work created by Key Employee during Key Employee's employment with Employer and further agrees to engage in no conduct and take no position inconsistent with such sole ownership by CHRW.

9.02 As used in this Section, the term "Invention" includes, but is not limited to, all inventions, discoveries, improvements, processes, developments, designs, know-how, data, computer programs and formulae, whether patentable or unpatentable or protectable by copyright, trademark, or other intellectual property law.

9.03 Any provision in this Section requiring Key Employee to assign Key Employee's rights in any Invention does not apply to an Invention which qualifies for exclusion under the provisions of Minnesota Statute Section 181.78. That section provides that the requirement to assign "shall not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the employer." Key Employee understands and agrees that Key Employee bears the burden of proving that an Invention qualifies for exclusion under Minnesota Statute Section 181.78.

9.04 Notwithstanding any of the foregoing, Key Employee also assigns to Employer (or to any of its nominees) all rights which Key Employee may have or acquire in any Invention, full title to which is required to be in the United States by a contract between Employer and the United States or any of its agencies.

9.05 Key Employee hereby irrevocably designates and appoints Employer and each of its duly authorized officers and agents as Key Employee's agent and attorney-in-fact to act for and in Key Employee's behalf and stead to execute and file any document and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of patents, copyrights and other proprietary rights with the same force and effect as if executed and delivered by Key Employee.





10 Disputes.

10.01 Except as provided below, all Claims the Employer might bring against Key Employee and all Claims Key Employee might bring against CHRW and/or any officers, directors, employees, or agents of CHRW shall be deemed waived unless submitted to mediation, and thereafter, if mediation is unsuccessful, to final and binding arbitration in accordance with the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association, modified as follows: (1) the arbitration need not actually be administered by the American Arbitration Association; (2) the parties shall share equally in the fees and costs for the arbitrator and the arbitration process, except that the arbitrator may award such fees and costs to the prevailing party as part of a final decision; (3) any mediation or arbitration shall be governed by the Company's Employment Dispute Mediation/Arbitration Procedure, which is available on the Company Intranet; (4) dispositive motions shall be permissible and not disfavored in any arbitration, and the standard for deciding such motions shall be the same as under Rule 56 of the Federal Rules of Civil Procedure; (5) except on a substantial showing of good cause, discovery will be limited to the exchange of relevant documents and three depositions per side; and (6) except as mutually agreed at the time between Key Employee and CHRW, neither Key Employee nor CHRW may bring any Claim combined with or on behalf of any other person or entity, whether on a collective, representative, or class action basis or any other basis. In the case of any conflict between the rules and procedures for either mediation or arbitration, the priority and order of precedence shall be as follows: (1) the rules and procedures stated herein; (2) the Company's Employment Dispute Mediation/Arbitration Procedure; (3) the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association.

10.02 For purposes of this Agreement, "Claims" shall include, but not limited to, all claims directly or indirectly related to Key Employee's recruitment, employment, compensation or benefits (except that for any claims under an employee benefit or pension plan that specifies a claim procedure, such claim procedure must first be exhausted before a claim, if any, may be pursued under this Agreement) or termination of Key Employee's employment with Employer, including, but not limited to, alleged violations of Title VII of the Civil Rights Act of 1964, sections 1981 through 1988 of Title 42 of the United States Code and all amendments thereto, the Employee Retirement Income Security Act of 1974 ("ERISA"), the Americans with Disabilities Act of 1990 ("ADA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Older Workers Benefits Protection Act of 1990 ("OWBPA"), the Fair Labor Standards Act ("FLSA"), the Occupational Safety and Health Act ("OSHA"), the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and any and all claims under federal, state, and local laws or regulations (including all such laws and regulations pertaining to employment or prohibiting discrimination). This Dispute Resolution Agreement shall not apply to any of the following: (1) Worker's Compensation claims; (2) claims related to unemployment insurance; (3) any claims by CHRW to enforce Sections 6.06, 7, 8, or 9 of this Agreement; (4) any claims by CHRW that include a request for injunctive or equitable relief, including, without limitation, claims related to its enforcement of any restrictive covenants, non-competition obligations, non-solicitation obligations and/or confidential information provisions contained in any CHRW policy and/or employment agreement(s) entered into between Key Employee and Employer or CHRW; and/or (5) any claims to protect the CHRW's trade secrets, confidential or proprietary information, trademarks, copyrights, patents, or other intellectual property.

10.03 This dispute resolution provision shall continue in full force and effect during Key Employee's entire employment with Employer and after such employment has terminated, regardless of the reason for such termination and whether termination was voluntary or involuntary. This dispute resolution provision shall be binding upon the heirs, successors, and assigns of Key Employee and CHRW, and any person or entity asserting Claims or seeking relief of any kind on behalf of Key Employee or CHRW shall be bound by this Agreement to the fullest extent permitted by law.

10.04 If any portion of this dispute resolution provision is determined to be void or unenforceable, then the remaining portions of this Agreement shall continue in full force and effect, and this Agreement may be modified to the extent necessary, consistent with its fundamental purpose and intent, in order to make it enforceable.

11. Miscellaneous.

11.01 Governing Law and Venue Selection. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of Minnesota without regard to conflicts of law



principles thereof. The parties agree that any claim or dispute between them shall be adjudicated or arbitrated exclusively in the State of Minnesota, Hennepin County District Court, or the United States District Court for the District of Minnesota. Key Employee and Employer hereby consent to the personal jurisdiction of these courts and waive any objection that such venue is inconvenient or improper.

11.02 Prior Agreements. This Agreement (including other agreements specifically mentioned in this Agreement) contains the entire agreement of the parties relating to the employment of Key Employee by Employer and the other matters discussed herein and supersedes all prior promises, contracts, agreements and understandings of any kind, whether express or implied, oral or written, with respect to such subject matter (including, but not limited to, any promise, contract or understanding, whether express or implied, oral or written, by and between Employer and Key Employee) and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement which are not set forth herein or in the other agreements mentioned herein.

11.03 Withholding Taxes. Employer may take such action as it deems appropriate to insure that all applicable federal, state, city and other payroll, withholding, income or other taxes arising from any compensation, benefits or any other payments made pursuant to this Agreement or any other contract, agreement or understanding which relates, in whole or in part, to Key Employee's employment with Employer are withheld or collected from Key Employee.

11.04 Amendments. No amendment or modification of this Agreement shall be deemed effective unless made in writing.

11.05 No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any act other than as specifically set forth in the waiver.

11.06 Assignment. Key Employee may not assign any right, interest, or obligation under this Agreement, in whole or in part, without the written consent of Employer. Employer will be free to assign its rights, interests, and obligations under this Agreement without the consent of Key Employee. After any such assignment by Employer, Employer shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be Employer for the purposes of all provisions of this Agreement including this Section 11.06.

11.07 Injunctive Relief. Key Employee acknowledges and agrees that the services to be rendered by Key Employee hereunder are of a special, unique and extraordinary character, that it would be difficult to replace such services and that any violation of Sections 6.06, 7, 8, or 9 hereof would be highly injurious to Employer and/or CHRW, and that it would be extremely difficult to compensate Employer and/or CHRW fully for damages for any such violation. Accordingly, Key Employee specifically agrees that Employer or CHRW, as the case may be, shall be entitled to temporary and permanent injunctive relief to enforce the provisions of Sections 6.06, 7, 8, or 9 hereof, and that such relief may be granted without the necessity of proving actual damages. Key Employee further agrees that a reasonable and proper bond for any such injunctive relief would be five hundred dollars (\$500.00). CHRW and/or Employer shall be entitled to recover attorneys' fees and costs incurred in enforcing Section 6.06, 7, 8, or 9 of this Agreement. This provision with respect to injunctive relief shall not, however, diminish the right of Employer or CHRW to claim and recover damages, or to seek and obtain any other relief available to it at law or in equity, in addition to injunctive relief.

11.08 Severability. To the extent any provision of this Agreement shall be determined to be invalid or unenforceable in any jurisdiction, such provision shall be either equitably modified or deemed to be deleted from this Agreement as to that jurisdiction only, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected. In furtherance of and not in limitation of the foregoing, Key Employee expressly agrees that should a court of competent jurisdiction determine that the duration, geographic scope, or business activities contained in the restrictions and limitations of Section 7 are in excess of that which is valid or enforceable under applicable law, then such provision, as to such jurisdiction only, shall be equitably modified or construed to cover only that duration, geographic scope or activities that would be permissible under applicable law. Key Employee acknowledges the uncertainty of

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the law in this respect and expressly stipulates and agrees that this Agreement shall be construed in a manner that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law in each applicable jurisdiction.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in the first paragraph.

C. H. ROBINSON WORLDWIDE, INC.

By  \_\_\_\_\_

Name: Bob Biesterfeld

Title: President and Chief Executive Officer

KEY EMPLOYEE:

\_\_\_\_\_

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**C. H. ROBINSON WORLDWIDE, INC.**  
and Subsidiaries and Affiliates  
**CONFIDENTIALITY AND PROTECTION OF BUSINESS AGREEMENT**

This Confidentiality and Protection of Business Agreement ("Agreement") is made and entered into between C. H. Robinson Worldwide, Inc., a Delaware corporation, and its subsidiaries and affiliated companies (collectively referred to as "Company") and \_\_\_\_\_, hereinafter referred to as "employee," or "I," or "me."  
(PRINT NAME)

**I.**  
**RECITALS**

Employee agrees and acknowledges that Employee wishes to be employed or continue to be employed by C.H Robinson Worldwide, Inc., or one of its subsidiary or affiliated companies in a significant position involving important contact and relationships with the Company's customers, carriers, vendors, and other business partners in which Employee will represent the Company and have access to the Company's confidential and proprietary business information. Employee wishes to enter into and/or continue such employment with the potential of increased responsibility and knowledge about the Company's affairs.

Employee and Company agree that Company will give Employee access to Company's highly sensitive, confidential, and proprietary information and provide Employee opportunities to represent the Company in important relationships with customers, carriers, vendors and/or other business partners.

Employee hereby confirms that Employee has no obligations or commitments, whether by contract or otherwise, inconsistent with Employee's obligations to the Company.

As a condition of employment or continued employment, Employee agrees to be bound by and act in accordance with this Agreement. In consideration of the mutual obligations incurred and benefits obtained hereunder and other good and valuable consideration (including, without limitation, access to Company's confidential information, customers, carriers, and other business partners, opportunities for learning and experience, opportunities for increased compensation and other benefits, restricted stock opportunities, bonus opportunities, and opportunities for advancement) which would not be available to Employee except in return for entering into this Agreement and the sufficiency of such valuable consideration Employee hereby acknowledges, Company and Employee agree as follows:

**II.**  
**DEFINITIONS**

In this Agreement:

A. "Business Partner" means any Customer, Carrier, consultant, contractor, supplier, vendor, or any other person, company, organization, or entity that has conducted business with or potentially could conduct business with the Company in any of the Company Businesses.

B. "Carrier" means any person, company or organization that the Company has engaged or potentially could engage for transportation services in any of the Company Businesses.

C. The "Company" means C.H. Robinson Worldwide, Inc., and all existing or future affiliated corporations including all subsidiaries, divisions and enterprises owned or controlled by those corporations.

D. The "Company Businesses" shall mean freight brokerage and contracting, contract logistics, freight forwarding or backhauling, transportation logistics, transportation-related payment and information systems, custom house brokerage businesses, the purchase, sale and sourcing of fresh fruits and vegetables, and other businesses the Company may become involved in now or in the future during Employee's employment with Company (collectively referred to as the "Company Businesses").

E. "Confidential Information"

1. "Confidential Information" shall mean all information written (or generated/stored on magnetic, digital, photographic or other media) or oral, relating to any aspect of the Company Businesses, existing or reasonably foreseeable, which is disclosed to Employee, to which Employee was given access, or which was conceived, discovered or developed by Employee (alone or jointly with others), and which is not generally known or which is proprietary to Company, including but not limited to: Company's strategic and other



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business plans, designs, information relating to employees or Business Partners, customer and/or carrier lists, and marketing information, aids or materials, accounting information, merchandising information, rate and/or pricing information, and information-gathering techniques and methods, and all accumulated data, listings, or similar recorded matter used or useful in freight brokerage and contracting, contract logistics, freight forwarding and backhauling (all modes), transportation logistics, transportation-related payment and information systems, custom house brokerage businesses, and/or the purchase, sale and sourcing of fresh fruits and vegetables including, but not limited to, the Business Partner, customer and carrier lists, business forms, weekly loading lists, service contracts, all pricing information, all contract terms, tariff information, and computer programs, software and/or code.

2. All information disclosed to me, or to which I have access during the period of my employment, for which there is any reasonable basis to be believed is, or which appears to be treated by the Company as, Confidential Information, shall be presumed to be Confidential Information hereunder, and Employee agrees to treat all the following as Confidential: (a) all information contained on any computer or computer system of Company; and (b) all information which has been disclosed to Employee or to which Employee has access during the period of employment with Company which Company does not intentionally disclose to the general public.

F. "Competing Business" means any person, business, firm, entity, undertaking, company or organization, other than the Company, which:

1. is engaged in, or is about to become engaged in a business or businesses the same or similar to the Company Businesses, or
2. regardless of the nature of its business, either competes directly or indirectly with the Company in any of the Company Businesses, including but not limited to any activities that involve offering or providing products or services that are the same or similar to products or services offered by the Company or which could be used in place of products or services offered by the Company, or
3. any person, company or organization engaged in the produce or transportation or logistics industries as a shipper, receiver or carrier, or
4. the provision of payment, financing, and information services to entities engaged in the transportation or logistics industries.

G. "Customer" means any person, company or organization that has engaged or potentially could engage the Company's services in any of the Company Businesses.

### **III. NATURE OF EMPLOYEE'S ACTIVITIES**

A. I am aware and acknowledge that the Company has developed a special competence in the Company Businesses, and has accumulated as proprietary information (not generally known to others) Confidential Information and more and better information about Business Partners, shippers, carriers, truckers, trucking equipment, railroads, ocean carriers, foreign agents, customers, purchasing agents and similar matters which are of unique value in the conduct and growth of the Company's Businesses. This proprietary pool of information has enabled the Company to conduct the Company Businesses with unusual success and has thus afforded unusual job opportunities and potential to its employees.

B. In the course of my employment, I wish to be employed in a position or positions with the Company in which I may receive or contribute to Confidential Information. It is my desire to continue progressing in the Company, which could include sales, operations, management, carrier, and customer-related capacities, and I recognize that optimum progression and specialization cannot take place unless Confidential Information, including information relating to technology, processes, plans, development, activity, Business Partners, other employees, and the like, is entrusted to me.

C. In exchange for my promises and commitments in this Agreement, the Company will provide me with Confidential Information to permit me to carry out, perform, and fulfill my job responsibilities and have greater opportunities to advance in my career. I acknowledge that the Company may provide me with such Confidential Information, and I further acknowledge that in the course of carrying out, performing and fulfilling my responsibilities for the Company, I have been given Confidential Information relating to the Company's Businesses, and I recognize that disclosure of any such Confidential Information to a Competing Business, to the general public, or for any reason or under any circumstance other than to further the Company's business would be highly detrimental to the Company. I further acknowledge that, in the course of performing my obligations to the Company, I will be a representative of the Company to many of the Company's Business Partners and, in some instances, may be the Company's sole and exclusive contact with a Business Partner. In this capacity, I will be given significant responsibility for maintaining or enhancing the business relationship and/or goodwill of the Company with such Business Partners.



**IV.**  
**PROTECTION OF BUSINESS**

Therefore, in consideration of the Company's entrusting me with Confidential Information and the opportunity to represent the Company in dealings with Business Partners, in consideration of my employment by the Company, in consideration of the compensation, benefits, and opportunities available to me through such employment, and in consideration of the other benefits and covenants provided to me by this Agreement,

I hereby agree as follows:

A. Except as may be required in the performance of my employment duties with the Company, I will never at any time (whether during or after employment with Company) use, disclose, copy or assist any other person, entity, or organization in the use, disclosure or copying of any Confidential Information.

B. Upon the termination of my employment with the Company or at any other time requested by the Company, all Confidential Information, including files, records, data, copies, summaries, or abstracts containing or reflecting Confidential Information, in my possession, custody, or control, whether prepared by me or others, and regardless of how the same came into my possession, custody, or control, will be turned over to the Company by me.

C. For a period of two (2) years after the termination of my employment with the Company, however occasioned and for whatever reason, I will not:

1. Directly or indirectly, for the benefit of any Competing Business (including a business which I may own in whole or in part), solicit, engage, sell or render services to, or do business with any Business Partner or prospective Business Partner of the Company with whom I worked or had regular contact, on whose account I worked, or with respect to which I had access to Confidential Information about such Business Partner at any time during the last two years of my employment with the Company; or

2. Directly or indirectly recruit, hire or solicit any employee or agent of the Company for employment or service with or on behalf of any Competing Business or attempt to interfere with the contract or relationship between the Company and any of its employees or agents, or directly or indirectly cause or attempt to cause any employee or agent of the Company to terminate or reduce such person's employment or service with the Company.

3. Directly or indirectly cause or attempt to cause any Business Partner of the Company with whom the Company has done business or sought to do business within the last two (2) years of my employment to divert, terminate, limit or in any manner modify, decrease or fail to enter into any actual or potential business relationship with the Company.

4. It is understood by me and agreed to by the Company that upon the termination of my employment hereunder, I will not be restricted territorially from competing with the Company so long as I comply with the provisions of Part IV herein.

5. It is further understood and agreed that the running of the two (2) year period of restriction set forth in Part IV C shall be tolled during any time period in which I violate the provisions of Part IV C.

D. I will devote my entire time, attention, and energies to the business of the Company and shall not, during the period of my employment, be engaged in any other employment or business activity whether or not such activity is pursued for gain, profit or other pecuniary advantage. This restriction, however, shall not be construed as preventing me from investing my assets in such form or manner as will not require any services on my part in the day-to-day operation of the affairs of the companies in which such investments are made.

E. I will comply with all applicable state and federal laws and regulations, and all the policies, rules, or codes of conduct generally in effect for employees of Company during my employment.

**V.**  
**INVENTION**

A. Employee shall communicate to Company as promptly and fully as practicable all Inventions (as defined below) which are (or were) conceived or reduced to practice by Employee (alone or jointly with others) (1) during Employee's employment with Company, (2) within one (1) year following the termination of Employee's employment with Company for any reason (and whether occasioned by Employee or Company). Employee hereby assigns to Company and/or its nominees, all of Employee's right, title, and interest in such Inventions, and all of Employee's right, title, and interest in any patents, copyrights, patent applications, or copyright applications based



thereon. Employee shall assist Company and/or its nominees (without charge but at no expense to Employee) at any time and in every proper way to obtain for Company and/or its nominees the benefits, patents and copyrights for all such Inventions anywhere in the world and to enforce its and/or their rights in legal proceedings. To the extent any materials prepared by Employee (alone or jointly with others) during Employee's employment with Company include material subject to copyright protection (or other intellectual property protection), it is understood and agreed that such materials have been specially commissioned by Company and they shall be deemed "work for hire" as such term is defined under U.S. copyright law. Employee acknowledges and agrees that all documents, digitally, magnetically or optically encoded media, and other tangible materials created by Employee (alone or jointly with others) during Employee's employment with Company shall be owned by Company. Employee irrevocably acknowledges Company's sole ownership in all right, title, and interest to all work created by Employee during Employee's employment with Company and further agrees to engage in no conduct and take no position inconsistent with such sole ownership by Company.

B. As used in this Section, the term "Invention" includes, but is not limited to, all inventions, discoveries, improvements, processes, developments, designs, know-how, data, computer programs and formulae, whether patentable or unpatentable or protectable by copyright, trademark, or other intellectual property law.

C. Any provision in this Section requiring Employee to assign Employee's rights in any Invention does not apply to an Invention which qualifies for exclusion under the provisions of Minnesota Statute Section 181.78. That section provides that the requirement to assign "shall not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the employer." Employee understands that Employee bears the burden of proving that an Invention qualifies for exclusion under Minnesota Statute Section 181.78.

D. Employee also assigns to Company (or to any of its nominees) all rights which Employee may have or acquire in any Invention, full title to which is required to be in the United States by a contract between Company and the United States or any of its agencies.

E. Employee hereby irrevocably designates and appoints Company and each of its duly authorized officers and agents as Employee's agent and attorney-in-fact to act for and on Employee's behalf and stead to execute and file any document and to do all other lawfully permitted acts to further the prosecution, issuance, and enforcement of patents, copyrights and other proprietary rights with the same force and effect as if executed and delivered by Employee.

## **VI.** **EXIT INTERVIEW**

To ensure a clear understanding of this Agreement and my post-employment obligations to the Company, I agree to engage in an Exit Interview with the Company at a time and place designated by the Company. The Company, at its option, may elect to conduct the Exit Interview either at the Company's principal headquarters in Minneapolis, Minnesota, or through written correspondence, or by phone; provided, however, that the Company shall pay all reasonable travel and lodging expenses incurred by me in attending such Exit Interview if the Company requires my personal attendance.

## **VII.** **INJUNCTIVE RELIEF**

Employee acknowledges and agrees that any violation of Part IV above would be highly injurious to Company, and that it would be extremely difficult to fully compensate Company for damages for any such violation. Accordingly, Employee specifically agrees that in the event of a breach or threatened breach of Part IV above, the Company shall be entitled to a temporary and/or permanent injunction restraining such breach, without the necessity of proving actual damages. Employee further agrees that a reasonable and proper bond for any such injunctive relief would be five hundred dollars (\$500.00). Company shall further be entitled to recover all attorneys' fees reasonably incurred in establishing such violations of this Agreement; but nothing herein shall be construed as prohibiting the Company from pursuing damages or any other remedy available to it at law or in equity, in addition to injunctive relief, for such breach or threatened breach.

## **VIII.** **SEPARATE AND DIVISIBLE COVENANTS**

The covenants contained in this Agreement are intended to be separate and divisible covenants, and if, for any reason, any one or more thereof shall be held to be invalid or unenforceable, in whole or in part, it is agreed that the same shall not be held to affect the validity or enforceability of any other covenant or part of this Agreement. To the extent any of the terms or time periods set forth in Part IV



are determined by a Court of competent jurisdiction to exceed the restrictions permitted by law, then any such term or time period shall be equitably modified to the extent necessary to comply with the applicable law, but the parties understand and agree that they intend such terms to be enforced to the maximum permitted by the law.

## **IX.** **DISPUTES**

A. Except as provided below, all Claims the Company might bring against Employee and all Claims Employee might bring against Company and/or any officers, directors, employees, or agents of Company shall be deemed waived unless submitted to mediation, and thereafter, if mediation is unsuccessful, to final and binding arbitration in accordance with the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association, modified as follows: (1) the arbitration need not actually be administered by the American Arbitration Association; (2) the parties shall share equally in the fees and costs for the arbitrator and the arbitration process, except that the arbitrator may award such fees and costs to the prevailing party as part of a final decision; (3) any mediation or arbitration shall be governed by the Company's Employment Dispute Mediation/Arbitration Procedure, which is available on the Company Intranet; (4) dispositive motions shall be permissible and not disfavored in any arbitration, and the standard for deciding such motions shall be the same as under Rule 56 of the Federal Rules of Civil Procedure; (5) except on a substantial showing of good cause, discovery will be limited to the exchange of relevant documents and three depositions per side; and (6) except as mutually agreed at the time between Employee and Company, neither Employee nor Company may bring any Claim combined with or on behalf of any other person or entity, whether on a collective, representative, or class action basis or any other basis. In the case of any conflict between the rules and procedures for either mediation or arbitration, the priority and order of precedence shall be as follows: (1) the rules and procedures stated herein; (2) the Company's Employment Dispute Mediation/Arbitration Procedure; (3) the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association.

B. For purposes of this Agreement, "Claims" shall include, but not limited to, all claims directly or indirectly related to Employee's recruitment, employment, compensation or benefits (except that for any claims under an employee benefit or pension plan that specifies a claim procedure, such claim procedure must first be exhausted before a claim, if any, may be pursued under this Agreement) or termination of Employee's employment with Company, including, but not limited to, alleged violations of Title VII of the Civil Rights Act of 1964, sections 1981 through 1988 of Title 42 of the United States Code and all amendments thereto, the Employee Retirement Income Security Act of 1974 ("ERISA"), the Americans with Disabilities Act of 1990 ("ADA"), the Age Discrimination in Employment Act of 1967 ("ADEA"), the Older Workers Benefits Protection Act of 1990 ("OWBPA"), the Fair Labor Standards Act ("FLSA"), the Occupational Safety and Health Act ("OSHA"), the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and any and all claims under federal, state, and local laws or regulations (including all such laws and regulations pertaining to employment or prohibiting discrimination). This Section shall not apply to any of the following: (1) Worker's Compensation claims; (2) claims related to unemployment insurance; (3) any claims by Company to enforce Parts IV or V of this Agreement; (4) any claims by Company that include a request for injunctive or equitable relief, including, without limitation, claims related to its enforcement of any restrictive covenants, non-solicitation obligations, and/or confidential information provisions contained in any Company policy and/or agreement(s) entered into between Employee and Company; and/or (5) any claims to protect the Company's trade secrets, confidential or proprietary information, trademarks, copyrights, patents, or other intellectual property.

C. This Section shall continue in full force and effect during Employee's entire employment with Company and after such employment has terminated, regardless of the reason for such termination and whether termination was voluntary or involuntary. This Section shall be binding upon the heirs, successors, and assigns of Employee and Company, and any person or entity asserting Claims or seeking relief of any kind on behalf of Employee or Company shall be bound by this Agreement to the fullest extent permitted by law.

D. If any portion of this Section is determined to be void or unenforceable, then the remaining portions of this Section shall continue in full force and effect, and this Agreement may be modified to the extent necessary, consistent with its fundamental purpose and intent, in order to make it enforceable.





**X.**  
**GOVERNING LAW AND VENUE**

I agree that all of my obligations hereunder shall be binding upon my heirs, beneficiaries, and legal representatives and that the law of the State of Minnesota shall govern as to the interpretation and enforceability of this Agreement without regard to conflicts of law principles. Employee and Company agree that any claim or dispute between them shall be adjudicated or arbitrated exclusively in the State of Minnesota, Hennepin County District Court, or the United States District Court for the District of Minnesota. Employee and Company hereby consent to the personal jurisdiction of these courts and waive any objection that such venue is inconvenient or improper.

**XI.**  
**MISCELLANEOUS**

A. Withholding Taxes. Company may take such action as it deems appropriate to insure that all applicable federal, state, city and other payroll, withholding, income or other taxes arising from any compensation, benefits or any other payments made pursuant to this Agreement or any other contract, agreement or understanding which relates, in whole or in part, to Employee's employment with Company are withheld or collected from Employee.

B. Amendments. No amendment or modification of this Agreement shall be deemed effective unless made in writing.

C. No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any act other than as specifically set forth in the waiver.

D. Assignment. Employee may not assign any right, interest, or obligation under this Agreement, in whole or in part, without the written consent of Company. Company will be free to assign its rights, interests, and obligations under this Agreement without the consent of Employee. After any such assignment by Company, Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be Company for the purposes of all provisions of this Agreement including this Section.

Executed at Eden Prairie, Minnesota, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

By: C. H. ROBINSON WORLDWIDE, INC.,



\_\_\_\_\_  
President and Chief Executive Officer

EMPLOYEE:  
  
\_\_\_\_\_

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

The following is a list of subsidiaries of the Company as of December 31, 2019, omitting some subsidiaries which, considered in aggregate, would not constitute a significant subsidiary.

<b>Legal Entity Name</b>	<b>Where incorporated</b>
C.H. Robinson Company	United States
C.H. Robinson Company, Inc.	United States
C.H. Robinson Company (Canada) Ltd.	Canada
Robinson Holding Company	United States
C.H. Robinosn Worldwide, Inc.	United States
C.H. Robinson International, Inc.	United States
C.H. Robinson de Mexico S.A. de C.V.	Mexico
C.H. Robinson Worldwide S.A. de C.V.	Mexico
Robinson Fresh de Mexico	Mexico
C.H. Robinson Global Forwarding Mexico S.A. de C.V.	Mexico
C.H. Robinson International Puerto Rico, Inc.	Puerto Rico
Freightquote.com, Inc.	United States
Freightview, Inc.	United States
Twin Modal, LLC	United States
Enterprise TMS LLC	United States
FQ Real Estate Holdings LLC	United States
C.H. Robinson Worldwide Canada, Ltd.	Canada
M.O.T. Intermodal Shipping USA, Inc.	United States
C.H. Robinson Worldwide Peru SA	Peru
C.H. Robinson International Columbia SAS	Colombia
C.H. Robinson Worldwide Costa Rica, SA	Costa Rica
Robinson Fresh BV	Netherlands
C.H. Robinson Worldwide (UK) Ltd.	United Kingdom
C.H. Robinson Worldwide Argentina, S.A.	Argentina
C.H. Robinson France SAS	France
C.H. Robinson Iberica SL	Spain
C.H. Robinson Logistics and Transport Services Limited (Turkey)	Turkey
C.H. Robinson Europe BV	Netherlands
C.H. Robinson Hungaria Szallitmanyozasi Kft.	Hungary
C.H. Robinson Belgium BVBA	Belgium
Robinson Fresh Chile SA	Chile
C.H. Robinson Austria GmbH	Austria
C.H. Robinson Worldwide Uruguay S.A.	Uruguay
C.H. Robinson Worldwide Logistica Do Brasil Ltda	Brazil
C.H. Robinson Worldwide Chile SA	Chile
C.H. Robinson Worldwide (Hong Kong) Ltd.	Hong Kong
C.H. Robinson Worldwide Logistics (Dalian) Co. Ltd.	China
C.H. Robinson Worldwide (Shanghai) Co. Ltd.	China
C.H. Robinson Worldwide Singapore Pte. Ltd.	Singapore
C.H. Robinson Project Logistics Ltd. (Canada)	Canada
C.H. Robinson Project Logistics, Inc.	United States
C.H. Robinson Worldwide (Australia) Pty. Ltd.	Australia
C.H. Robinson Luxembourg SARL	Luxembourg

C.H. Robinson Czech Republic, sro	Czech Republic
C.H. Robinson International Italy, SRL	Italy
C.H. Robinson Worldwide GmbH	Germany
C.H. Robinson Worldwide (Malaysia) Sdn. Bhd.	Malaysia
C.H. Robinson Sweden AB	Sweden
C.H. Robinson Polska S.A.	Poland
C.H. Robinson Worldwide Freight India Pvt. Ltd.	India
C.H. Robinson Slovakia, s.r.o.	Slovakia
C.H. Robinson Worldwide Romania, SRL	Romania
C.H. Robinson Luxembourg Holding S.à r.l.	Luxembourg
C.H. Robinson (Australia) Pty Ltd	Australia
C.H. Robinson Worldwide (Oceania) Pty. Ltd.	Australia
C.H. Robinson Trade Management Pty. Ltd.	Australia
C.H. Robinson Worldwide (AU) Pty. Ltd.	Australia
C.H. Robinson Worldwide (NZ) Ltd.	New Zealand
Accelerated Global Insurance Company PSC	United States
C.H. Robinson Operations, Inc.	United States
C.H. Robinson Global Holding S.à r.l.	Luxembourg
C.H. Robinson Investments S.à r.l.	Luxembourg
C.H. Robinson Luxembourg Finance S.à r.l.	Luxembourg
C.H. Robinson LATAM Holding S.a.r.l.	Luxembourg
CHR Holdings, Inc.	United States
C.H. Robinson Receivables LLC	United States
C.H. Robinson Shared Service, Inc.	United States
C.H. Robinson Freight Services, Ltd.	United States
C.H. Robinson Freight Services (Ireland) Limited	Ireland
C.H. Robinson Freight Services (Malaysia) Sdn. Bhd.	Malaysia
C.H. Robinson Freight Services (Korea) Ltd.	Korea, Republic of
C.H. Robinson Freight Services (Taiwan) Ltd.	Taiwan
C.H. Robinson Freight Services (China) Ltd.	China
C.H. Robinson International (India) Private Ltd.	India
C.H. Robinson Freight Services Lanka (Private) Limited	Sri Lanka
C.H. Robinson Freight Services (Singapore) Pte. Ltd.	Singapore
C.H. Robinson Freight Services (Thailand) Ltd.	Thailand
CHR Holdings (Hong Kong) Limited	Hong Kong
C.H. Robinson Freight Services (Hong Kong) Limited	Hong Kong
C.H. Robinson Freight Services (Vietnam) Company Limited	Viet Nam
C.H. Robinson Worldwide BV	Netherlands
Dema Service S.p.A.	Italy
Dema Transport CZ Sro	Czech Republic
Dema Service Polska S.P. Zoo	Poland
Space Cargo Services S.A.	Spain
Space Cargo Asia Ltd.	Hong Kong
SPC LATAM SA de CV	Mexico

## **CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-223896 on Form S-3 and Registration Statement Nos. 333-41027, 333-41899, 333-53047, 333-47080, 333-67718, 333-110396, 333-191235, 333-213836, and 333-233117 on Form S-8 of our reports dated February 19, 2020, relating to the financial statements of C.H. Robinson Worldwide, Inc. and the effectiveness of C.H. Robinson Worldwide, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota  
February 19, 2020

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Robert C. Biesterfeld, Jr. and Ben G. Campbell (with full power to act alone), as his or her true and lawful attorneys-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of C.H. Robinson Worldwide, Inc. for the fiscal year ended December 31, 2019, and any and all amendments to said Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney has been signed by the following persons on the dates indicated.

**Signature****Date**

/S/ Scott P. Anderson

February 6, 2020

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Scott P. Anderson

/S/ Wayne M. Fortun

February 6, 2020

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Wayne M. Fortun

/S/ Timothy C. Gokey

February 6, 2020

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Timothy C. Gokey

/S/ Mary J. Steele Guilfoile

February 6, 2020

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Mary J. Steele Guilfoile

/S/ Jodee Kozlak

February 6, 2020

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Jodee Kozlak

/S/ Brian P. Short

February 6, 2020

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Brian P. Short

/S/ James B. Stake

February 6, 2020

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James B. Stake

/S/ Paula Tolliver

February 6, 2020

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Paula Tolliver

/S/ John P. Wiehoff

February 6, 2020

\_\_\_\_\_  
John P. Wiehoff





**Certification of Chief Executive Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert C. Biesterfeld, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of C.H. Robinson Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2020

Signature:	_____ /s/ Robert C. Biesterfeld, Jr.
Name:	Robert C. Biesterfeld, Jr.
Title:	Chief Executive Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of C.H. Robinson Worldwide, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Biesterfeld, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 19, 2020

/s/ Robert C. Biesterfeld, Jr.

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Robert C. Biesterfeld, Jr.  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of C.H. Robinson Worldwide, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Zechmeister, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 19, 2020

/s/ Michael P. Zechmeister

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Michael P. Zechmeister  
Chief Financial Officer