

HUB GROUP INC
Form 10-K
February 24, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2010**

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File No. 0-27754**

HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation of organization)

36-4007085
(I.R.S. Employer
Identification No.)

3050 Highland Parkway, Suite 100

Downers Grove, Illinois 60515

(Address and zip code of principal executive offices)

(630) 271-3600

(Registrant's telephone number, including area code)

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

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

Class A Common Stock, \$.01 par value

(Title of Class)

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 Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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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 the Registrant's voting stock held by non-affiliates on June 30, 2010, based upon the last reported sale price on that date on the NASDAQ Global Select Market of \$30.01 per share, was \$1,067,564,036.

On February 18, 2011, the Registrant had 36,818,672 outstanding shares of Class A Common Stock, par value \$.01 per share, and 662,296 outstanding shares of Class B Common Stock, par value \$.01 per share.

Documents Incorporated by Reference

The Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 6, 2011 (the "Proxy Statement") is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as a part hereof.

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PART I

Item 1. BUSINESS

General

Hub Group, Inc. (Company , we , us or our) is a Delaware corporation that was incorporated on March 8, 1995. We are one of North America's leading asset-light freight transportation management companies. We offer comprehensive intermodal, truck brokerage and logistics services. Since our founding in 1971, we have grown to become the largest intermodal marketing company (IMC) in the United States and one of the largest truck brokers.

We operate through a network of operating centers throughout the United States, Canada and Mexico. Each operating center is strategically located in a market with a significant concentration of shipping customers and one or more railheads. Through our network, we have the ability to move freight in and out of every major city in the United States, Canada and Mexico. We service a large and diversified customer base in a broad range of industries, including consumer products, retail and durable goods. We utilize an asset-light strategy in order to minimize our investment in equipment and facilities and reduce our capital requirements. We arrange freight movement for our customers through transportation carriers and equipment providers.

Services Provided

Our transportation services can be broadly placed into the following categories:

Intermodal. As an IMC, we arrange for the movement of our customers' freight in containers and trailers, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment and with local trucking companies, known as drayage companies, for pickup and delivery. As part of our intermodal services, we negotiate rail and drayage rates, electronically track shipments in transit, consolidate billing and handle claims for freight loss or damage on behalf of our customers.

We use our network to access containers and trailers owned by leasing companies, railroads and steamship lines. We are able to track trailers and containers entering a service area and reuse that equipment to fulfill the customers' outbound shipping requirements. This effectively allows us to capture containers and trailers and keep them within our network. As of February 1, 2011, we have exclusive access to approximately 9,600 rail-owned containers for our dedicated use on the Union Pacific (UP) and the Norfolk Southern (NS) rails. In addition to these rail-owned containers, as of February 1, 2011, we had a total of 8,702 53 private containers for use on the UP and NS. We financed 6,194 of these containers with operating leases and we own 2,508 containers. These financing arrangements are included in Note 8 to the consolidated financial statements.

As of February 1, 2011, approximately half of our drayage needs were met by our subsidiary, Comtrak Logistics, Inc. (Comtrak), which assists us in providing reliable, cost effective intermodal services to our customers. Comtrak has terminals in Atlanta, Birmingham, Charleston, Charlotte, Chattanooga, Chicago, Cleveland, Columbus (OH), Dallas, Harrisburg, Huntsville, Indianapolis, Jacksonville, Kansas City, Milwaukee, Memphis, Nashville, Los Angeles, Perry (FL), Philadelphia, Savannah, St. Louis, Stockton, and Titusville (FL). As of February 1, 2011, Comtrak owned 283 tractors, leased or owned 502 trailers, employed 267 drivers and contracted with 1,414 owner-operators.

Truck Brokerage (Highway Services). We are one of the largest truck brokers in the United States, providing customers with another option for their transportation needs. We match the customers' needs with carriers' capacity to provide the most effective service and price combinations. We have contracts with a substantial base of carriers allowing us to meet the varied needs of our customers. As part of the truck brokerage services, we negotiate rates, track shipments in transit and handle claims for freight loss and damage on behalf of our customers.

Our truck brokerage operation also provides customers with specialized programs. Through the Dedicated Trucking Program, certain carriers have informally agreed to move freight for our customers on a continuous basis. This arrangement allows us to effectively meet our customers' needs without owning the equipment.

Logistics. Our logistics business operates under the name of Unyson Logistics. Unyson Logistics is comprised of a network of logistics professionals dedicated to developing, implementing and operating customized logistics solutions. Unyson offers a wide range of transportation

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management services and technology solutions including shipment optimization, load consolidation, mode selection, carrier management, load planning and execution and web-based shipment visibility. Our multi-modal transportation capabilities include small parcel, heavyweight, expedited, less-than-truckload, truckload, intermodal and railcar. Unyson Logistics operates throughout North America, providing operations through its main operating location in St. Louis with additional support locations in Boston, Chicago, Cleveland and Minneapolis.

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Hub Network

Our entire network is interactively connected through our proprietary Network Management System. This enables us to move freight into and out of every major city in the United States, Canada and Mexico.

In a typical intermodal transaction, the customer contacts one of our intermodal operating centers to place an order. The operating center consults with the centralized pricing group, obtains the necessary intermodal equipment, arranges for it to be delivered to the customer by a drayage company and, after the freight is loaded, arranges for the transportation of the container or trailer to the rail ramp. Relevant information is entered into our Network Management System by the assigned operating center. Our predictive track and trace technology then monitors the shipment to ensure that it arrives as scheduled and alerts the customer service personnel if there are service delays. The assigned operating center then arranges for and confirms delivery by a drayage company at destination. After unloading, the empty equipment is made available for reloading by the operating center for the delivery market.

We provide truck brokerage services to our customers in a similar manner. In a typical truck brokerage transaction, the customer contacts one of our highway operating centers to obtain a price quote for a particular freight movement. The customer then provides appropriate shipping information to the operating center. The operating center makes the delivery appointment and arranges with the appropriate carrier to pick up the freight. Once it receives confirmation that the freight has been picked up, the operating center monitors the movement of the freight until it reaches its destination and the delivery has been confirmed. If the carrier notifies us that after delivering the load it will need additional freight, we may notify the operating center located nearest the destination of the carrier's availability. Although under no obligation to do so, that operating center then may attempt to secure additional freight for the carrier.

Marketing and Customers

We believe that fostering long-term customer relationships is critical to our success. Through these long-term relationships, we are able to better understand our customers' needs and tailor our transportation services to the specific customer, regardless of the customer's size or volume. We currently have full-time marketing representatives at various operating centers and sales offices with primary responsibility for servicing local, regional and national accounts. These sales representatives directly or indirectly report to our Chief Marketing Officer. This model allows us to provide our customers with both a local marketing contact and access to our competitive rates as a result of being a large, national transportation service provider.

Our marketing efforts have produced a large, diverse customer base, with no one customer representing more than 10% of our total revenue in 2010. We service customers in a wide variety of industries, including consumer products, retail and durable goods.

Management Information Systems

A primary component of our business strategy is the continued improvement of our Network Management System and other technology to ensure that we remain a leader among transportation providers in information processing for transportation services. Our Network Management System consists of proprietary software running on a combination of platforms which includes the IBM iSeries and Microsoft Windows Server environments located at a secure offsite data center. All of our operating centers are linked together with the data center using an MPLS (Multi-Protocol Label Switching) network. This configuration provides a real time environment for transmitting data among our operating centers and headquarters. We also make extensive use of electronic commerce (e-Commerce), allowing each operating center to communicate electronically with each railroad, many drayage companies, certain trucking companies and those customers with e-Commerce capabilities.

Our Network Management System is the primary mechanism used in our operating centers to handle our intermodal and truck brokerage business. The Network Management System processes customer transportation requests, tenders and tracks shipments, prepares customer billing, establishes account profiles and retains critical information for analysis. The Network Management System provides connectivity with each of the major rail carriers. This enables us to electronically tender and track shipments in a real time environment. In addition, the Network Management System's e-Commerce features offer customers with e-Commerce capability a completely paperless process, including load tendering, shipment tracking, billing and remittance processing. We aggressively pursue opportunities to establish e-Commerce interfaces with our customers, railroads, trucking companies and drayage companies.

To manage our logistics business, we use specialized software that includes planning and execution solutions. This sophisticated transportation management software enables us to offer supply chain planning and logistics managing, modeling, optimizing and monitoring for our customers. We use this software when offering logistics management services to customers that ship via multiple modes, including intermodal, truckload, and less-than-truckload, allowing us to optimize mode and carrier selection and routing for our customers. This software is integrated with Hub Group's Network Management System and our accounting system.

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Our website, www.hubgroup.com, is designed to allow our customers and vendors to easily do business with us online. Through Vendor Interface, we tender loads to our drayage partners using the Internet rather than phones or faxes. Vendor Interface also captures event status information, allows vendors to view outstanding paperwork requirements and helps facilitate paperless invoicing. We currently tender substantially all of our drayage loads using Vendor Interface or e-Commerce. Through Trucker Advantage, we exchange information on available Hub loads, available carrier capacity and updates to event status information with our truck brokerage partners. Through Customer Advantage, customers receive immediate pricing, place orders, track shipments, and review historical shipping data through a variety of reports over the Internet. All of our Internet applications are integrated with the Network Management System.

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Relationship with Railroads

A key element of our business strategy is to strengthen our close working relationship with the major intermodal railroads in the United States. We view our relationship with the railroads as a partnership. Due to our size and relative importance, some railroads have dedicated support personnel to focus on our day-to-day service requirements. On a regular basis, our senior executives and each of the railroads meet to discuss major strategic issues concerning intermodal transportation.

We have relationships with each of the following major railroads:

Canadian National	Kansas City Southern
Canadian Pacific	Norfolk Southern
CSX	Union Pacific

We also have relationships with each of the following major service providers: CMA CGM (America) Inc., Express System Intermodal Inc., Hanjin Shipping, Hyundai Merchant Marine, K-Line America, Maersk Sea-Land and Mitsui O.S.K. Lines (America) Inc.

Transportation rates are market driven. We sometimes negotiate with the railroads or other major service providers on a route or customer specific basis. Consistent with industry practice, some of the rates we negotiate are special commodity quotations (SCQs), which provide discounts from published price lists based on competitive market factors and are designed by the railroads or major service providers to attract new business or to retain existing business. SCQ rates are generally issued for the account of a single IMC. SCQ rates apply to specific customers in specified shipping lanes for a specific period of time, usually up to 12 months.

Relationship with Drayage Companies

We have a Quality Drayage Program, which consists of agreements and rules that govern the framework by which many drayage companies perform services for us. Participants in the program commit to provide high quality service along with clean and safe equipment, maintain a defined on-time performance level and follow specified procedures designed to minimize freight loss and damage. We negotiate drayage rates for transportation between specific origin and destination points.

We also provide drayage services with our own drayage operations, which we operate through our subsidiary Comtrak. Our drayage operations employ their own drivers and also contract with owner-operators who supply their own trucks.

Relationship with Trucking Companies

Our truck brokerage operation has a large number of active trucking companies that we use to transport freight. The local operating centers deal daily with these carriers on an operational level. Our corporate headquarters handles the administrative and regulatory aspects of the trucking company relationship. Our relationships with these trucking companies are important since these relationships determine pricing, load coverage and overall service.

Risk Management and Insurance

We require all drayage companies participating in the Quality Drayage Program to carry at least \$1.0 million in general liability insurance, \$1.0 million in truckman's auto liability insurance and a minimum of \$100,000 in cargo insurance. Railroads, which are self-insured, provide limited cargo protection, generally up to \$250,000 per shipment. To cover freight loss or damage when a carrier's liability cannot be established or a carrier's insurance is insufficient to cover the claim, we carry our own cargo insurance with a limit of \$1.0 million per container or trailer and a limit of \$20.0 million in the aggregate. We also carry general liability insurance with limits of \$1.0 million per occurrence and \$2.0 million in the aggregate with a companion \$50.0 million umbrella policy on this general liability insurance.

We maintain separate insurance policies to cover potential exposure from our company-owned drayage operations. We carry commercial general liability insurance with a limit of \$1.0 million per occurrence, subject to a \$2.0 million policy aggregate limit, and trucker's automobile liability insurance with a limit of \$1.0 million per occurrence. Additionally, we have an umbrella excess liability policy with a limit of \$19.0 million. We also maintain motor truck cargo liability insurance with a limit of \$1.0 million per occurrence.

Government Regulation

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Hub Group, Inc. and various subsidiaries are licensed by the Department of Transportation as brokers in arranging for the transportation of general commodities by motor vehicle. To the extent that the operating centers perform truck brokerage services, they do so under these licenses. The Department of Transportation prescribes qualifications for acting in this capacity, including a \$10,000 surety bond that we have posted. To date, compliance with these regulations has not had a material adverse effect on our results of operations or financial condition. However, the transportation industry is subject to legislative or regulatory changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services.

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Competition

The transportation services industry is highly competitive. We compete against other IMCs, as well as logistics companies, third party brokers, trucking companies and railroads that market their own intermodal services. Several larger trucking companies have entered into agreements with railroads to market intermodal services nationwide. Competition is based primarily on freight rates, quality of service, reliability, transit time and scope of operations. Several transportation service companies and trucking companies, and all of the major railroads, have substantially greater financial and other resources than we do.

General

Employees: As of December 31, 2010, we had 1,392 employees or 1,123 employees excluding drivers. We are not a party to any collective bargaining agreement and consider our relationship with our employees to be satisfactory.

Other: No material portion of our operations is subject to renegotiation of profits or termination of contracts at the election of the federal government. None of our trademarks are believed to be material to us. Our business is seasonal to the extent that certain customer groups, such as retail, are seasonal.

Periodic Reports

Upon written request, our annual report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2010, our quarterly reports on Form 10-Q and current reports on Form 8-K will be furnished to stockholders free of charge; write to: Public Relations Department, Hub Group, Inc., 3050 Highland Parkway, Suite 100, Downers Grove, Illinois 60515. Our filings are also accessible through our website at www.hubgroup.com as soon as reasonably practicable after we file or furnish such reports to the Securities and Exchange Commission.

Item 1A. RISK FACTORS

Because our business is concentrated on intermodal marketing, any decrease in demand for intermodal transportation services compared to other transportation services could have an adverse effect on our results of operations.

We derived 70% of our revenue from our intermodal services in 2010 and 2009 as compared to 71% in 2008. As a result, any decrease in demand for intermodal transportation services compared to other transportation services could have an adverse effect on our results of operations.

Because we depend on railroads for our operations, our operating results and financial condition are likely to be adversely affected by any reduction or deterioration in rail service.

We depend on the major railroads in the United States for virtually all of the intermodal services we provide. In many markets, rail service is limited to one or a few railroads. Consequently, a reduction in, or elimination of, rail service to a particular market is likely to adversely affect our ability to provide intermodal transportation services to some of our customers. In addition, the railroads are relatively free to adjust shipping rates up or down as market conditions permit. Rate increases would result in higher intermodal transportation costs, reducing the attractiveness of intermodal transportation compared to truck or other transportation modes, which could cause a decrease in demand for our services. Further, our ability to continue to expand our intermodal transportation business is dependent upon the railroads' ability to increase capacity for intermodal freight and provide consistent service. Our business could also be adversely affected by a work stoppage at one or more railroads or by adverse weather conditions or other factors that hinder the railroads' ability to provide reliable transportation services. In the past, there have been service issues when railroads have merged. As a result, we cannot predict what effect, if any, further consolidation among railroads may have on intermodal transportation services or our results of operations.

Because our relationships with the major railroads are critical to our ability to provide intermodal transportation services, our business may be adversely affected by any change to those relationships.

We have important relationships with certain major U.S. railroads. To date, the railroads have chosen to rely on us, other IMCs and other intermodal competitors to market their intermodal services rather than fully developing their own marketing capabilities. If one or more of the major railroads were to decide to reduce their dependence on us, the volume of intermodal shipments we arrange would likely decline, which

could adversely affect our results of operations and financial condition.

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Because we rely on drayage companies in our intermodal operations, our ability to expand our business or maintain our profitability may be adversely affected by a shortage of drayage capacity.

In certain markets we serve, we use third-party drayage companies for pickup and delivery of intermodal containers. Most drayage companies operate relatively small fleets and have limited access to capital for fleet expansion. In some of our markets, there are a limited number of drayage companies that can meet our quality standards. This could limit our ability to expand our intermodal business or require us to establish more of our own drayage operations in some markets, which could increase our operating costs and could adversely affect our profitability and financial condition. Also, the trucking industry chronically experiences a shortage of available drivers, which may limit the ability of third-party drayage companies to expand their fleets. This shortage also may require them to increase drivers' compensation, thereby increasing our cost of providing drayage services to our customers. Therefore, the driver shortage could also adversely affect our profitability and limit our ability to expand our intermodal business.

Because we depend on trucking companies for our truck brokerage services, our ability to maintain or expand our truck brokerage business may be adversely affected by a shortage of trucking capacity.

We derived 18% of our revenue from our truck brokerage services in 2010 as compared to 19% in 2009 and 20% in 2008. We depend upon various third-party trucking companies for the transportation of our customers' loads. Particularly during periods of economic expansion, trucking companies may be unable to expand their fleets due to capital constraints or chronic driver shortages, and these trucking companies also may raise their rates. If we face insufficient capacity among our third-party trucking companies, we may be unable to maintain or expand our truck brokerage business. Also, we may be unable to pass rate increases on to our customers, which could adversely affect our profitability.

Because we use a significant number of independent contractors, such as owner operators, in our businesses, proposals from legislative, judicial or regulatory authorities that change the independent contractor classification could have a significant impact on our gross margin and operating income.

We use a significant number of independent contractors, such as owner operators, in our businesses, consistent with long-standing industry practices. There can be no assurance that legislative, judicial, or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the independent contractor classification of a significant number of independent contractors doing business with us. The costs associated with potential reclassifications could have a material adverse effect on results of operations and our financial position.

We depend on third parties for equipment essential to operate our business, and if we fail to secure sufficient equipment, we could lose customers and revenue.

We depend on third parties for transportation equipment, such as containers, chassis and trailers, necessary for the operation of our business. Our industry has experienced equipment shortages in the past, particularly during the peak shipping season in the fall. A substantial amount of intermodal freight originates at or near the major West Coast ports, which have historically had the most severe equipment shortages. If we cannot secure sufficient transportation equipment at a reasonable price from third parties to meet our customers' needs, our customers may seek to have their transportation needs met by other providers. This could have an adverse effect on our business, results of operations and financial position.

Our business could be adversely affected by strikes or work stoppages by draymen, truckers, longshoremen and railroad workers.

There has been labor unrest, including work stoppages, among draymen. We could lose business from any significant work stoppage or slowdown and, if labor unrest results in increased rates for draymen, we may not be able to pass these cost increases on to our customers. In the summer of 2008, an owner-operator work stoppage in Northern California caused us to incur an additional \$1.0 million in transportation costs. In the fall of 2002, all of the West Coast ports were shut down as a result of a dispute with the longshoremen. The ports remained closed for nearly two weeks, until reopened as the result of a court order under the Taft-Hartley Act. Our operations were adversely affected by the shutdown. A new contract was agreed to through 2014 by the International Longshoremen and Warehouse Union and the Pacific Maritime Association. In the past several years, there have been strikes involving railroad workers. Future strikes by railroad workers in the United States, Canada or anywhere else that our customers' freight travels by railroad could adversely affect our business and results of operations. Any significant work stoppage, slowdown or other disruption involving ports, railroads, truckers or draymen could adversely affect our business and results of operations.

Our results of operations are susceptible to changes in general economic conditions and cyclical fluctuations.

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Economic recession, customers' business cycles, changes in fuel prices and supply, interest rate fluctuations, increases in fuel or energy taxes and other general economic factors affect the demand for transportation services and the operating costs of railroads, trucking companies and drayage companies. We have little or no control over any of these factors or their effects on the transportation industry. Increases in the operating costs of railroads, trucking companies or drayage companies can be expected to result in higher

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freight rates. Our operating margins could be adversely affected if we were unable to pass through to our customers the full amount of higher freight rates. Economic recession or a downturn in customers' business cycles also may have an adverse effect on our results of operations and growth by reducing demand for our services. Therefore, our results of operations, like the entire freight transportation industry, are cyclical and subject to significant period-to-period fluctuations.

Relatively small increases in our transportation costs that we are unable to pass through to our customers are likely to have a significant effect on our gross margin and operating income.

Transportation costs represented 88% of our consolidated revenue in 2010, 88% in 2009 and 87% in 2008. Because transportation costs represent such a significant portion of our costs, even relatively small increases in these transportation costs, if we are unable to pass them through to our customers, are likely to have a significant effect on our gross margin and operating income.

Our business could be adversely affected by heightened security measures, actual or threatened terrorist attacks, efforts to combat terrorism, military action against a foreign state or other similar event.

We cannot predict the effects on our business of heightened security measures, actual or threatened terrorist attacks, efforts to combat terrorism, military action against a foreign state or other similar events. It is possible that one or more of these events could be directed at U.S. or foreign ports, borders, railroads or highways. Heightened security measures or other events are likely to slow the movement of freight through U.S. or foreign ports, across borders or on U.S. or foreign railroads or highways and could adversely affect our business and results of operations. Any of these events could also negatively affect the economy and consumer confidence, which could cause a downturn in the transportation industry.

If we fail to maintain and enhance our information technology systems, we may be at a competitive disadvantage and lose customers.

Our information technology systems are critical to our operations and our ability to compete effectively as an IMC, truck broker and logistics provider. We expect our customers to continue to demand more sophisticated information technology applications from their suppliers. If we do not continue to enhance our Network Management System and the logistics software we use to meet the increasing demands of our customers, we may be placed at a competitive disadvantage and could lose customers.

Our information technology systems are subject to risks that we cannot control and the inability to use our information technology systems could materially adversely affect our business.

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. Our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, break-ins and similar events. Our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and inhibit our internal operations, our ability to provide services to our customers and the ability of our customers and vendors to access our information technology systems. This could result in a loss of customers or a reduction in demand for our services.

The transportation industry is subject to government regulation, and regulatory changes could have a material adverse effect on our operating results or financial condition.

Hub Group, Inc. and various subsidiaries are licensed by the Department of Transportation as motor carrier freight brokers. The Department of Transportation prescribes qualifications for acting in this capacity, including surety bond requirements. Our Comtrak subsidiary is licensed by the Department of Transportation to act as a motor carrier. To date, compliance with these regulations has not had a material adverse effect on our results of operations or financial condition. However, the transportation industry is subject to legislative or regulatory changes, including potential limits on carbon emissions under climate change legislation, that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services. We may become subject to new or more restrictive regulations relating to fuel emissions or limits on vehicle weight and size. Future laws and regulations may be more stringent and require changes in operating practices, influence the demand for transportation services or increase the cost of providing transportation services, any of which could adversely affect our business and results of operations.

We are not able to accurately predict how new governmental laws and regulations, or changes to existing laws and regulations, will affect the transportation industry generally, or us in particular. Although government regulation that affects us and our competitors may simply result in higher costs that can be passed to customers, there can be no assurance that this will be the case.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

From time to time, we arrange for the movement of hazardous materials at the request of our customers. As a result, we are subject to various environmental laws and regulations relating to the handling of hazardous materials. If we are involved in a spill or other accident involving hazardous materials, or if we are found to be in violation of applicable laws or regulations, we could be subject to substantial fines or penalties and to civil and criminal liability, any of which could have an adverse effect on our business and results of operations.

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We derive a significant portion of our revenue from our largest customers and the loss of several of these customers could have a material adverse effect on our revenue and business.

Our largest 20 customers accounted for approximately 43%, 40% and 36% of our revenue in 2010, 2009 and 2008, respectively. A reduction in or termination of our services by several of our largest customers could have a material adverse effect on our revenue and business.

Insurance and claims expenses could significantly reduce our earnings.

Our future insurance claims expenses might exceed historical levels, which could reduce our earnings. If the number or severity of claims increases, our operating results could be adversely affected. We maintain insurance with licensed insurance companies. Our insurance and claims expenses could increase when our current coverage expires. If these expenses increase, and we are unable to offset the increase with higher freight rates, our earnings could be materially and adversely affected.

Our success depends upon our ability to recruit and retain key personnel.

Our success depends upon attracting and retaining the services of our management team as well as our ability to attract and retain a sufficient number of other qualified personnel to run our business. There is substantial competition for qualified personnel in the transportation services industry. As all key personnel devote their full time to our business, the loss of any member of our management team or other key person could have an adverse effect on us. We do not have written employment agreements with any of our executive officers and do not maintain key man insurance on any of our executive officers.

Our growth could be adversely affected if we are not able to identify, successfully acquire and integrate future acquisition prospects.

We believe that future acquisitions and/or the failure to make such acquisitions could significantly impact financial results. Financial results most likely to be impacted include, but are not limited to, revenue, gross margin, salaries and benefits, selling general and administrative expenses, depreciation and amortization, interest expense, net income and our debt level.

An economic downturn could materially adversely affect our business.

Our operations and performance depend significantly on economic conditions. Uncertainty about global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on demand for transportation services. We are unable to predict the likely duration and severity of disruptions in the financial markets and the adverse global economic conditions, and if the current uncertainty continues or economic conditions further deteriorate, our business and results of operations could be materially and adversely affected. Other factors that could influence demand include fluctuations in fuel costs, labor costs, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. There could be a number of follow-on effects from a credit crisis on our business, including the insolvency of key transportation providers and the inability of our customers to obtain credit to finance development and/or manufacture products resulting in a decreased demand for transportation services. Our revenues and gross margins are dependent upon this demand, and if demand for transportation services declines, our revenues and gross margins could be adversely affected.

Although we believe we have adequate liquidity and capital resources to fund our operations internally our inability to access the capital markets on favorable terms, or at all, may adversely affect our ability to engage in strategic transactions. The inability to obtain adequate financing from debt or capital sources could force us to self-fund strategic initiatives or even forgo certain opportunities, which in turn could potentially harm our performance.

Uncertainty about global economic conditions could also continue to increase the volatility of our stock price.

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Although we have not recognized any material losses on our cash and cash equivalents, future declines in their market values could have a material adverse effect on our financial condition and operating results. The value or liquidity of our cash and cash equivalents could decline which could have a material adverse effect on our financial condition and operating results.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

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We directly, or indirectly through our subsidiaries, operate 46 offices throughout the United States, Canada and Mexico, including our headquarters in Downers Grove, Illinois and our Company-owned drayage operations located throughout the United States. All of our office space is leased. Most office leases have initial terms of more than one year, and many include options to renew. While some of our leases expire in the near term, we do not believe that we will have difficulty in renewing them or in finding alternative office space. We believe that our offices are adequate for the purposes for which they are currently used.

Item 3. LEGAL PROCEEDINGS

We are a party to litigation incident to our business, including claims for personal injury and/or property damage, freight lost or damaged in transit, improperly shipped or improperly billed. Some of the lawsuits to which we are party are covered by insurance and are being defended by our insurance carriers. Some of the lawsuits are not covered by insurance and we defend those ourselves. We do not believe that the outcome of this litigation will have a materially adverse effect on our financial position or results of operations. See Item 1 Business - Risk Management and Insurance.

**Item 4. [REMOVED AND RESERVED]
Executive Officers of the Registrant**

In reliance on General Instruction G to Form 10-K, information on executive officers of the Registrant is included in this Part I. The table sets forth certain information as of February 1, 2011 with respect to each person who is an executive officer of the Company.

Name	Age	Position
David P. Yeager	57	Chairman of the Board of Directors and Chief Executive Officer
Mark A. Yeager	46	Vice Chairman of the Board of Directors, President and Chief Operating Officer
Christopher R. Kravas	45	Chief Intermodal Officer
Donald G. Maltby	56	Chief Supply Chain Officer
David L. Marsh	43	Chief Marketing Officer
Terri A. Pizzuto	52	Executive Vice President, Chief Financial Officer and Treasurer
James B. Gaw	60	Executive Vice President-Sales
Dwight C. Nixon	48	Executive Vice President-Carrier Procurement
Dennis R. Polsen	57	Executive Vice President-Information Services
David C. Porter	47	Executive Vice President-Supply Chain Solutions
David C. Zeilstra	41	Vice President, Secretary and General Counsel

David P. Yeager has served as our Chairman of the Board since November 2008 and as Chief Executive Officer since March 1995. From March 1995 through November 2008, Mr. Yeager served as Vice Chairman of the Board. From October 1985 through December 1991, Mr. Yeager was President of Hub Chicago. From 1983 to October 1985, he served as Vice President, Marketing of Hub Chicago. Mr. Yeager founded the St. Louis Hub in 1980 and served as its President from 1980 to 1983. Mr. Yeager founded the Pittsburgh Hub in 1975 and served as its President from 1975 to 1977. Mr. Yeager received a Masters in Business Administration degree from the University of Chicago in 1987 and a Bachelor of Arts degree from the University of Dayton in 1975. Mr. Yeager is the brother of Mark A. Yeager.

Mark A. Yeager has served as Vice Chairman of the Board since November 2008. He became the President of the Company in January 2005 and has been our Chief Operating Officer and a Director since May 2004. From July 1999 to December 2004, Mr. Yeager was President-Field Operations. From November 1997 through June 1999, Mr. Yeager was Division President, Secretary and General Counsel. From March 1995 to November 1997, Mr. Yeager was Vice President, Secretary and General Counsel. From May 1992 to March 1995, Mr. Yeager served as our Vice President-Quality. Prior to joining us in 1992, Mr. Yeager was an associate at the law firm of Grippo & Elden from January 1991 through

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May 1992 and an associate at the law firm of Sidley & Austin from May 1989 through January 1991. Mr. Yeager received a Juris Doctor degree from Georgetown University in 1989 and a Bachelor of Arts degree from Indiana University in 1986. Mr. Yeager is the brother of David P. Yeager.

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Christopher R. Kravas has been our Chief Intermodal Officer since October 2007. Prior to this promotion, Mr. Kravas was Executive Vice President-Strategy and Yield Management from December 2003 through September 2007. From February 2002 through November 2003, Mr. Kravas served as President of Hub Highway Services. From February 2001 through December 2001, Mr. Kravas was Vice President-Enron Freight Markets. Mr. Kravas joined Enron after it acquired Webmodal, an intermodal business he founded. Mr. Kravas was Chief Executive Officer of Webmodal from July 1999 through February 2001. From 1989 through June 1999 Mr. Kravas worked for the Burlington Northern Santa Fe Railway in various positions in the intermodal business unit and finance department. Mr. Kravas received a Bachelor of Arts degree in 1987 from Indiana University and a Masters in Business Administration in 1994 from the University of Chicago.

Donald G. Maltby was appointed Chief Supply Chain Officer of Hub Supply Chain Solutions as of January 2011. From February 2004 to December 2010, Mr. Maltby served as Executive Vice President-Logistics Services. Mr. Maltby previously served as President of Hub Online, our e-commerce division, from February 2000 through January 2004. Mr. Maltby also served as President of Hub Cleveland from July 1990 through January 2000 and from April 2002 to January 2004. Prior to joining Hub Group, Mr. Maltby served as President of Lyons Transportation, a wholly owned subsidiary of Sherwin Williams Company, from 1988 to 1990. In his career at Sherwin Williams, which began in 1981 and continued until he joined us in 1990, Mr. Maltby held a variety of management positions including Vice-President of Marketing and Sales for their Transportation Division. Mr. Maltby has been in the transportation and logistics industry since 1976, holding various executive and management positions. Mr. Maltby received a Masters in Business Administration from Baldwin Wallace College in 1982 and a Bachelor of Science degree from the State University of New York in 1976.

David L. Marsh has been our Chief Marketing Officer since October 2007. Prior to this promotion, Mr. Marsh was Executive Vice President-Highway from February 2004 through September 2007. Mr. Marsh previously served as President of Hub Ohio from January 2000 through January 2004. Mr. Marsh joined us in March 1991 and became General Manager with Hub Indianapolis in 1993, a position he held through December 1999. Prior to joining Hub Group, Mr. Marsh worked for Carolina Freight Corporation, a less than truckload carrier, starting in January 1990. Mr. Marsh received a Bachelor of Science degree in Marketing and Physical Distribution from Indiana University-Indianapolis in December 1989. Mr. Marsh has been a member of the American Society of Transportation and Logistics, the Indianapolis Traffic Club, the Council for Logistics Management and served as an advisor to the Indiana University-Indianapolis internship program for transportation and logistics. Mr. Marsh was honored as the Indiana Transportation Person of the Year in 1999.

Terri A. Pizzuto has been our Executive Vice President, Chief Financial Officer and Treasurer since March 2007. Prior to this promotion, Ms. Pizzuto was Vice President of Finance from July 2002 through February 2007. Prior to joining us, Ms. Pizzuto was a partner in the Assurance and Business Advisory Group at Arthur Andersen LLP. Ms. Pizzuto worked for Arthur Andersen LLP for 22 years holding various positions and serving numerous transportation companies. Ms. Pizzuto received a Bachelor of Science in Accounting from the University of Illinois in 1981. Ms. Pizzuto is a CPA and a member of the American Institute of Certified Public Accountants.

James B. Gaw has been our Executive Vice President-Sales since February 2004. From December 1996 through January 2004, Mr. Gaw was President of Hub North Central, located in Milwaukee. From 1990 through late 1996, he was Vice President and General Manager of Hub Chicago. Mr. Gaw joined Hub Chicago as Sales Manager in 1988. Mr. Gaw's entire career has been spent in the transportation industry, including 13 years of progressive leadership positions at Itofca, an intermodal marketing company, and Flex Trans. Mr. Gaw received a Bachelor of Science degree from Elmhurst College in 1973.

Dwight C. Nixon was appointed our Executive Vice President-Carrier Procurement as of January 2011. From October 2007 to December 2010, Mr. Nixon served as our Executive Vice President-Highway. Mr. Nixon previously served as Regional Vice President of Highway's Western Region from April 2004 through September 2007. Prior to joining us, Mr. Nixon was a Senior Corporate Account Executive for Roadway Express, Inc. and spent 19 years in various operational, sales and sales management positions. Mr. Nixon was also a California Gubernatorial appointee and member of the California Workforce Investment Board from November 2005 through December 2007. Mr. Nixon received a Bachelor of Science degree in Finance from the University of Arizona in 1984.

Dennis R. Polsen has been our Executive Vice President-Information Services since February 2004. From September 2001 to January 2004, Mr. Polsen was Vice President-Chief Information Officer and from March 2000 through August 2001, Mr. Polsen was our Vice-President of Application Development. Prior to joining us, Mr. Polsen was Director of Applications for Humana, Inc. from September 1997 through February 2000 and spent 14 years prior to that developing, implementing, and directing transportation logistics applications at Schneider National, Inc. Mr. Polsen received a Masters in Business Administration in May of 1983 from the University of Wisconsin Graduate School of Business and a Bachelor of Business Administration in May of 1976 from the University of Wisconsin-Milwaukee. Mr. Polsen is a past member of the American Trucking Association.

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David C. Porter was appointed Executive Vice President-Supply Chain Solutions as of January of 2011. Mr. Porter initially joined Hub Group in February of 1988 and has served in numerous leadership roles including President of Hub Group Los Angeles and President of Hub Group Golden Gate. With Hub Group's corporate restructuring in February 2004, Mr. Porter was appointed as Vice President-Sales, Western Region. Mr. Porter briefly left Hub Group beginning in March 2007, acting as a Registered Investment Advisor with Index Funds Advisors. In December 2008, Mr. Porter returned to Hub Group, serving as Hub Group's Vice President-Acquisitions until August 2009 when he established and led a part of the Hub Highway division directed at increasing transactional business with smaller customers. Mr. Porter received a Masters in Business Administration from University of Redlands in 1997 and a Bachelor of Business Administration from Western Michigan University in 1985.

David C. Zeilstra has been our Vice President, Secretary and General Counsel since July 1999. From December 1996 through June 1999, Mr. Zeilstra was our Assistant General Counsel. Prior to joining us, Mr. Zeilstra was an associate with the law firm of Mayer, Brown & Platt from September 1994 through November 1996. Mr. Zeilstra received a Juris Doctor degree from Duke University in 1994 and a Bachelor of Arts degree from Wheaton College in 1990.

Directors of the Registrant

In addition to David P. Yeager and Mark A. Yeager, the following three individuals are also on our Board of Directors: Gary D. Eppen currently retired and formerly the Ralph and Dorothy Keller Distinguished Service Professor of Operations Management and Deputy Dean for part-time Masters in Business Administration Programs at the Graduate School of Business at the University of Chicago; Charles R. Reaves Chief Executive Officer of Reaves Enterprises, Inc., a real estate development company, and Martin P. Slark Vice Chairman and Chief Executive Officer of Molex Incorporated, a manufacturer of electronic, electrical and fiber optic interconnection products and systems.

PART II**Item 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Class A Common Stock (Class A Common Stock) trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market under the symbol HUBG. There is no established trading market for shares of our Class B Common Stock (the Class B Common Stock together with the Class A Common Stock, the Common Stock). Set forth below are the high and low closing prices for shares of the Class A Common Stock for each full quarterly period in 2010 and 2009.

	2010		2009	
	High	Low	High	Low
First Quarter	\$ 30.13	\$ 21.53	\$ 28.27	\$ 15.83
Second Quarter	\$ 33.88	\$ 28.06	\$ 25.52	\$ 17.42
Third Quarter	\$ 33.19	\$ 25.47	\$ 24.76	\$ 18.34
Fourth Quarter	\$ 37.13	\$ 27.91	\$ 27.82	\$ 22.48

On February 18, 2011, there were approximately 318 stockholders of record of the Class A Common Stock and, in addition, there were an estimated 6,662 beneficial owners of the Class A Common Stock whose shares were held by brokers and other fiduciary institutions. On February 18, 2011, there were 13 holders of record of our Class B Common Stock

We were incorporated in 1995 and have never paid cash dividends on either the Class A Common Stock or the Class B Common Stock. The declaration and payment of dividends are 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 of the Company, and such other factors as the Board of Directors may deem relevant. Accordingly, there can be no assurance that the Board of Directors will declare or pay cash dividends on the shares of Common Stock in the future. Our certificate of incorporation requires that any cash dividends must be paid equally on each outstanding share of Class A Common Stock and Class B Common Stock. Our credit facility prohibits us from paying dividends on the Common Stock if there has been, or immediately following the payment of a dividend there would be, a default or an event of default under the credit facility. We are currently in compliance with the covenants contained in the credit facility.

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On February 24, 2010, our Board of Directors authorized the purchase of up to \$30.0 million of our Class A Common Stock. This authorization expires March 31, 2011. We purchased 784,197 shares under this authorization during the year ended December 31, 2010. We may make purchases from time to time as market conditions warrant, and any repurchased shares are expected to be held in treasury for future use. See Footnote 13 for more information on share repurchases.

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Performance Graph

The following line graph compares the Company's cumulative total stockholder return on its Class A Common Stock since December 31, 2005 with the cumulative total return of the Nasdaq Stock Market Index and the Nasdaq Trucking and Transportation Index. These comparisons assume the investment of \$100 on December 31, 2005 in each index and in the Company's Class A Common Stock and the reinvestment of dividends.

Table of Contents**Item 6. SELECTED FINANCIAL DATA****Selected Financial Data**

(in thousands except per share data)

	Years Ended December 31,				
	2010	2009	2008	2007	2006 (2)
Statement of Income Data:					
Revenue	\$ 1,833,737	\$ 1,510,970	\$ 1,860,608	\$ 1,658,168	\$ 1,609,529
Gross margin	213,433	185,690	234,311	232,324	218,418
Operating income	69,882	55,531	95,462	90,740	77,236
Income from continuing operations before taxes	70,093	55,885	96,326	93,228	79,508
Income from continuing operations after taxes	43,458	34,265	59,245	59,799	47,705
Income from discontinued operations, net of tax (1)					981
Net income	\$ 43,458	\$ 34,265	\$ 59,245	\$ 59,799	\$ 48,686
Basic earnings per common share					
Income from continuing operations	\$ 1.17	\$ 0.92	\$ 1.59	\$ 1.55	\$ 1.19
Income from discontinued operations	\$	\$	\$	\$	\$ 0.03
Diluted earnings per common share					
Income from continuing operations	\$ 1.16	\$ 0.91	\$ 1.58	\$ 1.53	\$ 1.17
Income from discontinued operations	\$	\$	\$	\$	\$ 0.02
	As of December 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Total assets	\$ 629,407	\$ 573,348	\$ 528,231	\$ 491,967	\$ 484,548
Long-term debt, excluding current portion					
Stockholders' equity	376,300	353,841	315,184	250,899	258,844

(1) HGDS disposed of May 1, 2006

(2) Comtrak was acquired February 28, 2006

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**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FORWARD LOOKING STATEMENTS**

The information contained in this annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expects, hopes, believes, intends, estimates, anticipates, and variations of these words and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are inherently uncertain and subject to risks. Such statements should be viewed with caution. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. We assume no liability to update any such forward-looking statements contained in this annual report. Factors that could cause our actual results to differ materially, in addition to those set forth under Items 1A Risk Factors, include:

the degree and rate of market growth in the domestic intermodal, truck brokerage and logistics markets served by us;

deterioration in our relationships with existing railroads or adverse changes to the railroads' operating rules;

changes in rail service conditions or adverse weather conditions;

further consolidation of railroads;

the impact of competitive pressures in the marketplace, including entry of new competitors, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;

changes in rail, drayage and trucking company capacity;

railroads moving away from ownership of intermodal assets;

equipment shortages or equipment surplus;

changes in the cost of services from rail, drayage, truck or other vendors;

increases in costs for independent contractors due to regulatory, judicial and legal changes;

labor unrest in the rail, drayage or trucking company communities;

general economic and business conditions;

significant deterioration in our customers' financial condition, particularly in the retail and durable goods sectors;

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fuel shortages or fluctuations in fuel prices;

increases in interest rates;

changes in homeland security or terrorist activity;

difficulties in maintaining or enhancing our information technology systems;

changes to or new governmental regulation including CSA 2010 and hours of service;

significant increases to health insurance costs due to the Health Care and Education Reconciliation Act of 2010;

loss of several of our largest customers;

inability to recruit and retain key personnel;

inability to recruit and maintain drivers and owner operators;

changes in insurance costs and claims expense;

changes to current laws which will aid union organizing efforts; and

inability to close and successfully integrate any future business combinations.

CAPITAL STRUCTURE

We have authorized common stock comprised of Class A Common Stock and Class B Common Stock. The rights of holders of Class A Common Stock and Class B Common Stock are identical, except each share of Class B Common Stock entitles its holder to approximately 80 votes, while each share of Class A Common Stock entitles its holder to one vote. We have authorized 2,000,000 shares of preferred stock.

EXECUTIVE SUMMARY

Hub Group, Inc. (we , us or our) is the largest intermodal marketing company (IMC) in the United States and a full service transportation provider offering intermodal, truck brokerage and logistics services. We operate through a nationwide network of operating centers.

As an IMC, we arrange for the movement of our customers' freight in containers and trailers, typically over long distances of 750 miles or more. We contract with railroads to provide transportation for the long-haul portion of the shipment and with local trucking companies, known as drayage companies, for pickup and delivery. As part of our intermodal services, we negotiate rail and drayage rates, electronically track shipments in transit, consolidate billing and handle claims for freight loss or damage on behalf of our customers.

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Approximately half of our drayage services are provided by our subsidiary, Comtrak Logistics, Inc. (Comtrak), which assists us in providing reliable, cost effective intermodal services to our customers. Comtrak has terminals in Atlanta, Birmingham, Charleston, Charlotte, Chattanooga, Chicago, Cleveland, Columbus (OH), Dallas, Harrisburg, Huntsville, Indianapolis, Jacksonville, Kansas City, Milwaukee, Memphis, Nashville, Los Angeles, Perry (FL), Philadelphia, Savannah, St. Louis, Stockton, and Titusville (FL). As of February 1, 2011, Comtrak owned 283 tractors, leased or owned 502 trailers, employed 267 drivers and contracted with 1,414 owner-operators.

We also arrange for the transportation of freight by truck, providing customers with another option for their transportation needs. We match the customers needs with carriers capacity to provide the most effective service and price combinations. As part of our truck brokerage services, we negotiate rates, track shipments in transit and handle claims for freight loss or damage on behalf of our customers.

Our logistics service consists of complex transportation management services, including load consolidation, mode optimization and carrier management. These service offerings are designed to take advantage of the increasing trend for shippers to outsource all or a greater portion of their transportation needs.

We have full time marketing representatives throughout North America who service local, regional and national accounts. We believe that fostering long-term customer relationships is critical to our success and allows us to better understand our customers needs and specifically tailor our transportation services to them.

Our yield management group works with pricing and operations to enhance customer margins. We are working on margin enhancement projects including matching up inbound and outbound loads, reducing empty miles, improving our recovery of accessorial costs and reviewing and improving low margin loads bi-weekly. Our top 50 customers revenue represents approximately 61% of our revenue.

We use various performance indicators to manage our business. We closely monitor margin and gains and losses for our top 50 customers and loads that are not beneficial to our network. We also evaluate on-time performance, cost per load and daily sales outstanding by customer account. Vendor cost changes and vendor service issues are also monitored closely.

Table of Contents**RESULTS OF OPERATIONS*****Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***

The following table summarizes our revenue by service line (in thousands):

	Twelve Months Ended December 31,		% Change
	2010	2009	
Revenue			
Intermodal	\$ 1,285,163	\$ 1,054,862	21.8%
Brokerage	335,000	292,639	14.5%
Logistics	213,574	163,469	30.7%
Total revenue	\$ 1,833,737	\$ 1,510,970	21.4%

The following table includes certain items in the consolidated statements of income as a percentage of revenue:

	Twelve Months Ended December 31,	
	2010	2009
Revenue	100.0%	100.0%
Transportation costs	88.4	87.7
Gross margin	11.6	12.3
Costs and expenses:		
Salaries and benefits	5.4	5.9
General and administration	2.2	2.4
Depreciation and amortization	0.2	0.3
Total costs and expenses	7.8	8.6
Operating income	3.8	3.7
Other income (expense):		
Interest and dividend income	0.0	0.0
Total other income	0.0	0.0
Income before provision for income taxes	3.8	3.7
Provision for income taxes	1.5	1.4
Net income	2.3%	2.3%

Table of Contents**Revenue**

Revenue increased 21.4% to \$1,833.7 million in 2010 from \$1,511.0 million in 2009. Intermodal revenue increased 21.8% to \$1,285.2 million from \$1,054.9 million due to a 19% increase in volume and a 5% increase for fuel partially offset by a 2% decrease for mix. Pricing was flat year-over-year. Truck brokerage revenue increased 14.5% to \$335.0 million from \$292.6 million due to a 10% increase in volume and a 4% increase for fuel. Price and mix were flat year-over-year. Logistics revenue increased 30.7% to \$213.6 million from \$163.5 million due to increases in business from both new and existing customers in 2010.

Gross Margin

Gross margin increased 14.9% to \$213.4 million in 2010 from \$185.7 million in 2009. This \$27.7 million margin increase came from our intermodal, truck brokerage and logistics businesses. Gross margin as a percentage of revenue decreased to 11.6% in 2010 from 12.3% in 2009. The decrease in gross margin as a percentage of revenue was driven primarily by an increase in truck brokerage costs resulting from tighter capacity as well as logistics growth coming mostly from transactional business as opposed to higher margin management fee business.

Salaries and Benefits

Salaries and benefits increased to \$99.1 million in 2010 from \$88.5 million in 2009 partially due to an increase in bonus expense of \$7.9 million, salaries of \$1.9 million and commissions of \$0.8 million. Bonuses were higher than last year due primarily to the EPS based portion of the bonus being accrued in 2010 while no EPS bonus was accrued in 2009. As a percentage of revenue, salaries and benefits decreased to 5.4% in 2010 from 5.9% in 2009. Headcount as of December 31, 2010 and 2009 was 1,123 and 1,028, respectively, which excludes drivers, as driver costs are included in transportation costs.

General and Administrative

General and administrative expenses increased to \$40.6 million in 2010 from \$37.5 million in 2009. As a percentage of revenue, general and administrative expenses decreased to 2.2% in 2010 from 2.4% in 2009. Total expenses increased primarily due to an increase in independent contractor commission expenses of \$1.7 million, recruiting costs associated with owner operators of \$1.0 million, office expense of \$0.9 million related primarily to the replacement of personal computers and professional services of \$0.3 million. These increases were partially offset by a \$1.3 million decrease in bad debts due to bankruptcies of certain customers in 2009 and bankruptcy recoveries in 2010.

Depreciation and Amortization

Depreciation and amortization decreased 9.2% to \$3.8 million in 2010 from \$4.2 million in 2009. This expense as a percentage of revenue decreased to 0.2% in 2010 from 0.3% in 2009. The decrease in depreciation and amortization was due primarily to the disposal of certain assets in 2010.

Other Income (Expense)

Interest expense remained consistent at \$0.1 million in 2010 and 2009. Interest and dividend income remained consistent at \$0.1 million in 2010 and 2009. Other income and expense decreased to \$0.1 million in 2010 from \$0.3 in 2009. This decrease was primarily due to less favorable effects of currency translation for the year ended December 31, 2010.

Provision for Income Taxes

The provision for income taxes increased to \$26.6 million in 2010 from \$21.6 million in 2009. Although our effective tax rate decreased to 38.0% in 2010 from 38.7% in 2009, the additional 2010 pretax income of \$14.2 million more than offset the rate decrease. The 2010 effective tax rate decrease was due primarily to the impact from tax law changes enacted in February 2009 by Wisconsin and California which increased our effective tax rate in 2009 compared to tax law changes enacted by California in October 2010 which decreased our rate.

Net Income

Net income increased to \$43.5 million in 2010 from \$34.3 million in 2009 due primarily to higher gross margin.

Earnings Per Common Share

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Basic earnings per share was \$1.17 in 2010 and \$0.92 in 2009. Basic earnings per share increased due to the increase in net income and fewer basic weighted average shares due to treasury stock purchases.

Diluted earnings per share increased to \$1.16 in 2010 from \$0.91 in 2009. Diluted earnings per share increased due to the increase in net income.

Table of Contents**RESULTS OF OPERATIONS*****Year Ended December 31, 2009 Compared to Year Ended December 31, 2008***

The following table summarizes our revenue by service line (in thousands):

	Twelve Months Ended December 31,		% Change
	2009	2008	
Revenue			
Intermodal	\$ 1,054,862	\$ 1,329,382	(20.7%)
Brokerage	292,639	372,051	(21.3%)
Logistics	163,469	159,175	2.7%
Total revenue	\$ 1,510,970	\$ 1,860,608	(18.8%)

The following table includes certain items in the consolidated statements of income as a percentage of revenue:

	Twelve Months Ended December 31,	
	2009	2008
Revenue	100.0%	100.0%
Transportation costs	87.7	87.4
Gross margin	12.3	12.6
Costs and expenses:		
Salaries and benefits	5.9	5.0
General and administration	2.4	2.3
Depreciation and amortization	0.3	0.2
Total costs and expenses	8.6	7.5
Operating income	3.7	5.1
Other income (expense):		
Interest and dividend income	0.0	0.1
Total other income	0.0	0.1
Income before provision for income taxes	3.7	5.2
Provision for income taxes	1.4	2.0
Net income	2.3%	3.2%

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Revenue

Revenue decreased 18.8% to \$1,511.0 million in 2009 from \$1,860.6 million in 2008. Intermodal revenue decreased 20.7% to \$1,054.9 million from \$1,329.4 million due to an 11% decline for fuel, a 5% decrease in volume, a 3% price decrease and a 2% decrease for mix. Truck brokerage revenue decreased 21.3% to \$292.6 million from \$372.1 million due to a 2% decrease in volume, an 11% decline for fuel and an 8% decline due to price and mix. Logistics revenue increased 2.7% to \$163.5 million from \$159.2 million due to increases in business from both new and existing customers in 2009.

Gross Margin

Gross margin decreased 20.8% to \$185.7 million in 2009 from \$234.3 million in 2008. Gross margin as a percentage of revenue decreased to 12.3% in 2009 from 12.6% in 2008. This decline was primarily due to decreases in intermodal gross margin, related to lower price and mix. These decreases were partially offset by cost reductions from better management of our drayage operations and other margin initiatives.

Salaries and Benefits

Salaries and benefits decreased to \$88.5 million in 2009 from \$93.7 million in 2008 partially due to a decrease in bonus expense of \$2.2 million, salaries and benefits of \$2.1 million and commissions of \$0.8 million. The decrease in bonus expense was the result of not earning any EPS based bonus in 2009. As a percentage of revenue, salaries and benefits increased to 5.9% in 2009 from 5.0% in 2008. Headcount as of December 31, 2009 and 2008 was 1,028 and 1,099, respectively, which excludes drivers, as driver costs are included in transportation costs.

General and Administrative

General and administrative expenses decreased to \$37.5 million from \$41.2 million in 2008. Total expenses decreased due to reductions in outside services of \$1.4 million, travel and entertainment expenses of \$1.2 million, office expense of \$0.6 million and outside sales commissions of \$0.4 million. These reductions were partially offset by a \$0.7 million increase in bad debts due to bankruptcies of certain customers. The reduction in travel and entertainment expenses resulted primarily from an increased focus on controlling costs. As a percentage of revenue, general and administrative expenses increased to 2.4% in 2009 from 2.3% in 2008.

Depreciation and Amortization

Depreciation and amortization increased 5.5% to \$4.2 million in 2009 from \$4.0 million in 2008. This expense as a percentage of revenue increased to 0.3% in 2009 from 0.2% in 2008. The increase in depreciation and amortization was due primarily to a decrease in the salvage value of certain assets which occurred in 2009.

Other Income (Expense)

Interest expense remained consistent at \$0.1 million in 2009 and 2008. Interest and dividend income decreased to \$0.1 million in 2009 from \$1.2 million in 2008. The decrease in interest and dividend income was the result of lower interest rates in 2009 primarily due to investing our cash in money market funds comprised of U.S. Treasury Securities and repurchase agreements for these securities rather than commercial paper.

Provision for Income Taxes

The provision for income taxes decreased to \$21.6 million in 2009 from \$37.1 million in 2008. We provided for income taxes using an effective rate of 38.7% in 2009 compared to 38.5% in 2008. The 2009 effective rate was higher due to income tax law changes enacted in February, 2009 by Wisconsin and California, which resulted in an increase of income tax expense of approximately \$0.4 million.

Net Income

Net income decreased to \$34.3 million in 2009 from \$59.2 million in 2008 due primarily to lower gross margin.

Earnings Per Common Share

Basic earnings per share was \$0.92 in 2009 and \$1.59 in 2008. Basic earnings per share decreased due to the decrease in net income.

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Diluted earnings per share decreased to \$0.91 in 2009 from \$1.58 in 2008. Diluted earnings per share decreased due to the decrease in net income.

LIQUIDITY AND CAPITAL RESOURCES

During 2010, we funded operations, capital expenditures and stock buy backs through cash flows from operations and cash on hand. We believe that our cash, cash flow from operations and borrowings available under our Credit Agreement will be sufficient to meet our cash needs for at least the next twelve months.

Cash provided by operating activities for the year ended December 31, 2010 was approximately \$37.7 million, which resulted primarily from income of \$43.5 million adjusted for non-cash charges of \$21.8 million offset by the change in operating assets and liabilities of \$27.6 million.

Net cash used in investing activities was \$24.8 million for the year ended December 31, 2010, which related to capital expenditures of \$25.6 million, partially offset by proceeds from the sale of equipment of \$1.0 million. We expect capital expenditures to be between \$23.0 million and \$25.0 million in 2011. We have agreed to acquire an additional 3,000 containers for approximately \$33.0 million in 2011. We have not yet decided if we will lease or buy the containers. If the containers are purchased this would increase our capital expenditures. We are also exploring the purchase of an operating center which could increase our capital expenditures by an additional \$15.0 million to \$20.0 million.

The net cash used in financing activities for the year ended December 31, 2010 was \$24.6 million. We used \$25.1 million of cash to purchase treasury stock and reported \$0.4 million of excess tax benefits from share-based compensation as a financing cash in-flow.

On March 3, 2010, we entered into an amendment to our Credit Agreement which reduced our maximum unsecured borrowing capacity under the Credit Agreement from \$50.0 million to \$10.0 million and extended the term of the Credit Agreement until March 2013. The interest rate of the Credit Agreement is equal to LIBOR plus 1.75%. The financial covenants require a minimum net worth of \$275.0 million and a cash flow leverage ratio of not more than 2.0 to 1.0. The commitment fee charged on the unused line of credit is 0.375%. The revolving line of credit expires on March 3, 2013. We believe that the \$10.0 million in unsecured borrowing capacity more accurately reflects our borrowing needs in the coming years in light of our historical lack of borrowings against the line of credit, significant cash balance and ability to generate cash.

Our unused and available borrowings under our bank revolving line of credit were \$7.4 million as of December 31, 2010 and \$47.1 million as of December 31, 2009. We were in compliance with our debt covenants as of December 31, 2010.

We have standby letters of credit that expire from 2011 to 2012. As of December 31, 2010, our letters of credit were \$2.6 million.

We have authorization to spend up to \$30.0 million to purchase common stock through March 2011. We purchased 784,197 shares under this authorization during the year ended December 31, 2010 and have \$6.4 million remaining under this authorization. We may make additional purchases through March 2011 as market conditions warrant.

CONTRACTUAL OBLIGATIONS

Our contractual cash obligations as of December 31, 2010 were minimum rental commitments. Minimum annual rental commitments, as of December 31, 2010, under non-cancelable operating leases, principally for containers and equipment and real estate are payable as follows (in thousands):

2011	\$ 16,276
2012	12,469
2013	5,127
2014	1,479
2015	850
2016 and thereafter	120
	\$ 36,321

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On October 11, 2010, we entered into an Equipment Purchase Contract with Singamas Management Services, Ltd. for the acquisition of 3,000 53' containers. We have not yet decided if we will lease or buy the containers. In the event we purchase the containers, we expect the costs to be approximately \$33.0 million. We expect to take delivery of the equipment between May and September 2011.

Table of Contents**Deferred Compensation**

Under our Nonqualified Deferred Compensation Plan (the Plan), participants can elect to defer certain compensation. Payments under the Plan are due as follows (in thousands):

2011	\$ 804
2012	1,112
2013	973
2014	990
2015	985
2016 and thereafter	7,662
	\$ 12,526

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. In certain circumstances, those estimates and assumptions can affect amounts reported in the accompanying consolidated financial statements. We have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported under the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The following is a brief discussion of the more significant accounting policies and estimates.

Allowance for Uncollectible Trade Accounts Receivable

In the normal course of business, we extend credit to customers after a review of each customer's credit history. An allowance for uncollectible trade accounts has been established through an analysis of the accounts receivable aging, an assessment of collectibility based on historical trends and an evaluation based on current economic conditions. To be more specific, we reserve a portion of every account balance that has aged over one year, a portion of receivables for customers in bankruptcy and certain account balances specifically identified as uncollectible. On an annual basis, we perform a hindsight analysis to determine our experience in collecting account balances over one year old and account balances in bankruptcy. We then use this hindsight analysis to establish our reserves for receivables over one year and in bankruptcy. In establishing a reserve for certain account balances specifically identified as uncollectible, we consider the aging of the customer receivables, the customer's current and projected financial results, the customer's ability to meet and sustain their financial commitments, the positive or negative effects of the current and projected industry outlook and the general economic conditions. The Company's level of reserves for its customer accounts receivable fluctuate depending upon all the factors mentioned above. However, we do not expect the reserve for uncollectible accounts to change significantly relative to our accounts receivable balance. Historically, our reserve for uncollectible accounts has approximated actual accounts written off. The allowance for uncollectible accounts is reported on the balance sheet in net accounts receivable. Recoveries of receivables previously charged off are recorded when received.

Revenue Recognition

Revenue is recognized at the time 1) persuasive evidence of an arrangement exists, 2) services have been rendered, 3) the sales price is fixed and determinable and 4) collectibility is reasonably assured. Revenue and related transportation costs are recognized based on relative transit time. Further, we report revenue on a gross basis because we are the primary obligor and are responsible for providing the service desired by the customer. The customer views us as responsible for fulfillment including the acceptability of the service. Service requirements may include, for example, on-time delivery, handling freight loss and damage claims, setting up appointments for pick up and delivery and tracing shipments in transit. We have discretion in setting sales prices and as a result, our earnings vary. In addition, we have the discretion to select our vendors from multiple suppliers for the services ordered by our customers. Finally, we have credit risk for our receivables. These three factors, discretion in setting prices, discretion in selecting vendors and credit risk, further support reporting revenue on the gross basis.

Provision for Income Taxes

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Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. We believe that it is more likely than not that our deferred tax assets will be realized based on future taxable income projections with the exception of \$0.4 million related to state tax net operating losses for which a valuation allowance has been established. In the event the probability of realizing the remaining deferred tax assets do not meet the more likely than not threshold in the future, a valuation allowance would be established for the deferred tax assets deemed unrecoverable.

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Tax liabilities are recorded when, in management's judgment, a tax position does not meet the more likely than not threshold for recognition as prescribed by the guidance. For tax positions that meet the more likely than not threshold, a tax liability may be recorded depending on management's assessment of how the tax position will ultimately be settled.

Valuation of Goodwill and Other Indefinite-Lived Intangibles

We review goodwill and other indefinite-lived intangibles for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying amount of goodwill or other indefinite-lived intangibles may not be recoverable. An indefinite lived intangible asset is impaired if its fair value is less than its carrying value. Goodwill impairment is indicated if the fair value of the reporting unit is less than its carrying value. An impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. We utilize a third party independent valuation firm to assist in performing the necessary valuations to be used in the impairment testing. These valuations are based on a market comparable approach, a discounted cash flow approach or a combination of both approaches. The fair value measurement is determined based on assumptions that a market participant would use including expectations regarding future operating performance (which are consistent with our internal projections and operating plans), discount rates, control premiums and other factors which are subjective in nature. As of December 31, 2010, reasonable variations in these assumptions do not have a significant impact on the results of the goodwill impairment test. Actual cash flows from operations could differ from management's estimates due to changes in business conditions, operating performance and economic conditions.

Valuation of Finite-Lived Intangibles and Fixed Assets

We evaluate the potential impairment of finite-lived intangible assets and fixed assets when impairment indicators exist. If the carrying value is no longer recoverable based upon the undiscounted future cash flows of the asset, the amount of the impairment is the difference between the carrying amount and the fair value of the asset.

Equipment

We operate tractors and utilize containers in connection with our business. This equipment may be purchased or leased. In addition, we rent equipment from third parties and various railroads under short term rental arrangements. Equipment which is purchased is depreciated on the straight line method over the estimated useful life. Our equipment leases have five to seven year terms and in some cases contain renewal options.

Stock Based Compensation

Share-based compensation includes the restricted stock awards expected to vest based on the grant date fair value. Compensation expense is amortized straight-line over the vesting period and is included in salaries and benefits.

New Pronouncements

In June 2009, the FASB issued amendments to the guidance on variable interest entities and consolidation, codified primarily in the Consolidation Topic of the FASB ASC. This guidance modifies the method for determining whether an entity is a variable interest entity as well as the methods permitted for determining the primary beneficiary of a variable interest entity. In addition, this guidance requires ongoing reassessments of whether a company is the primary beneficiary of a variable interest entity and enhanced disclosures related to a company's involvement with a variable interest entity. The Company adopted this guidance effective January 1, 2010, as required. The adoption of this standard did not impact our financial statements.

In December 2010, the FASB issued guidance in the business combinations topic of codification. This guidance amends certain existing and adds additional pro forma disclosure requirements for public enterprises. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting beginning on or after December 15, 2010. Any impact would be on future acquisitions.

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OUTLOOK, RISKS AND UNCERTAINTIES

Business Combinations/Divestitures

We believe that any future acquisitions that we may make could significantly impact financial results. Financial results most likely to be impacted include, but are not limited to, revenue, gross margin, salaries and benefits, selling general and administrative expenses, depreciation and amortization, interest expense, net income and our debt level.

Revenue

We believe that the performance of the railroads and a severe or prolonged slow-down of the economy are the most significant factors that could negatively influence our revenue growth rate. Should there be further consolidation in the rail industry causing a service disruption, we believe our intermodal business would likely be negatively impacted. Should there be a significant service disruption, we expect that there may be some customers who would switch from using our intermodal service to other transportation services. We expect that these customers may choose to continue to utilize other services even when intermodal service levels are restored. Other factors that could negatively influence our growth rate include, but are not limited to, the elimination of fuel surcharges, the entry of new competitors, customer retention, inadequate drayage service and inadequate equipment supply.

Gross Margin

We expect fluctuations in gross margin as a percentage of revenue from quarter-to-quarter caused by various factors including, but not limited to, changes in the transportation business mix, changes in logistics services between transactional business and management fee business, insurance costs, trailer and container capacity, vendor pricing, fuel costs, intermodal industry growth, intermodal industry service levels, accessorial, competitive pricing and accounting estimates.

Salaries and Benefits

We estimate that salaries and benefits as a percentage of revenue could fluctuate from quarter-to-quarter as there are timing differences between volume increases and changes in levels of staffing. Factors that could affect the percentage from staying in the recent historical range include, but are not limited to, revenue growth rates significantly higher or lower than forecasted, a management decision to invest in additional personnel to stimulate new or existing businesses, changes in customer requirements, changes in our operating structure, how well we perform against our EPS goals, and changes in railroad intermodal service levels which could result in a lower or higher cost of labor per move.

General and Administrative

We believe there are several factors that could cause general and administrative expenses to fluctuate as a percentage of revenue. As customer expectations and the competitive environment require the development of web-based business interfaces and the restructuring of our information systems and related platforms, we believe there could be significant expenses incurred, some of which would not be capitalized. Other factors that could cause selling, general and administrative expense to fluctuate include, but are not limited to, changes in insurance premiums, bad debt expenses and professional services expense.

Depreciation and Amortization

We estimate that depreciation and amortization of property and equipment in 2011 will approximate 2010 unless we purchase an operating center.

Impairment of Property and Equipment, Goodwill and Indefinite-Lived Intangibles

On an ongoing basis, we assess the realizability of our assets. If, at any point during the year, management determines that an impairment exists, the carrying amount of the asset is reduced by the estimated impairment with a corresponding charge to earnings which management estimates could have a material adverse impact on earnings.

Other Income (Expense)

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Factors that could cause a change in interest income include, but are not limited to, change in interest rates, change in investments, funding working capital needs, funding capital expenditures, funding an acquisition and buying back stock.

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Provision for Income Taxes

We estimate that our effective tax rate will be 38.5% in 2011.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates on our bank line of credit which may adversely affect our results of operations and financial condition. We have no significant exposure to foreign currency exchange rate changes. No derivative financial instruments were outstanding as of December 31, 2010 and 2009. We do not use financial instruments for trading purposes.

As of December 31, 2010 and 2009, the Company had no outstanding obligations under its bank line of credit arrangement.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE**

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<u>Consolidated Balance Sheets December 31, 2010 and December 31, 2009</u>	25
<u>Consolidated Statements of Income Years ended December 31, 2010, December 31, 2009 and December 31, 2008</u>	26
<u>Consolidated Statements of Stockholders' Equity Years ended December 31, 2010, December 31, 2009 and December 31, 2008</u>	27
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Hub Group, Inc.:

We have audited the accompanying consolidated balance sheets of Hub Group, Inc. as of December 31, 2010 and 2009 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the index at Item 15(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hub Group, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hub Group, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois

February 24, 2011

Table of Contents**HUB GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(in thousands, except share amounts)**

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 115,144	\$ 126,863
Accounts receivable trade, net	185,879	145,317
Accounts receivable other	17,958	11,932
Prepaid taxes	296	593
Deferred taxes	3,314	2,874
Prepaid expenses and other current assets	6,569	6,801
TOTAL CURRENT ASSETS	329,160	294,380
Restricted investments	11,421	9,583
Property and equipment, net	47,806	28,510
Other intangibles, net	5,856	6,164
Goodwill, net	233,029	232,892
Other assets	2,135	1,819
TOTAL ASSETS	\$ 629,407	\$ 573,348
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	\$ 121,078	\$ 110,626
Accounts payable other	10,064	7,695
Accrued payroll	14,378	8,253
Accrued other	21,898	18,958
TOTAL CURRENT LIABILITIES	167,418	145,532
Non-current liabilities	13,950	12,002
Deferred taxes	71,739	61,973
STOCKHOLDERS EQUITY:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2010 and 2009		
Common stock		
Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2010 and 2009; 36,638,359		
outstanding in 2010 and 37,253,330 shares outstanding in 2009	412	412
Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2010 and 2009	7	7
Additional paid-in capital	169,722	171,470
Purchase price in excess of predecessor basis, net of tax benefit of \$10,306	(15,458)	(15,458)
Retained earnings	343,010	299,552
Accumulated other comprehensive income (loss)	6	(9)
Treasury stock; at cost, 4,586,433 shares in 2010 and 3,971,462 shares in 2009	(121,399)	(102,133)
TOTAL STOCKHOLDERS EQUITY	376,300	353,841
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 629,407	\$ 573,348

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

Table of Contents**HUB GROUP, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share amounts)

	2010	Years Ended 2009	2008
Revenue	\$ 1,833,737	\$ 1,510,970	\$ 1,860,608
Transportation costs	1,620,304	1,325,280	1,626,297
Gross margin	213,433	185,690	234,311
Costs and expenses:			
Salaries and benefits	99,138	88,518	93,658
General and administrative	40,621	37,467	41,234
Depreciation and amortization	3,792	4,174	3,957
Total costs and expenses	143,551	130,159	138,849
Operating income	69,882	55,531	95,462
Other income (expense):			
Interest expense	(54)	(91)	(102)
Interest and dividend income	119	146	1,153
Other, net	146	299	(187)
Total other income	211	354	864
Income before provision for income taxes	70,093	55,885	96,326
Provision for income taxes	26,635	21,620	37,081
Net income	\$ 43,458	\$ 34,265	\$ 59,245
Basic earnings per common share	\$ 1.17	\$ 0.92	\$ 1.59
Diluted earnings per common share	\$ 1.16	\$ 0.91	\$ 1.58
Basic weighted average number of shares outstanding	37,223	37,367	37,174
Diluted weighted average number of shares outstanding	37,385	37,525	37,484

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

Table of Contents**Hub Group, Inc.****Consolidated Statements of Stockholders Equity**

(in thousands, except shares)

	Class A & B Common Stock		Additional Paid-in Capital	Purchase Price of Excess of Predecessor Basis, Net of Tax	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Total
	Shares Issued	Amount				Income	Shares	Amount	
Balance January 1, 2010	41,887,088	\$ 419	\$ 171,470	\$ (15,458)	\$ 299,552	\$ (9)	(3,971,462)	\$ (102,133)	\$ 353,841
Purchase of treasury shares							(839,448)	(25,070)	(25,070)
Issuance of restricted stock awards, net of forfeitures			(5,024)				194,677	5,024	
Share-based compensation expense			3,576						3,576
Exercise of non-qualified options			(734)				29,800	780	46
Tax benefit of share-based compensation plans			434						434
Net income					43,458				43,458
Foreign currency translation adjustment						15			15
Comprehensive income									43,473
Balance December 31, 2010	41,887,088	\$ 419	\$ 169,722	\$ (15,458)	\$ 343,010	\$ 6	(4,586,433)	\$ (121,399)	\$ 376,300
Balance January 1, 2009	41,887,088	\$ 419	\$ 174,355	\$ (15,458)	\$ 265,287	\$	(4,254,445)	\$ (109,419)	\$ 315,184
Purchase of treasury shares							(43,408)	(1,101)	(1,101)
Issuance of restricted stock awards, net of forfeitures			(5,166)				201,091	5,166	
Share-based compensation expense			4,394						4,394
Exercise of non-qualified options			(2,965)				125,300	3,221	256
Tax benefit of share-based compensation plans			852						852
Net income					34,265				34,265
Foreign currency translation adjustment						(9)			(9)
Comprehensive income									34,256
Balance December 31, 2009	41,887,088	\$ 419	\$ 171,470	\$ (15,458)	\$ 299,552	\$ (9)	(3,971,462)	\$ (102,133)	\$ 353,841
Balance January 1, 2008	41,887,088	\$ 419	\$ 176,657	\$ (15,458)	\$ 206,042	\$	(4,558,061)	\$ (116,761)	\$ 250,899
Purchase of treasury shares							(85,361)	(2,630)	(2,630)
Issuance of restricted stock awards, net of forfeitures			(5,480)				213,645	5,480	

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Share-based compensation expense	4,360								4,360
Exercise of non-qualified options	(4,085)				175,332	4,492			407
Tax benefit of share-based compensation plans	2,903								2,903
Net income					59,245				59,245
Foreign currency translation adjustment									
Comprehensive income									59,245
Balance December 31, 2008	41,887,088	\$ 419	\$ 174,355	\$ (15,458)	\$ 265,287	\$	(4,254,445)	\$ (109,419)	\$ 315,184

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

Table of Contents**HUB GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Years Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net Income	\$ 43,458	\$ 34,265	\$ 59,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,572	8,199	7,369
Deferred taxes	9,545	5,519	9,294
Compensation expense related to share-based compensation plans	3,576	4,394	4,360
Loss (gain) on sale of assets	85	50	(22)
Changes in operating assets and liabilities:			
Restricted investments	(1,838)	(3,465)	(912)
Accounts receivable, net	(46,582)	(1,569)	15,092
Prepaid taxes	298	(470)	(37)
Prepaid expenses and other current assets	233	(2,455)	(28)
Other assets	298	(72)	(374)
Accounts payable	12,822	7,150	(18,532)
Accrued expenses	5,277	(8,603)	(13,040)
Non-current liabilities	1,910	2,285	(908)
Net cash provided by operating activities	37,654	45,228	61,507
Cash flows from investing activities:			
Proceeds from sale of equipment	988	84	1,342
Purchases of property and equipment	(25,616)	(4,246)	(10,732)
Cash used in acquisitions	(170)		(5,000)
Net cash used in investing activities	(24,798)	(4,162)	(14,390)
Cash flows from financing activities:			
Proceeds from stock options exercised	46	256	407
Purchase of treasury stock	(25,070)	(1,101)	(2,630)
Excess tax benefits from share-based compensation	434	852	2,903
Net cash (used in) provided by financing activities	(24,590)	7	680
Effect of exchange rate changes on cash and cash equivalents	15	(9)	
Net (decrease) increase in cash and cash equivalents	(11,719)	41,064	47,797
Cash and cash equivalents beginning of year	126,863	85,799	38,002
Cash and cash equivalents end of year	\$ 115,144	\$ 126,863	\$ 85,799
Supplemental disclosures of cash paid for:			
Interest	\$ 54	\$ 91	\$ 102

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Income taxes

\$ 16,031 \$ 17,263 \$ 27,199

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

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HUB GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS