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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, 2000

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

Commission File No. 0-27754

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HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	36-4007085
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

377 E. BUTTERFIELD ROAD, SUITE 700  
LOMBARD, ILLINOIS 60148  
(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 whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_\_\_

Indicate by check mark 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. [X]

The aggregate market value of the Registrant's voting stock held by non-affiliates on March 15, 2001, based upon the last reported sale price on that date on the NASDAQ National Market of \$9 1/8 per share, was \$57,232,913.

On March 15, 2001, the Registrant had 7,046,050 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 15, 2001, (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. ("Hub Group" or the "Company") is a Delaware corporation which was incorporated on March 8, 1995. Since its founding as an intermodal marketing company ("IMC") in 1971, Hub Group has grown to become the largest IMC in the United States and a full service transportation provider, offering intermodal, truck brokerage and comprehensive logistics services.

The Company operates through an extensive nationwide network of 27 offices or "Hubs." Each Hub is strategically located in a market that has a significant concentration of shipping customers and one or more railheads. Each Hub functions essentially as a stand-alone business managed locally by an executive with significant transportation experience. Local management is responsible for operations, customer service and regional marketing, while corporate management is responsible for group strategic planning and administration, financial services, relationships with the railroads and management information systems support. Hub Group also maintains a National Accounts sales force to provide centralized marketing of the Company's services to large and geographically diversified shippers.

On March 18, 1996, Hub Group purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition. Concurrent with the acquisition of Hub Chicago, Hub Group completed the initial public offering of 4,261,250 shares of its Class A common stock (the "Class A Common Stock"). Through a series of acquisitions, Hub Group now owns a 65% partnership interest in Hub Group Distribution Services ("Hub Distribution"), which performs certain logistics functions, and wholly-owns each of its other operating subsidiaries (each of the operating subsidiaries and Hub Distribution are an "Operating Company" and collectively are the "Operating Companies"). Unless the context otherwise requires, references to "Hub Group" or the "Company" include Hub Chicago and the Operating Companies and their respective subsidiaries.

#### SERVICES PROVIDED

The Company's transportation services can be broadly placed into the following categories:

**INTERMODAL** As an IMC, the Company arranges for the movement of its customers' freight in containers and trailers over long distances. Hub Group contracts with railroads to provide transportation over the long-haul portion of the shipment and with local trucking companies, known as "drayage companies," for pickup and delivery. In markets where adequate service is not available, the Company supplements third party drayage services with Company-owned drayage operations. As part of its intermodal services, the Company negotiates rail and drayage rates, electronically tracks shipments in transit, consolidates billing and handles claims for freight loss or damage on behalf of its customers.

The Company uses its Hub network, connected through its proprietary advanced intermodal management ("AIM") system, to access containers and trailers owned by leasing companies, railroads and steamship lines. Because each Hub not only handles its own outbound shipments but also handles inbound shipments from other Hubs, each Hub is able to track trailers and containers entering its service area and reuse that equipment to fulfill its customers' outbound shipping requirements. This effectively allows the Company to "capture" containers and trailers and keep them within the Hub network without having to make a capital investment in transportation equipment. The Company also has exclusive use of the containers in its Premier Service Network.

**HIGHWAY SERVICES** The Company arranges for the transportation of freight by

truck, providing customers another option for their transportation needs. This is accomplished by matching customers' needs with carriers' capacity to provide the appropriate service and price combination. The Company has contracts with a substantial base of carriers allowing it to meet the varied needs of its customers. The Company negotiates rates, tracks shipments in transit, consolidates billing and handles claims for freight loss and damage on behalf of its customers.

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The Company's brokerage operation also provides customers with specialized programs. Through the Dedicated Trucking program, certain carriers have informally agreed to move freight for Hub's customers on a continuous basis. This arrangement allows Hub to gain control of the trucking equipment to effectively meet its customer's needs without owning the equipment. Through the Core Carrier-Plus One program, Hub assumes the responsibility for over-the-road truckload shipments that the customer's core carriers cannot handle. This service supplements the customer's core carrier program and helps ensure the timely delivery of the customer's freight.

LOGISTICS The Company has expanded its service capabilities as customers increasingly outsource their transportation needs. The Company has established a Supply Chain Solutions group with logistics expertise at its headquarters in Lombard. In addition, many of the Hubs have hired experienced logistics personnel exclusively dedicated to selling Hub's logistics service offering. The Supply Chain Solutions group acts as a central resource for the Hubs who then perform the actual logistics services.

The Company currently offers various logistics services, including comprehensive transportation management, arranging for delivery to multiple locations at the shipment's destination, third party warehousing, less-than-truckload consolidation and other customized logistics services, as well as other non-traditional logistics services such as installation of point of sale merchandise displays. When providing complete transportation services, the Company essentially replaces the customer's transportation department. Once the Company is hired as a single source logistics provider, it negotiates with intermodal, railcar, truckload and less-than-truckload carriers to move the customer's product through the supply chain and then dispatches the move for the customer.

To help manage its logistics business, the Company uses i2 TradeMatrix Plan and i2 TradeMatrix Fulfill from i2 Technologies, Inc. This sophisticated transportation management software enables Hub to offer supply chain planning tools and logistics managing, modeling, optimizing and monitoring tools for its customers. This software may be used by the Company when offering logistics management services to customers that ship via multiple modes, including intermodal, truckload, and less-than-truckload, allowing the Company to optimize mode and carrier selection and routing for its customers. This software is integrated with Hub's AIM system.

#### HUB NETWORK

Over the past 30 years, Hub Group has grown from a single office with two employees into a network of 25 Hubs in the United States, one Hub in Canada and one Hub in Mexico. Hub Group also has several satellite sales offices. In developing this network, the Company has carefully selected each location to ensure coverage in areas with significant concentrations of shipping customers and one or more railheads. Hub Group currently has Hubs in the following cities:

Atlanta	Houston	Milwaukee	St. Louis
Baltimore	Indianapolis	New Orleans	Salt Lake City
Boston	Kansas City	New York City	San Francisco
Chicago (3)	Los Angeles	Pittsburgh	Seattle
Cleveland	Memphis	Portland	Toledo
Detroit	Mexico City	Rochester	Toronto
Grand Rapids			

The entire Hub network is interactively connected through the Company's AIM system. This enables Hub Group to move freight into and out of every major city in the United States and most locations in Canada and Mexico.

Each Hub manages the freight originating in or destined for its service area. In a typical intermodal transaction, the customer contacts the local Hub to obtain shipping schedules and a price quote for a particular freight movement. The local Hub 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. Information is entered into the AIM system by the local Hub. This information is simultaneously transmitted through the AIM system to the Hub closest to the point of delivery. Hub's predictive track and trace technology

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then monitors the shipment to ensure that it will arrive as scheduled, alerting Hub's customer service personnel at the local Hub if there are service delays. The Hub closest to the point of delivery arranges for and confirms delivery by a drayage company. This arrangement among the Hubs is transparent to the customer and allows the customer to maintain its relationship solely with the originating Hub.

The Company provides brokerage services to its customers in a similar manner. In a typical brokerage transaction, the customer contacts the local Hub to obtain transit information and a price quote for a particular freight movement. The customer then provides appropriate shipping information to the local Hub. The local Hub 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 local Hub monitors the movement of the freight until it reaches its destination and the delivery has been confirmed. If the carrier notifies Hub Group that after delivering the load it will need additional freight, the Hub located nearest the destination is notified of the carrier's availability. Although it is under no obligation to do so, the local Hub then may attempt, if requested by the carrier, to secure freight for the carrier.

#### MARKETING AND CUSTOMERS

The Company believes that fostering long-term customer relationships is critical to the Company's success. Through these long-term relationships, the Company is able to better understand its customer's needs and to tailor transportation services for a specific customer, regardless of the customer's size or volume. The Company currently has full time marketing representatives at each Hub with primary responsibility for servicing local and regional accounts. These sales representatives work from the 27 Hubs and the Company's satellite sales offices. This network provides a local marketing contact for small and medium shippers in most major metropolitan areas within the United States.

In 1985, the Company established the National Accounts group to service the needs of the nation's largest shippers. The Company recognized that although large shippers originate freight from multiple locations throughout the country, their logistics function is usually centralized. The Company essentially mirrored this structure by servicing national accounts from a central location and parceling out the servicing of individual freight shipments to the appropriate Hub. There are currently 16 National Accounts sales representatives who report to the Company's Executive Vice President of National Accounts. The National Accounts sales representatives regularly call on the nation's largest shippers to develop business relationships and to expand the Company's participation in servicing their transportation needs. When a business opportunity is identified by a National Accounts sales representative, the Company's market development and pricing personnel and the local Hubs work together to provide a transportation solution tailored to the customer's needs. Local Hubs provide transportation services to National Accounts customers. After the plan is implemented, National Accounts' personnel maintain regular contact

with the shipper to ensure customer satisfaction and to refine the process as necessary.

This unique combination of local and regional marketing has produced a large, diverse customer base. The Company services customers in a wide variety of industries, including automotive, consumer products, printing, paper, retail, chemicals and electronics.

#### MANAGEMENT INFORMATION SYSTEMS

A primary component of the Company's business strategy is the continued improvement of its AIM system and other technology to ensure that the Company will remain a leader among transportation providers in information processing for transportation services. The AIM system consists of IBM AS/400 computers located at a secure offsite data center. All of the Hubs are linked with these AS/400 computers and each other using a frame relay network. This configuration provides a real time environment for transmitting data among the Hubs and the

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Company's headquarters using electronic data interchange ("EDI"), electronic mail and other protocols. It also allows Hub to communicate electronically with each railroad, certain drayage companies and those customers with EDI capabilities.

The Company's proprietary AIM system is the primary mechanism used by the Hubs to handle the Company's intermodal and highway services business. The AIM system processes customer transportation requests, schedules and tracks shipments, prepares customer billing, establishes account profiles and retains critical information for analysis. The AIM system provides connectivity with each of the major rail carriers, enabling the Company to electronically schedule and track shipments in a real time environment. In addition, the AIM system's EDI features offer customers with EDI capability a completely paperless process, including load tendering, shipment dispatch, shipment tracking, customer billing and remittance processing. The Company aggressively pursues opportunities to establish EDI interfaces with its customers and carriers.

The Company's website, [www.hubgroup.com](http://www.hubgroup.com), is designed to allow Hub's customers and vendors to easily do business with Hub online. The Company launched the Vendor Interface portion of this website in early 2000. Through Vendor Interface, the Company tenders loads to its drayage partners using the internet rather than phones or faxes. Vendor Interface also captures event status information and helps facilitate appropriate payment. Vendor Interface usage grew steadily in 2000 and Hub currently tenders over 80% of its drayage loads using Vendor Interface and EDI. Hub launched the Customer Advantage portion of its website in early 2001. Customer Advantage allows customers to receive immediate pricing, place orders, track shipments and review historical shipping data over the internet. Current internet applications are, and future internet applications will be, integrated with the AIM system.

During 2000, the Company updated and improved the operational software for its AIM system. The new software is designed to streamline operational processes, improve the quality of data available to the Company and its customers, better integrate its various systems and software applications and reduce inter-Company transactions. The Company is currently testing this new software and will begin using this new software once testing has been completed.

#### RELATIONSHIP WITH RAILROADS

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

of the Company's executive officers, including both the Company's Chairman and President, are former railroad employees, which makes them well-suited to understand the railroads' service capabilities.

The Company has contracts with each of the following major railroads:

Burlington Northern Santa Fe Railway	Kansas City Southern
Canadian National	Norfolk Southern
Canadian Pacific	Union Pacific
CSX	

The Company also has contracts with each of the following major fourth-party service providers: Mitsui O.S.K. Lines (America) Inc., Pacer International, Inc. and K-Line America, Inc..

These contracts govern the transportation services and payment terms pursuant to which the Company's intermodal shipments are handled by the railroads. The contracts have staggered renewal terms with the earliest expiration occurring during 2001. While there can be no assurances that these contracts will be renewed, the Company has in the past successfully negotiated extensions of these contracts. Transportation rates are market driven and are typically negotiated between the Company and the railroads or fourth-party service providers on a customer specific basis. Consistent with industry practice, many of the rates negotiated by the Company are special commodity quotations ("SCQs"), which provide discounts from published price lists based on competitive market factors and are designed by the railroads or fourth-party 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 six to 12 months.

The Company also manages a fleet of containers under its Premier Service Network. This program began with the Burlington Northern and Santa Fe Railway Company ("BNSF") in May 1998 and in 1999 expanded to include the Norfolk Southern Corporation ("NS"). Under multi-year agreements with both the BNSF and NS, the Company manages, as of March 6, 2001, approximately 5,550 containers

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owned by the BNSF and 1,650 containers owned by the NS. These containers are for Hub's dedicated use on the BNSF and NS rail systems. The BNSF containers and the NS containers are fully interchangeable across both the BNSF and NS rail networks.

#### RELATIONSHIP WITH DRAYAGE COMPANIES

In 1990, the Company instituted its "Quality Drayage Program," which consists of agreements and rules that govern the framework pursuant to which the drayage companies perform services for the Company. 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. Whenever possible, the Company uses the services of drayage companies that participate in its Quality Drayage Program. However, during periods of high demand for drayage services or at the request of a customer, the Company will use the services of other drayage companies. The local Hubs negotiate drayage rates for transportation between specific origin and destination points. These rates generally are valid, with minor exceptions for fuel surcharge increases, for a period of one year.

#### RELATIONSHIP WITH TRUCKLOAD CARRIERS

The Company's brokerage operation has a large and growing number of active carriers in its database which it uses to transport freight. The local Hubs deal daily with these carriers on an operational level. Hub Highway Services, a partnership controlled by the Company, handles the administrative and regulatory aspects of the carrier relationship. Hub's relationships with its carriers are

important since these relationships determine pricing, load coverage and overall service.

#### RISK MANAGEMENT AND INSURANCE

The Company requires 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 to obtain, either on their own or through the Company, \$1.0 million 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, the Company carries its own cargo insurance with a limit of \$2.0 million per container or trailer and a limit of \$20 million per occurrence. The Company also carries general liability insurance with limits of \$1.0 million per occurrence and \$2.0 million in the aggregate with a companion \$20.0 million umbrella policy on this general liability insurance.

#### GOVERNMENT REGULATION

Hub Highway Services is licensed by the Department of Transportation ("DOT") as a broker in arranging for the transportation of general commodities by motor vehicle. To the extent that the Hubs perform truck brokerage services, they do so under the license granted to Hub Highway Services. The DOT prescribes qualifications for acting in this capacity, including a \$10,000 surety bond which the Company has posted. To date, compliance with these regulations has not had a material adverse effect on the Company's 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.

#### COMPETITION

The transportation services industry is highly competitive. The Company competes against other IMCs, as well as logistics companies, third party brokers, over-the-road truckload carriers and railroads that market their own intermodal services. There is an emerging trend for larger truckload carriers to enter into agreements with railroads to market intermodal services nationwide. In addition, many existing and start-up companies are using the internet to market transportation services. Competition is based primarily on freight rates, quality of service, reliability, transit time and scope of operations. Several transportation service companies and truckload carriers, and all of the major railroads, have substantially greater financial and other resources than the Company.

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#### GENERAL

EMPLOYEES As of February 28, 2001, the Company had approximately 1,590 employees. The Company is not a party to any collective bargaining agreement and considers its relationship with its employees to be satisfactory.

OTHER No material portion of the Company's operations is subject to renegotiation of profits or termination of contracts at the election of the federal government. None of the Company's patents and trademarks is believed to be material to the Company. The Company's business is seasonal to the extent that certain customer groups, such as retail, are seasonal.

#### ITEM 2. PROPERTIES

The Company directly, or indirectly through the Operating Companies, operates 43 offices throughout the United States and in Canada and Mexico, including the Company's headquarters in Lombard, Illinois and its Company-owned drayage operations. The office building used by the Hub located in Toledo is owned, and the remainder are leased. Most office leases have initial terms of

more than one year, and many include options to renew. While some of the Company's leases expire in the near term, the Company does not believe that it will have difficulty in renewing them or in finding alternative office space. The Company believes that its offices are adequate for the purposes for which they are currently used.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to routine litigation incident to its business, primarily claims for freight lost or damaged in transit or improperly shipped. Many of the lawsuits to which the Company is party are covered by insurance and are being defended by the Company's insurance carriers. Management does not believe that the litigation to which it is currently a party, if determined adversely to the Company, would individually or in the aggregate have a materially adverse effect on the Company's financial position or results of operations. See Item 1 Business - Risk Management and Insurance.

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

There were no matters submitted to a vote of the Company's security holders during the fourth quarter of 2000.

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 March 7, 2001 with respect to each person who is an executive officer of the Company.

Name	Age	Position
Phillip C. Yeager	73	Chairman of the Board of Directors
David P. Yeager	47	Vice Chairman of the Board of Directors and Chief Executive Officer
Thomas L. Hardin	55	President, Chief Operating Officer and Director
Mark A. Yeager	36	President-Field Operations
Donald G. Maltby	46	President-Hub Online
Jay E. Parker	36	Vice President-Finance, Chief Financial Officer and Treasurer
John T. Donnell	61	Executive Vice President-National Accounts
Richard M. Rogan	61	President-Hub Highway Services, Executive Vice President-Marketing
Daniel L. Sellers	45	Vice President-Information Services and Chief Information Officer
David C. Zeilstra	31	Vice President, Secretary and General Counsel

Phillip C. Yeager, the Company's founder, has been Chairman of the Board since October 1985. From April 1971 to October 1985, Mr. Yeager served as President of Hub Chicago. Mr. Yeager became involved in intermodal transportation in 1959, five years after the introduction of intermodal transportation in the United States, as an employee of the Pennsylvania and Pennsylvania Central Railroads. He spent 19 years with the Pennsylvania and Pennsylvania Central Railroads, 12 of which involved intermodal transportation. In 1991, Mr. Yeager was named Man of the Year by the Intermodal Transportation Association. In 1995, he received the Salzburg Practitioners Award from Syracuse University in recognition of his lifetime achievements in the transportation industry. In October 1996, Mr. Yeager was inducted into the Chicago Area Entrepreneurship Hall of Fame sponsored by the University of Illinois at Chicago. In March 1997, he received the Presidential Medal from Dowling College for his achievements in transportation services. In September 1998 he received the Silver Kingpin award from the Intermodal Association of North America and in February 1999 he was named Transportation Person of the Year by the New York Traffic Club. Mr. Yeager graduated from the University of Cincinnati in 1951 with a Bachelor of Arts degree in Economics. Mr. Yeager is the father of David



P. Yeager and Mark A. Yeager.

David P. Yeager has served as the Company's Vice Chairman of the Board since January 1992 and as Chief Executive Officer of the Company since March 1995. 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 son of Phillip C. Yeager and the brother of Mark A. Yeager.

Thomas L. Hardin has served as the Company's President since October 1985 and has served as Chief Operating Officer and a director of the Company since March 1995. From January 1980 to September 1985, Mr. Hardin was Vice President-Operations and from June 1972 to December 1979, he was General Manager of the Company. Prior to joining the Company, Mr. Hardin worked for the Missouri Pacific Railroad where he held various marketing and pricing positions. Mr. Hardin is the former Chairman of the Intermodal Association of North America.

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Mark A. Yeager has been the Company's President-Field Operations since July 1999. 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 the Company's Vice President-Quality. Prior to joining the Company in 1992, Mr. Yeager was an associate at the law firm of Grippo & Elden from January 1991 through 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 son of Phillip C. Yeager and the brother of David P. Yeager.

Donald G. Maltby has served as President - Hub Online, the Company's e-commerce division, since February 2000. From July 1990 through January 2000, Mr. Maltby served as the President of the Company's Hub in Cleveland. 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 the Company 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. 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.

Jay E. Parker has been the Company's Vice President of Finance, Chief Financial Officer and Treasurer since June 1999. From July 1995 through May 1999, Mr. Parker was the Company's Corporate Controller. Prior to joining the Company, Mr. Parker was the Director of Financial Reporting at Discovery Zone, Inc. from July 1994 through June 1995 and held various positions, including Audit Manager, with Arthur Andersen from December 1988 through June 1994. Mr. Parker received a Masters of Accounting Science from Northern Illinois University in 1988, became a Certified Public Accountant in 1987 and received a Bachelor of Science degree in Finance from Northern Illinois University in 1986.

John T. Donnell has been Executive Vice President of National Accounts since October 1993. From October 1985 through October 1993, Mr. Donnell served as Vice President of National Accounts. Prior to joining the Company in 1985, Mr. Donnell worked for Transamerica Leasing as Vice President of Marketing where he was responsible for marketing 40,000 intermodal trailers to the railroads and the intermodal marketing industry. Mr. Donnell received a Master of Business Administration degree from Northwestern University in 1981 and a Bachelor of Science degree in Marketing from Northeast Louisiana University in 1961.

Richard M. Rogan has been Executive Vice President of Marketing since November 1997 and President of Hub Highway Services since May 1995. Prior to joining the Company, Mr. Rogan was Executive Vice President of National Freight, Inc. from May 1993 to April 1995. Prior to that, Mr. Rogan was with Burlington Motor Carriers, Inc., where he served as President and Chief Executive Officer from March 1988 to April 1993 and as an Executive Vice President from July 1985 to February 1988. Mr. Rogan's transportation career spans 25 years and includes earlier assignments with the Illinois Central Railroad, North American Van Lines and Schneider National. He received a Bachelor of Business Administration degree from Loyola University of Chicago in 1962 and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania in 1963. He has served on the Board of Directors of the ATA Foundation as well as the Interstate Truckload Carrier Conference ("ITCC"). He is a past Chairman of the ITCC Highway Policy Committee and has also served on the Advisory Board of the Trucking Profitability Strategies Conference at the University of Georgia.

Daniel L. Sellers has been the Company's Vice President of Information Services and Chief Information Officer since December 1998. Prior to joining the Company, Mr. Sellers was Vice President of Information Systems with Humana, Inc. from February 1997 to December 1998. Prior to that, Mr. Sellers was Vice President and General Manager of OmniTracs software with Qualcomm, Inc. from November 1993 to February 1997. Mr. Sellers also worked in the transportation industry for 15 years with Schneider National, Inc. in a variety of positions, including as Vice President and Chief Information Officer of Information Systems. He received a Bachelor of Business Administration from the University of Cincinnati in 1978 and a Masters in Business Administration from the University of Wisconsin Graduate School of Business in 1983. Mr. Sellers is a past member of the American Trucking Association's Management Systems Council.

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

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Class A Common Stock of the Company trades on the NASDAQ National Market tier of The NASDAQ Stock Market ("NASDAQ") under the symbol "HUBG." Set forth below are the high and low prices for shares of the Class A Common Stock of the Company for each full quarterly period in 1999 and 2000.

	1999		2000	
	HIGH	LOW	HIGH	LOW
	-----	-----	-----	-----
First Quarter	\$23 3/4	\$18 7/8	\$20 1/2	\$15 1/4
Second Quarter	\$27 7/8	\$21	\$15 1/8	\$10 1/2
Third Quarter	\$27 1/16	\$20 7/16	\$14 1/2	\$9 9/16
Fourth Quarter	\$21	\$14 11/16	\$9 10/16	\$6 1/2

On March 7, 2001, there were approximately 40 stockholders of record of the Class A Common Stock and, in addition, there were an estimated 1,450 beneficial owners of the Class A Common Stock whose shares were held by brokers and other fiduciary institutions. On March 7, 2001, there were 11 holders of record of the Company's Class B common stock (the "Class B Common Stock" together with the

Class A Common Stock, the "Common Stock").

The Company was incorporated in 1995 and has never paid cash dividends on either the Class A Common Stock or the Class B Common Stock. The declaration and payment of dividends by the Company are subject to the discretion of the Board of Directors. Any determination as to the payment of dividends will depend upon the results of operations, capital requirements and financial condition of the Company, and such other factors as the Board of Directors may deem relevant. Accordingly, there can be no assurance that the Board of Directors will declare or pay dividends on the shares of Common Stock in the future. The certificate of incorporation of the Company requires that any cash dividends must be paid equally on each outstanding share of Class A Common Stock and Class B Common Stock. The Company's credit facility and private placement debt prohibit the Company from paying dividends on the Common Stock if there has been, or immediately following the payment of a dividend would be, a default or an event of default under the credit facility or private placement debt. The Company is currently in compliance with the covenants contained in the credit facility and private placement debt.

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ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA  
(in thousands except per share data)

	YEARS ENDED DECEMBER 31,				
	2000	1999	1998	1997 (1)	1996 (2)
STATEMENT OF OPERATIONS DATA:					
Revenue	\$ 1,384,379	\$ 1,296,799	\$ 1,145,906	\$ 1,064,479	\$ 754,243
Gross margin	173,278	162,415	138,334	129,855	91,564
Operating income	18,399	30,134	26,406	33,495	27,925
Income before minority interest and taxes	7,872	23,659	25,324	32,869	27,704
Income before taxes	7,825	18,384	15,205	15,874	11,338
Historical net income	4,617	10,846	8,908	9,525	7,044
Historical basic earnings per common share	\$ 0.60	\$ 1.41	\$ 1.16	\$ 1.48	\$ 1.41
Historical diluted earnings per common share	\$ 0.60	\$ 1.40	\$ 1.15	\$ 1.46	\$ 1.39
Pro forma provision for additional income taxes(3)					241
Pro forma net income					\$ 6,803
Pro forma basic earnings per common share					\$ 1.36
Pro forma diluted earnings per common share					\$ 1.35
AS OF DECEMBER 31,					
	2000	1999	1998	1997 (1)	1996 (2)
BALANCE SHEET DATA:					
Working capital	\$ 477	\$ 21,912	\$ 20,313	\$ 15,209	\$ 15,877
Total assets	467,245	441,119	304,791	267,826	201,225
Long-term debt, excluding current portion	109,089	131,414	29,589	22,873	28,714
Stockholders' equity	135,772	131,124	119,673	110,462	46,124

(1) In September 1997, the Company issued 1,725,000 shares of Class A common stock through a secondary offering which resulted in net proceeds of approximately \$54,763,000. These proceeds were used to purchase the remaining 70% minority interest in Hub City Los Angeles, L.P. and Hub City Golden Gate, L.P.

(2) On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of the Company's Class A common stock and 662,296 shares of the Company's Class B common stock. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis. Concurrent with the acquisition of Hub Chicago, the Company completed the initial public offering of 4,261,250 shares of its Class A common stock, with net proceeds to the Company of approximately \$52,945,000. Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of the Company's Class A common stock through a secondary offering. The Company did not receive any net proceeds from the sale of the

shares by the selling stockholder. Concurrent with the initial public offering, the Company acquired with cash a controlling interest in each of 27 operating partnerships. On May 2, 1996, the Company acquired the rights to service the customers of American President Lines Domestic Distribution Services.

(3) Prior to March 18, 1996, the Company was an S corporation and not subject to federal corporate income taxes. On March 18, 1996, the Company changed its status from an S corporation to a C corporation. The statement of operations data reflects a pro forma provision for income taxes as if the Company were subject to federal and state corporate income taxes for all periods presented. The pro forma provision reflects a combined federal and state tax rate of 40%.

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

CAPITAL STRUCTURE

Hub Group, Inc. (the "Company") was incorporated on March 8, 1995. On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of Class A common stock and 662,296 shares of Class B common stock. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis. Concurrent with the acquisition of Hub Chicago in March 1996, Hub Group, Inc. completed the initial public offering of 4,261,250 shares of its Class A common stock. Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of Hub Group, Inc. Class A common stock through a secondary offering. In September 1997, Hub Group, Inc. completed a secondary offering of 1,725,000 shares of Hub Group, Inc.'s Class A common stock.

BUSINESS COMBINATIONS

On April 1, 1998, the Company acquired all of the outstanding stock of Quality Intermodal Corporation ("Quality"). Quality primarily offered intermodal and truckload brokerage services with offices in Houston, Dallas, Los Angeles, Chicago, Atlanta and Philadelphia. The Company absorbed the Quality business directly into its existing operations.

On August 1, 1998, the Company acquired the rights to service the customers of Corporate Express Distribution Services ("CEDS") as well as certain fixed assets. The CEDS business is being operated by Hub Group Distribution Services ("Hub Distribution"), the Company's niche logistics services provider. CEDS was a provider of niche logistics services including a pharmaceutical sample delivery operation.

CALL OPTIONS

On April 1, 1998, the Company exercised its call options to acquire the remaining 70% minority interests in Hub City Rio Grande, L.P., Hub City Dallas, L.P., and Hub City Houston, L.P. ("Texas Hubs"). The Company paid \$6.2 million in cash.

On April 1, 1999, Hub Group, Inc. exercised its call options to acquire the remaining 70% minority interests in Hub City Alabama, L.P., Hub City Atlanta, L.P., Hub City Boston, L.P., Hub City Canada, L.P., Hub City Cleveland, L.P., Hub City Detroit, L.P., Hub City Florida, L.P., Hub City Indianapolis, L.P., Hub City Kansas City, L.P., Hub City Mid-Atlantic, L.P., Hub City New York/New Jersey, L.P., Hub City New York State, L.P., Hub City Ohio, L.P., Hub City Philadelphia, L.P., Hub City Pittsburgh, L.P., Hub City Portland, L.P., and Hub City St. Louis, L.P. (collectively referred to as the "April 1999 Purchase"). The Company paid \$108.7 million in cash.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000, COMPARED TO YEAR ENDED DECEMBER 31, 1999

## REVENUE

Revenue for the Company increased 6.8% to \$1,384.4 million in 2000 from \$1,296.8 million in 1999. Early in 2000, the Company's underlying rail and truckload carriers began passing on significant price increases related to the increase in the cost of fuel. Accordingly, the Company increased the prices it charges its customers. Based on the timing and magnitude of these increases, management estimates that such increases caused the Company's revenue to grow 4% to 5% for the year. Absent this increase, management estimates that revenue growth would have ranged from 2% to 3% for the year. Intermodal revenue increased 3.9% over 1999. Management believes that this slower than historical growth in intermodal is due in part to a softening economy and the termination

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of a significant customer contract in November 1999. Truckload brokerage revenue increased 5.7% over 1999. Logistics revenue increased 29.2% compared to 1999. This increase was primarily due to growth in the Company's supply chain solutions logistics services revenue.

## GROSS MARGIN

Gross margin increased 6.7% to \$173.3 million in 2000 from \$162.4 million in 1999. Gross margin as a percentage of revenue remained constant at 12.5%.

## SALARIES AND BENEFITS

Salaries and benefits increased 14.4% to \$96.2 million in 2000 from \$84.1 million in 1999. As a percentage of revenue, salaries and benefits increased to 6.9% from 6.5% in 1999. The increase in the percentage is primarily attributed to increased headcount supporting the Company's growing base of service offerings, information technology initiatives and e-business initiatives. The additional service offerings include the operational and sales support of boxcar, flat bed, expedited and certain logistics applications. Additionally, in the fourth quarter of 2000, the Company recognized a \$0.3 million charge related to severance primarily for accounting personnel as part of a plan to centralize the Company's accounting functions at its corporate headquarters in 2001.

## SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 22.5% to \$46.8 million in 2000 from \$38.2 million in 1999. As a percentage of revenue, these expenses increased to 3.4% from 2.9% in 1999. The increase as a percentage of revenue is primarily attributed to expenditures related to equipment leases, data center and data communications costs and rent. The increase in equipment leases is primarily due to the leasing of computer hardware required to support both newly developed and future software applications. The increase in data communication costs and costs associated with the recently outsourced data center are related to supporting the Company's information technology initiatives. Rent expense increased as the Company's operating units were required to obtain larger office space to accommodate operations.

## DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Depreciation and amortization increased 51.9% to \$6.1 million in 2000 from \$4.0 million in 1999. This expense as a percentage of revenue increased to 0.4% from 0.3% in 1999. The increase is primarily related to the amortization of internally developed software for the Company's e-business initiatives. Additionally, in the fourth quarter of 2000, the Company recognized \$0.5 million in additional depreciation due primarily to a change in estimated useful lives of various assets that will no longer be used once the new operating system is completed.

## AMORTIZATION OF GOODWILL

Amortization of goodwill increased 13.3% to \$5.7 million from \$5.1 million in 1999. The expense as a percentage of revenue remained constant at 0.4%. The \$0.6 million increase in expense over 1999 is attributable to having a full year of amortization of the goodwill associated with the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase.

## OTHER INCOME (EXPENSE)

Interest expense increased to \$11.4 million in 2000 from \$8.6 million in 1999. The increase in interest expense is due primarily to having a full year of the debt required to fund the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase.

Interest income decreased to \$0.8 million in 2000 from \$0.9 million in 1999. The primary cause for this decrease is the Company's increased concentration of cash balances to reduce debt and minimize related interest expense.

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Other income decreased to \$0.1 million in 2000 from \$1.2 million in 1999. This decrease is primarily attributed to \$1.0 million of non-recurring income recognized in 1999 upon execution of a confidential agreement with one of the Company's vendors.

## MINORITY INTEREST

Minority interest decreased to \$0.0 million in 2000 from \$5.3 million in 1999. Minority interest as a percentage of income before minority interest and provision for income taxes was 0.6% in 2000 compared to 22.3% in 1999. The decrease in the percentage is attributed to the lack of income for Hub Distribution and the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase.

## PROVISION FOR INCOME TAXES

The provision for income taxes decreased 57.4% to \$3.2 million in 2000 compared to \$7.5 million in 1999. The Company provided for income taxes using an effective rate of 41.0% in both years.

## NET INCOME

Net income decreased 57.4% to \$4.6 million in 2000 from \$10.8 million in 1999.

## EARNINGS PER COMMON SHARE

Basic earnings per common share decreased 57.4% to \$0.60 in 2000 from \$1.41 in 1999. Diluted earnings per common share decreased 57.1% to \$0.60 in 2000 from \$1.40 in 1999.

YEAR ENDED DECEMBER 31, 1999, COMPARED TO YEAR ENDED DECEMBER 31, 1998

## REVENUE

Revenue for the Company increased 13.2% to \$1,296.8 million in 1999 from \$1,145.9 million in 1998. Intermodal revenue increased 6.2% over 1998. Management believes that the service disruption from the split-up of Conrail which began on June 1, 1999, negatively impacted intermodal revenue growth. Truckload brokerage revenue increased 19.3% over 1998. The Company has successfully grown truckload brokerage by cross-selling to its intermodal customers and employing dedicated and experienced personnel in each Hub. Logistics revenue increased 88.3% compared to 1998. This increase was primarily due to the increase in revenue from the Company's niche logistics services performed by Hub Distribution.

## GROSS MARGIN

Gross margin increased 17.4% to \$162.4 million in 1999 from \$138.3 million in 1998. Gross margin as a percentage of revenue increased to 12.5% from 12.1% in 1998. Management believes the primary cause of this increase is the growth in niche logistics services, which earns a higher gross margin percentage of revenue than does the Company's core intermodal and brokerage service offerings.

## SALARIES AND BENEFITS

Salaries and benefits increased 16.0% to \$84.1 million in 1999 from \$72.5 million in 1998. As a percentage of revenue, salaries and benefits increased to 6.5% from 6.3% in 1998. The increase in the percentage is primarily attributed to the increased headcount supporting the Company's information technology initiatives and growth in niche logistics services. The Company's niche logistics services requires a higher level of salaries and benefits as compared to revenue than does the Company's core intermodal and brokerage service offerings.

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## SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 16.3% to \$38.2 million in 1999 from \$32.9 million in 1998. These expenses as a percentage of revenue remained constant at 2.9%. While the percentage of revenue is consistent with the prior year, the \$5.3 million increase in expenses is primarily attributed to information systems, travel and outside services. The Company's increased information systems expenditures related to consulting, Year 2000 remediation and validation, and enhancements to the Company's operating system. Travel and related expenses increased due primarily to a national sales meeting held in 1999 that was not held in the previous year and increased expenditures to support growth in the Company's niche logistics services. Outside service expenditures relate to contracted temporary labor and other services to handle increased business for niche logistics services and outside sales commissions.

## DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Depreciation and amortization increased 9.5% to \$4.0 million in 1999 from \$3.7 million in 1998. This expense as a percentage of revenue remained constant at 0.3%.

## AMORTIZATION OF GOODWILL

Amortization of goodwill increased 74.1% to \$5.1 million in 1999 from \$2.9 million in 1998. The expense as a percentage of revenue increased to 0.4% from 0.3% in 1998. The increase in expense is primarily attributable to the amortization of the goodwill associated with the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase.

## IMPAIRMENT OF PROPERTY AND EQUIPMENT

In the second quarter of 1999, a \$0.9 million pretax charge was recorded relating to certain operating software applications. Specifically, \$0.7 million of this charge was attributable to a write-down of the Visual Movement software previously used primarily for brokerage. The Visual Movement software is no longer being used by the Company and was replaced with enhancements to the Company's proprietary intermodal operating software during the second quarter of 1999. These enhancements allow for greater network visibility of loads. The remaining \$0.2 million impairment loss greater related to the write-down of a logistics software program. The fair value was determined based on the estimated future cash flows attributable to the single customer using this program. The Company installed a new software package in 1999 that provides enhanced functionality for its operational applications.

#### OTHER INCOME (EXPENSE)

Interest expense increased to \$8.6 million in 1999 from \$2.5 million in 1998. The increase in interest expense is due primarily to the additional debt required to fund the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase. In addition, debt increased as a result of the acquisition of Quality and the purchase of the minority interests in the Texas Hubs in April 1998.

Interest income decreased to \$0.9 million in 1999 from \$1.0 million in 1998. The primary cause for this decrease is the Company's increased concentration of its cash balances to reduce debt and minimize interest expense on borrowings.

Other income of \$1.2 million in 1999 is primarily due to non-recurring income recognized upon execution of an agreement with one of the Company's vendors.

#### MINORITY INTEREST

Minority interest decreased 47.9% to \$5.3 million in 1999 from \$10.1 million in 1998. Minority interest as a percentage of income before minority interest and provision for income taxes was 22.3% in 1999 compared to 40.0% in

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1998. The decrease in the percentage is primarily attributed to the purchase of the remaining 70% minority interests in connection with the April 1999 Purchase as well as the purchase of minority interests in the Texas Hubs in April 1998.

#### PROVISION FOR INCOME TAXES

The provision for income taxes increased 19.7% to \$7.5 million compared to \$6.3 million in 1998. The Company provided for income taxes using an effective rate of 41.0% in 1999 versus 41.4% in 1998.

#### NET INCOME

Net income increased 21.8% to \$10.8 million in 1999 from \$8.9 million in 1998. Historical net income as a percentage of revenue remained constant at 0.8%.

#### EARNINGS PER COMMON SHARE

Basic earnings per common share increased 21.6% to \$1.41 from \$1.16 in 1998. Diluted earnings per common share increased 21.7% to \$1.40 in 1999 from \$1.15 in 1998.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations and capital expenditures through cash flows from operations and bank borrowings.

Cash provided by operating activities for the year ended December 31, 2000, was approximately \$41.4 million, which resulted primarily from an increase in accounts payable and accrued expenses of \$27.3 million, non-cash charges of \$16.0 million and net income of \$4.6 million, offset by a \$5.5 million increase in accounts receivable and a \$0.8 million increase in prepaid expenses and other current assets, all of which were primarily related to the overall growth of the Company.

Net cash used in investing activities for the year ended December 31, 2000, was \$26.6 million related to capital expenditures. The capital expenditures were principally made to enhance the Company's information system capabilities. The most significant projects were Customer Advantage, a web-based system used to transact business with our customers, and a customized operating



system.

The net cash used in financing activities for the year ended December 31, 2000, was \$16.6 million. This was primarily comprised of \$10.0 million of voluntary payments on the Company's line of credit and \$6.2 million of scheduled payments on the Company's term debt, installment notes and capital leases.

The Company maintains a multi-bank credit facility. The facility is comprised of \$50.0 million in term debt and a \$50.0 million revolving line of credit. At December 31, 2000, there was \$42.0 million of outstanding term debt and \$24.0 million outstanding and \$26.0 million unused and available under the line of credit. Borrowings under the line of credit are unsecured and have a five-year term that began on April 30, 1999, with a floating interest rate based upon the LIBOR (London Interbank Offered Rate) or Prime Rate. The term debt has quarterly payments ranging from \$1,250,000 to \$2,000,000 with a balloon payment of \$19.0 million due on March 31, 2004.

On November 7, 2000, the Company amended its unsecured \$50.0 million term debt and the \$50.0 million five-year revolving line of credit agreement. The amendment increases the borrowing rate ranges of both the term note and revolving line of credit. Under the amended line of credit, the Company can borrow, at its option, at the prime rate plus 0.25% to 1.25% or at a rate established at the bank's discretion on a day-to-day basis. The Company may also borrow for 30, 60, 90 or 180 day periods at LIBOR plus 1.50% to 2.75% based on the Company's funded debt to EBITDAM (earnings before interest expense, income taxes, depreciation, amortization and minority interest) ratio. Under the amended term debt, the Company can borrow at the prime rate plus 0.25% to 1.50% on a day-to-day basis or may borrow for 30, 60, 90 or 180 day periods at LIBOR plus 1.75% to 3.00% based on the Company's funded debt to EBITDAM ratio. The credit facility also contains certain financial covenants which were amended.

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These covenants require that the Company maintain required levels of EBITDAM, funded debt to EBITDAM and fixed charge coverage ratios. The amendment has an additional financial covenant that limits capital expenditures for 2001. The Company was in compliance with the financial covenants that were effective as of December 31, 2000.

On February 26, 2001, the Company executed a second amendment of its unsecured \$50.0 million term debt and the \$50.0 million five-year revolving line of credit agreement. The amendment has an additional financial covenant that limits capital expenditures for 2002. All provisions of the November 7, 2000 amendment remained unchanged.

The Company maintains \$50.0 million of private placement debt (the "Notes"). These Notes are unsecured and have an eight-year average life. Interest is paid quarterly. These Notes mature on June 25, 2009, with annual payments of \$10.0 million commencing on June 25, 2005.

On February 26, 2001, the Company amended the Notes. The amendment, effective December 31, 2000, increases the borrowing rate from 8.64% to 9.14%. The Notes also contain certain financial covenants which were amended. These covenants require that the Company maintain required levels of funded debt to EBITDAM and fixed charge coverage ratios. The amendment has an additional financial covenant that provides limitations on capital expenditures for 2001 and 2002. The Company was in compliance with the financial covenants that were effective as of December 31, 2000.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("Statement 133"), "Accounting for Derivative Instruments and Hedging Activities". In June 1999, The FASB issued Statement 137 ("Statement 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB

Statement No. 133". In June 2000, the FASB issued Statement 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". Statement 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. As a result of Statement 137, the Company will adopt Statement 133, as amended, in the first quarter of 2001. The application of Statement 133, as amended, will not have a material effect on the Company's financial position or results of operations.

In March 2000, the FASB issued Interpretation No. 44 ("Interpretation 44"), "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of Accounting Principles Board Opinion No. 25 ("Opinion 25"). Interpretation 44 clarifies (a) the definition of "employee" for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequences of various modifications to the terms of previously fixed stock options or awards, and (d) the accounting for the exchange of stock compensation awards in a business combination. Interpretation 44 was effective July 1, 2000, but certain conclusions in Interpretation 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The application of Interpretation 44 did not have a material impact on the Company's financial position or results of operations.

#### OUTLOOK, RISKS AND UNCERTAINTIES

Except for historical data, the information contained in this Annual Report constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Forward-looking statements in this report include, but are not limited to, those contained in this "Outlook, Risks and Uncertainties" section regarding expectations, hopes, beliefs, estimates, intentions or strategies regarding the future. The Company assumes no liability to update any such forward-looking statements. In addition

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to those mentioned elsewhere in this section, such risks and uncertainties include the impact of competitive pressures in the marketplace, including the entry of new, web-based competitors and direct marketing efforts by the railroads, the degree and rate of market growth in the intermodal, brokerage and logistics markets served by the Company, changes in rail and truck capacity, further consolidation of rail carriers, deterioration in relationships with existing rail carriers, rail service conditions, changes in governmental regulation, adverse weather conditions, fuel shortages, changes in the cost of services from rail, drayage and other vendors and fluctuations in interest rates.

#### BUSINESS COMBINATIONS/DIVESTITURES

Management believes that future acquisitions or dispositions made by the Company 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, minority interest, net income and the Company's debt level. Financial results may be impacted by additional factors as discussed below.

#### REVENUE

Management believes that the performance of the railroads, elimination of fuel surcharges and a more severe or prolonged slow-down of the economy are the most significant factors that could negatively influence the Company's

revenue growth rate. The service disruptions in the intermodal industry due to the split-up of Conrail, which began on June 1, 1999, appear to have been significantly rectified. Should this trend reverse, the Company believes its intermodal growth rate would likely be negatively impacted. Should there be further consolidation in the rail industry, causing a similar or more severe service disruption, the Company believes its intermodal growth rate would likely be negatively impacted. Should there be another significant service disruption, the Company expects there may be some customers who would switch from using the Company's intermodal service to other carriers' over-the-road service. The Company expects these customers may choose to continue to utilize these carriers even when intermodal service levels are restored. Starting in the Spring of 2000, the Company has billed its customers on average an additional 5-6% to cover the costs of fuel surcharges. Should fuel surcharges be eliminated or reduced significantly, the Company expects that the revenue growth rate could be negatively impacted. Other factors that could negatively influence the Company's growth rate include, but are not limited to, the entry of new web-based competitors, inadequate drayage service and inadequate equipment supply.

#### GROSS MARGIN

Management expects fluctuations in the gross margin percentage from quarter-to-quarter caused by changes in business mix, intermodal margins, highway brokerage margins, logistics business margins, trailer and container capacity, vendor pricing, intermodal industry growth, intermodal industry service levels, competition and accounting estimates.

#### SALARIES AND BENEFITS

It is anticipated that salaries and benefits as a percentage of revenue could fluctuate from quarter-to-quarter as there are timing differences between revenue increases and changes in levels of staffing. Should the Company eliminate positions due to automation resulting from systems enhancements or centralizing functions, this expense, as a percent of revenue, is likely to be reduced. Additional factors that could affect the percentage from staying in the recent historical range are revenue growth rates significantly higher or lower than forecasted, a management decision to invest in additional personnel to stimulate new or existing businesses, such as the Company's expedited services initiative, changes in customer requirements and changes in railroad intermodal service levels which could result in a lower or higher cost of labor per move.

#### SELLING, GENERAL AND ADMINISTRATIVE

There are several factors that could cause selling, general and administrative expenses to increase as a percentage of revenue. As customer

expectations and the competitive environment require the development of web-based business interfaces and the restructuring of the Company's information systems and related platforms, the Company believes there could be significant expenses incurred, some of which would not be capitalized. Costs incurred to formulate the Company's strategy as well as any costs that would be identified as reengineering or training would be expensed.

#### DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

Management estimates that as a percentage of revenue depreciation and amortization of property and equipment will increase significantly in the future. The most significant factor that will cause an increase in the percentage is increased software amortization related to improvements in the Company's information systems. During the first half of 2001, the Company expects to place in service its new proprietary operating system, a purchased logistics package and various web applications. Additionally, the Company has accelerated depreciation due to a change in estimated useful lives of various assets to be replaced by this new operating system. This change in estimate will result in additional depreciation of approximately \$0.9 million in the first

quarter of 2001. Additional factors that could cause an increase in the percentage are increased depreciation expense if the Company decided to purchase rather than lease a greater proportion of assets or accelerating depreciation due to changes in useful lives of existing assets.

#### AMORTIZATION OF GOODWILL

Management estimates that amortization of goodwill will likely remain relatively consistent with the prior year. Additional acquisitions resulting in the recording of goodwill could cause an increase in the percentage.

#### IMPAIRMENT OF PROPERTY AND EQUIPMENT

On an ongoing basis, the Company assesses the realizability of its 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. If it is determined that an impairment exists, management estimates that the write down of specific assets could have a material adverse impact on earnings.

#### OTHER INCOME (EXPENSE)

Management estimates that as a percentage of revenue interest expense will likely remain relatively consistent with the prior year. Items that could cause higher debt costs in the future include an increase in the interest rates as a result of amending the Company's Notes or credit facilities and a reduction in capitalized interest from placing internally developed software into service. Such higher costs could be offset by debt repayments anticipated in the year 2001. Factors that could cause interest to fluctuate higher or lower than forecasted are changes in lending rates, unanticipated debt repayments, unanticipated working capital needs, unanticipated software development expenses and unanticipated capital expenditures.

Management estimates that as a percentage of revenue interest income will likely remain relatively consistent with the prior year. Factors that could cause a change are the possible use of cash to make debt repayments, fund working capital needs and fund capital expenditures.

#### MINORITY INTEREST

Management estimates that minority interest as a percentage of revenue will likely increase slightly in the future compared to 2000, based on the expected profitability of Hub Distribution. Acquisitions of entities with a minority interest, disposition of Hub Distribution or fluctuations in profitability of Hub Distribution could have a material impact on minority interest percentages of income before minority interest.

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#### LIQUIDITY AND CAPITAL RESOURCES

The Company believes that cash to be provided by operations, cash available under its lines of credit and the Company's ability to obtain additional credit will be sufficient to meet the Company's short-term working capital and capital expenditure needs. The Company believes that the aforementioned items are sufficient to meet its anticipated long-term working capital, capital expenditure and debt repayment needs.

The Company estimates that its capital expenditures will not exceed \$12.0 million and \$15.0 million in 2001 and 2002, respectively.

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

The Company is exposed to market risk related to changes in interest rates which may adversely affect its results of operations and financial condition. The Company seeks to minimize the risk from interest rate volatility through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company

does not use financial instruments for trading purposes.

The Company has both fixed and variable rate debt as described in Note 8. The Company has entered into an interest rate swap agreement designated as a hedge on a portion of the Company's variable rate debt. The purpose of the swap is to fix the interest rate on a portion of the variable rate debt and reduce certain exposures to interest rate fluctuations. At December 31, 2000, the Company had an interest rate swap with a notional amount of \$25.0 million, a weighted average pay rate of 8.37%, a weighted average receive rate of 9.19% and a maturity date of September 30, 2002. This swap agreement involves the exchange of amounts based on the variable interest rate for amounts based on the fixed interest rate over the life of the agreement, without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt.

The main objective of interest rate risk management is to reduce the total funding cost to the Company and to alter the interest rate exposure to the desired risk profile.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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AND FINANCIAL STATEMENT SCHEDULE

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Hub Group, Inc.:

We have audited the accompanying consolidated balance sheets of Hub Group, Inc. (a Delaware corporation) as of December 31, 2000 and 1999 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

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

statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hub Group, Inc. as of December 31, 2000 and 1999, and the results of its operations and cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page S-1 is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
 January 31, 2001  
 (except with respect to the  
 matter discussed in Note 8,  
 as to which the date is  
 February 26, 2001)

HUB GROUP, INC.  
 CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share amounts)

	DECEMBER 31,	
	2000	1999
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ -	\$ 1,865
Accounts receivable, net	195,765	190,221
Deferred taxes	7,933	408
Prepaid expenses and other current assets	3,609	2,771
	-----	-----
TOTAL CURRENT ASSETS	207,307	195,265
PROPERTY AND EQUIPMENT, net	43,854	24,244
GOODWILL, net	213,907	219,648
OTHER ASSETS	2,177	1,962
	-----	-----
TOTAL ASSETS	\$ 467,245	\$ 441,119
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 166,743	\$ 141,592
Other	8,529	11,246
Accrued expenses:		
Payroll	9,559	7,936
Other	9,658	6,384
Current portion of long-term debt	12,341	6,195
	-----	-----
TOTAL CURRENT LIABILITIES	206,830	173,353
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	109,089	131,414
DEFERRED TAXES	15,202	4,469
CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	352	759
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 2,000,000 shares authorized; no shares issued or outstanding in 2000 and 1999.	-	-
Common stock,		
Class A: \$.01 par value; 12,337,700 shares authorized; 7,046,050 shares issued and outstanding in 2000, 7,043,950 shares issued and outstanding in 1999.	70	70
Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2000 and 1999.	7	7
Additional paid-in capital	110,817	110,786
Purchase price in excess of predecessor basis	(25,764)	(25,764)



Balance at January 1, 1998	7,653,246	\$ 77	\$ 109,878	\$ (25,764)	\$ 10,306	\$ 15,965	\$ 110,462
Net income	-	-	-	-	-	8,908	8,908
Exercise of non-qualified stock options	19,000	-	303	-	-	-	303
Balance at December 31, 1998	7,672,246	77	110,181	(25,764)	10,306	24,873	119,673
Net income	-	-	-	-	-	10,846	10,846
Exercise of non-qualified stock options	34,000	-	605	-	-	-	605
Balance at December 31, 1999	7,706,246	77	110,786	(25,764)	10,306	35,719	131,124
Net income	-	-	-	-	-	4,617	4,617
Exercise of non-qualified stock options	2,100	-	31	-	-	-	31
Balance at December 31, 2000	7,708,346	\$ 77	\$ 110,817	\$ (25,764)	\$ 10,306	\$ 40,336	\$ 135,772

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

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HUB GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 4,617	\$ 10,846	\$ 8,908
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	6,875	5,013	4,743
Amortization of goodwill	5,741	5,069	2,913
Impairment of property and equipment	-	884	-
Deferred taxes	3,208	1,754	6,008
Minority interest	47	5,275	10,119
Loss on sale of assets	128	205	135
Changes in working capital, net of effects of purchase transactions:			
Accounts receivable, net	(5,544)	(42,117)	(11,978)
Prepaid expenses and other current assets	(838)	3,265	(4,018)
Accounts payable	22,434	21,416	8,933
Accrued expenses	4,897	1,649	2,758
Other assets	(215)	(1,458)	167
Net cash provided by operating activities	41,350	11,801	28,688
Cash flows from investing activities:			
Cash used in acquisitions, net	-	-	(3,989)
Purchases of minority interest	-	(108,710)	(6,730)
Purchases of property and equipment, net	(26,613)	(11,234)	(3,975)
Net cash used in investing activities	(26,613)	(119,944)	(14,694)
Cash flows from financing activities:			
Proceeds from sale of common stock	31	605	303
Distributions to minority interest	(454)	(10,484)	(10,939)
Payments on long-term debt	(16,206)	(50,930)	(28,843)
Proceeds from issuance of long-term debt	27	155,639	28,607
Net cash provided by/(used in) financing activities	(16,602)	94,830	(10,872)
Net increase/(decrease) in cash and cash equivalents	(1,865)	(13,313)	3,122
Cash and cash equivalents, beginning of period	1,865	15,178	12,056
Cash and cash equivalents, end of period	\$ -	\$ 1,865	\$ 15,178
Supplemental disclosures of cash flow information Cash paid for:			
Interest	\$ 12,520	\$ 8,293	\$ 2,343
Income taxes	567	2,474	2,680
Non-cash financing activity:			
Acquisition purchase price adjustment of note payable	\$ -	\$ 150	\$ -

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

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING



## POLICIES

**BUSINESS:** Hub Group, Inc. (the "Company") provides intermodal transportation services utilizing primarily third party arrangements with railroads and drayage companies. The Company also arranges for transportation of freight by truck and performs logistics services.

**PRINCIPLES OF CONSOLIDATION:** The consolidated financial statements include the accounts of Hub Group, Inc. and all entities in which the Company has more than a 50% equity ownership or otherwise exercises unilateral control. All significant intercompany balances and transactions have been eliminated.

**CASH AND CASH EQUIVALENTS:** The Company considers as cash equivalents all highly liquid instruments with an original maturity of three months or less. Checks outstanding, net, of approximately \$23,494,000 and \$13,638,000 at December 31, 2000 and 1999, respectively, are included in accounts payable.

**RECEIVABLES:** The Company's reserve for uncollectible accounts receivable was approximately \$2,675,000 and \$2,134,000 at December 31, 2000 and 1999, respectively.

**PROPERTY AND EQUIPMENT:** Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives: buildings and improvements, 15 to 40 years; leasehold improvements, the shorter of useful life or lease term; computer equipment and software, 3 to 5 years; furniture and equipment, 3 to 10 years; and transportation equipment and automobiles, 3 to 12 years. Direct costs related to internally developed software projects are capitalized and amortized over their expected useful life on a straight-line basis not to exceed five years, commencing when the asset is placed into service. Interest is capitalized on qualifying assets under development for internal use. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

**GOODWILL:** Goodwill is amortized on the straight-line method over 40 years. On an ongoing basis, the Company estimates the future undiscounted cash flows before interest of the operating units to which goodwill relates in order to evaluate impairment. If impairment exists, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows. The Company has not experienced any impairment of goodwill. Accumulated goodwill amortization was \$15,774,000 and \$10,032,000 as of December 31, 2000 and 1999, respectively.

**CONCENTRATION OF CREDIT RISK:** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and temporary investments with high quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. Temporary investments are valued at the lower of cost or market and at the balance sheet dates approximate fair market value. The Company primarily serves customers located throughout the United States with no significant concentration in any one region. No one customer accounted for more than 10% of revenue in 1998, 1999 or 2000. The Company reviews a customer's credit history before extending credit. In addition, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable risk is limited.

**REVENUE RECOGNITION:** Revenue represents sales of services to customers. Revenue is recognized based on relative transit time.

**INCOME TAXES:** The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial

statement and tax bases of assets and liabilities applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

**EARNINGS PER COMMON SHARE:** In accordance with Statement of Financial Accounting Standards No. 128 ("Statement 128"), "Earnings per Share", basic earnings per common share are based on the average quarterly weighted average number of Class A and Class B shares of common stock outstanding. Diluted earnings per common share are adjusted for the assumed exercise of dilutive stock options. In computing the per share effect of assumed exercise, funds which would have been received from the exercise of options, including tax benefits assumed to be realized, are considered to have been used to purchase shares at current market prices, and the resulting net additional shares are included in the calculation of weighted average shares outstanding.

**USE OF ESTIMATES:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**RECENT ACCOUNTING PRONOUNCEMENTS:**

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("Statement 133"), "Accounting for Derivative Instruments and Hedging Activities". In June 1999, The FASB issued Statement 137 ("Statement 137"), "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". In June 2000, the FASB issued Statement 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". Statement 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. As a result of Statement 137, the Company will adopt Statement 133, as amended, in the first quarter of 2001. The application of Statement 133, as amended, will not have a material effect on the Company's financial position or results of operations.

In March 2000, the FASB issued Interpretation No. 44 ("Interpretation 44"), "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of Accounting Principles Board Opinion No. 25 ("Opinion 25"). Interpretation 44 clarifies (a) the definition of "employee" for purposes of applying Opinion 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequences of various modifications to the terms of previously fixed stock options or awards, and (d) the accounting for the exchange of stock compensation awards in a business combination. Interpretation 44 was effective July 1, 2000, but certain conclusions in Interpretation 44 cover specific events that occurred after either December 15, 1998 or January 12, 2000. The application of Interpretation 44 did not have a material impact on the Company's financial position or results of operations.

**RECLASSIFICATIONS:** Certain items previously reported have been reclassified to conform with the 2000 presentation.

**NOTE 2. CAPITAL STRUCTURE**

On March 8, 1995, Hub Group, Inc. was incorporated and issued 100 shares of Class A common stock to the sole incorporator. On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of the Company's Class A common stock and 662,296 shares of the Company's 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 20 votes, while each share of Class A common stock entitles its holder

to one vote. Hub Chicago has been accounted for similar to the pooling of interests method of accounting.

In September 1997, the Company completed a secondary offering of 1,725,000 shares of its Class A common stock. The net proceeds of the offering were approximately \$54.8 million.

NOTE 3. BUSINESS COMBINATIONS

On April 1, 1998, the Company acquired all the outstanding stock of Quality Intermodal Corporation for \$4,080,000 in cash and a \$6,100,000 three-year note, bearing interest at an annual rate of 5.6%. The acquisition was recorded using the purchase method of accounting resulting in preliminary goodwill of \$9,458,000. The purchase price was subsequently adjusted resulting in goodwill of \$9,608,000.

On August 1, 1998, the Company acquired the rights to service the customers of Corporate Express Distribution Services as well as certain fixed assets for \$750,000 in cash. The acquisition was recorded using the purchase method of accounting resulting in goodwill of \$432,000.

Results of operations from acquisitions recorded under the purchase method of accounting are included in the Company's financial statements from their respective dates of acquisition.

Business acquisitions which involved the use of cash were accounted for as follows:

	YEAR ENDED DECEMBER 31, 1998
	----- (000'S)
Accounts receivable	\$ 8,453
Prepaid expenses and other current assets	57
Property and equipment	398
Goodwill	9,890
Other assets	3
Accounts payable	(7,486)
Accrued expenses	(641)
Long-term debt	(6,685)
	-----
Cash used in acquisitions, net	\$ 3,989
	-----

NOTE 4. EARNINGS PER SHARE

The following is a reconciliation of the Company's Earnings Per Share:

	YEAR ENDED DECEMBER 31, 2000			YEAR ENDED DECEMBER 31, 1999			YEAR ENDED DECEMBER 31, 1998		
	(000'S)			(000'S)			(000'S)		
	INCOME	SHARES	Per-Share AMOUNT	INCOME	SHARES	Per-Share AMOUNT	INCOME	SHARES	Per-Share AMOUNT
	-----	-----	-----	-----	-----	-----	-----	-----	-----
HISTORICAL BASIC EPS									
Income available to common stockholders	\$4,617	7,708	\$0.60	\$10,846	7,693	\$1.41	\$8,908	7,657	\$1.16
	-----	-----	-----	-----	-----	-----	-----	-----	-----
EFFECT OF DILUTIVE SECURITIES									
Stock options	-	8	-	-	67	-	-	72	-

HISTORICAL DILUTED EPS									
Income available to common stockholders plus assumed exercises	\$4,617	7,716	\$0.60	\$10,846	7,760	\$1.40	\$8,908	7,729	\$1.15

NOTE 5. PURCHASES OF MINORITY INTEREST

On April 1, 1998, the Company purchased the remaining 70% minority interests in Hub City Dallas, L.P., Hub City Houston, L.P. and Hub City Rio Grande, L.P. for approximately \$6,152,000 in cash. The purchase price was subsequently adjusted, resulting in goodwill of \$6,730,000.

On April 1, 1999, the Company purchased the remaining 70% minority interests in Hub City Alabama, L.P., Hub City Atlanta, L.P., Hub City Boston, L.P., Hub City Canada, L.P., Hub City Cleveland, L.P., Hub City Detroit, L.P., Hub City Florida, L.P., Hub City Indianapolis, L.P., Hub City Kansas City, L.P., Hub City Mid-Atlantic, L.P., Hub City New York/New Jersey, L.P., Hub City New York State, L.P., Hub City Ohio, L.P., Hub City Philadelphia, L.P., Hub City Pittsburgh, L.P., Hub City Portland, L.P., and Hub City St. Louis, L.P. for approximately \$108,710,000 in cash (collectively referred to as the "April 1999 Purchase"). As the amount paid for each of the purchases of minority interest equaled the basis in excess of the fair market value of assets acquired and liabilities assumed, the amount paid was recorded as goodwill.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	YEARS ENDED DECEMBER 31,	
	2000	1999
	(000'S)	
Building and improvements	\$ 57	\$ 56
Leasehold improvements	2,111	1,526
Computer equipment and software	46,396	23,795
Furniture and equipment	7,635	6,365
Transportation equipment and automobiles	3,678	4,742
	59,877	36,484
Less: Accumulated depreciation and amortization	(16,023)	(12,240)
PROPERTY AND EQUIPMENT, net	\$ 43,854	\$ 24,244

Depreciation expense was \$6,875,000, \$5,013,000 and \$4,743,000 for 2000, 1999 and 1998, respectively. Depreciation expense for 2000 includes approximately \$500,000 in additional depreciation due to the change in estimated useful lives of various assets that will no longer be used once the new operating system is completed.

NOTE 7. INCOME TAXES

The following is a reconciliation of the Company's effective tax rate to the federal statutory tax rate:

	2000	1999	1998
U.S. federal statutory rate	34.0%	35.0%	34.4%
State taxes, net of federal benefit	3.9	4.1	5.3
Goodwill amortization	1.1	0.5	0.5
Other	2.0	1.4	1.2
Net effective rate	41.0%	41.0%	41.4%

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The following is a summary of the Company's provision for income taxes:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	(000'S)		
Current			
Federal	\$ -	\$ 5,177	\$ 250
State and local	-	607	39
	-	5,784	289
Deferred			
Federal	2,878	1,570	5,206
State and local	330	184	802
	3,208	1,754	6,008
Total provision	\$ 3,208	\$ 7,538	\$ 6,297

The following is a summary of the Company's deferred tax assets and liabilities:

	YEARS ENDED DECEMBER 31,	
	2000	1999
	(000'S)	
Reserve for uncollectible accounts receivable	\$ 1,093	\$ 875
Accrued compensation	-	98
Net operating loss carryforward	6,612	-
Subsequent adjustment reserve	472	-
Other reserves	197	-
Current deferred tax asset	8,374	973
Accrued compensation	938	490
Other	98	55
Income tax basis in excess of financial basis of goodwill	8,511	9,345
Long-term deferred tax asset	9,547	9,890
Total deferred tax asset	\$ 17,921	\$ 10,863
Prepays	\$ (13)	\$ (170)
Receivables	(428)	(395)

Current deferred tax liability	(441)	(565)
Property and equipment	(7,453)	(132)
Goodwill	(17,296)	(14,227)
	-----	-----
Long-term deferred tax liability	(24,749)	(14,359)
	-----	-----
Total deferred tax liability	\$ (25,190)	\$ (14,924)
	-----	-----

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NOTE 8. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Fair value approximates book value at the balance sheet dates.

	YEARS ENDED DECEMBER 31,	
	2000	1999
	-----	
	(000'S)	
Installment notes payable due through 2001, monthly installments ranging from \$1,587 to \$7,112, including interest of 9.3%, collateralized by certain equipment	\$ 75	\$ 748
Bank lines of credit (see below)	24,000	34,000
Unsecured term notes, with quarterly payments ranging from \$1,250,000 to \$2,000,000 with a balloon payment of \$19,000,000 due March 31, 2004; interest is due quarterly at a floating rate based upon LIBOR (London Interbank Offered Rate) or Prime rate (see below). At December 31, 2000, the interest rate was 9.19%	42,000	47,500
Unsecured notes, mature on June 25, 2009 with annual payments of \$10,000,000 commencing on June 25, 2005; interest is paid quarterly at 9.14%	50,000	50,000
Unsecured notes payable due in one balloon payment of \$5,225,000 on April 1, 2001; interest is due annually and is paid at 5.6%	5,225	5,225
Capital lease obligations, collateralized by certain equipment	130	136
	-----	-----
Total long-term debt	121,430	137,609
Less current portion	(12,341)	(6,195)
	-----	-----
	\$ 109,089	\$ 131,414
	-----	-----

Aggregate principal payments, in thousands, due subsequent to December 31, 2000, are as follows:

2001	\$ 12,341
2002	8,035
2003	8,038
2004	43,014
2005 and thereafter	50,002
	-----
	\$ 121,430
	-----

On April 30, 1999, the Company closed on an unsecured \$50.0 million five-year revolving line of credit and \$50 million of term debt with a bank. On November 7, 2000 and February 26, 2001, the Company amended the debt agreement to provide generally less restrictive financial covenants. In consideration for the amendments, the interest rate was increased 0.25% and a limitation on capital expenditures was added for the years 2001 and 2002.

The Company can borrow, at its option, under the amended \$50 million revolving line of credit at the prime rate plus 0.25% to 1.25% or at a rate established at the bank's discretion on a day-to-day basis. The Company may also borrow for 30, 60, 90 or 180 day periods at LIBOR plus 1.50% to 2.75% based on the Company's funded debt to EBITDAM (earnings before interest expense, income taxes, depreciation, amortization and minority interest) ratio. The amended credit facility also contains certain financial covenants which, among others, requires that the Company maintain required levels of EBITDAM and net worth and ratios of fixed charge coverage and funded debt to EBITDAM. In addition, there

are limitations on additional indebtedness, capital expenditures, acquisitions and minority interest purchases. The Company was in compliance with these covenants at December 31, 2000. Advances and weighted average interest rates on this line of credit were \$24.0 million and 9.23% and \$34.0 million and 8.82% at December 31, 2000 and 1999, respectively. There was \$26.0 million and \$16.0 million unused and available under the line of credit at December 31, 2000 and 1999, respectively.

The amended \$50 million of term debt is unsecured and has a floating interest rate. The Company can borrow at the prime rate plus 0.25% to 1.50% on a day-to-day basis or may borrow for 30, 60, 90 or 180 day periods at LIBOR plus

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1.75% to 3.00% based on the Company's funded debt to EBITDAM ratio. The amended unsecured term notes share the same financial covenants as noted above for the line of credit.

On April 30, 1999, under the term notes and the \$50.0 million line of credit debt agreement, the Company was required to enter into an interest rate swap agreement designated as a hedge on a portion of the Company's variable rate debt. The purpose of the swap was to fix the interest rate on a portion of the variable rate debt and reduce certain exposures to interest rate fluctuations. At December 31, 2000, the Company had an interest rate swap with a notional amount of \$25.0 million, a weighted average pay rate of 8.37%, a weighted average receive rate of 9.19% and a maturity date of September 30, 2002. This swap agreement involves the exchange of amounts based on the variable interest rate for amounts based on the fixed interest rate over the life of the agreement, without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt.

On June 25, 1999, the Company closed on \$50.0 million of private placement debt. On February 26, 2001 the Company amended the debt agreement to provide generally less restrictive financial covenants effective December 31, 2000. In consideration for the amendments, the interest rate was increased 0.50% and a limitation on capital expenditures was added for the years 2001 and 2002. These notes are unsecured and have an eight-year average life with a coupon interest rate of 8.64% through December 31, 2000 and 9.14% thereafter. Interest is paid quarterly. The notes contain certain financial covenants which, among others, requires that the Company maintain required levels of net worth and ratios of fixed charge coverage and funded debt to EBITDAM. In addition, there are limitations on additional indebtedness, capital expenditures, acquisitions and minority interest purchases. The Company was in compliance with these covenants at December 31, 2000.

On April 21, 2000, the Company authorized the issuance of a standby letter of credit for \$1,000,000, which automatically renews each November 1.

NOTE 9. CAPITALIZED INTEREST AND INTEREST EXPENSE

Capitalized interest on qualifying assets under construction and total interest were as follows:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	(000'S)		
Capitalized interest	\$ 836	\$ 201	\$ -
Interest expensed	11,442	8,592	2,480
Total interest incurred	\$ 12,278	\$ 8,793	\$ 2,480

NOTE 10. RENTAL EXPENSE AND LEASE COMMITMENTS

Minimum annual rental commitments, in thousands, at December 31, 2000, under noncancellable operating leases, principally for real estate and equipment, are payable as follows:

2001	\$ 11,630
2002	8,849
2003	5,321
2004	2,899
2005	1,819
2006 and thereafter	9,791
	-----
	\$ 40,309
	-----

Total rental expense was approximately \$13,230,000, \$8,840,000 and \$7,487,000 for 2000, 1999 and 1998, respectively. Many of the leases contain renewal options and escalation clauses which require payments of additional rent to the extent of increases in the related operating costs.

NOTE 11. STOCK-BASED COMPENSATION PLAN

Concurrent with the initial public offering the Company adopted a Long-Term Incentive Plan (the "1996 Incentive Plan"). The number of shares of Class A Common Stock reserved for issuance under the 1996 Incentive Plan was 450,000. Concurrent with the secondary offering the Company adopted a second Long-Term Incentive Plan (the "1997 Incentive Plan"). The number of shares of Class A Common Stock reserved for issuance under the 1997 Incentive Plan was 150,000. For the purpose of attracting and retaining key executive and managerial employees, in 1999 the Company adopted a third Long-Term Incentive Plan (the "1999 Incentive Plan"). The number of shares of Class A Common Stock reserved for issuance under the 1999 Incentive Plan was 600,000. Under the 1996, 1997 and 1999 Incentive Plans, stock options, stock appreciation rights, restricted stock and performance units may be granted for the purpose of attracting and motivating key employees and non-employee directors of the Company. The options granted to non-employee directors vest ratably over a three-year period and expire 10 years after the date of grant. The options granted to employees vest over a range of three to five years and expire 10 years after the date of grant.

The Company currently utilizes Accounting Principles Board Opinion No. 25 in its accounting for stock options. In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("Statement 123"), "Accounting for Stock-based Compensation." The accounting method as provided in the pronouncement is not required to be adopted; however, it is encouraged. The Company provides the disclosure below in accordance with Statement 123. Had the Company accounted for its stock options in accordance with Statement 123, pro forma net income and pro forma earnings per share would have been:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Net income as reported (000's)	4,617	10,846	8,908
Net income pro forma for Statement 123 (000's)	3,805	10,359	8,501



Basic earnings per common share				
pro forma for Statement 123	\$	0.49	\$	1.35
			\$	1.11
Diluted earnings per common share				
pro forma for Statement 123	\$	0.49	\$	1.33
			\$	1.10

The pro forma disclosure is not likely to be indicative of pro forma results which may be expected in future years because of the fact that options vest over several years, pro forma compensation expense is recognized as the options vest and additional awards may also be granted.

For purposes of determining the pro forma effect of these options, the fair value of each option is estimated on the date of grant based on the Black-Scholes single-option pricing model assuming:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	6.25%	6.25%	5.10%
Volatility factor	40.00%	40.00%	40.00%
Expected life in years	6.0	6.0	6.0

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Information regarding these option plans for 2000, 1999 and 1998 is as follows:

	2000		1999		1998	
	SHARES	WEIGHTED AVG. EXERCISE PRICE	SHARES	WEIGHTED AVG. EXERCISE PRICE	SHARES	WEIGHTED AVG. EXERCISE PRICE
Options outstanding, beginning of year	892,800	\$ 17.86	469,300	\$ 16.58	401,800	\$ 15.86
Options exercised	(2,100)	14.00	(34,000)	14.00	(19,000)	14.00
Options granted	100,000	13.32	480,000	18.85	161,500	21.91
Options forfeited	(112,900)	20.11	(22,500)	17.97	(75,000)	24.85
Options outstanding, end of year	877,800	\$ 17.07	892,800	\$ 17.86	469,300	\$ 16.58
Weighted average fair value of options granted during the year	\$ 6.53		\$ 9.25		\$ 10.30	
Options exercisable at year end	335,300		220,400		137,200	
Option price range at end of year	\$ 8.31 to \$28.16		\$14.00 to \$28.16		\$14.00 to \$28.16	
Option price for exercised shares	\$ 14.00		\$ 14.00		\$ 14.00	
Options available for grant at end of year	262,400		249,500		107,000	

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED AVG. EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVG. EXERCISE PRICE
\$ 8.31 to \$14.00	333,000	6.08	\$ 13.50	218,200	\$ 14.00
\$17.66 to \$19.94	506,000	8.84	\$ 18.78	121,600	\$ 18.99
\$21.06 to \$28.16	38,500	7.35	\$ 25.44	15,500	\$ 25.49
\$ 8.31 to \$28.16	877,800	7.72	\$ 17.07	355,300	\$ 16.21

NOTE 12. BUSINESS SEGMENT

The Company has no separately reportable segments in accordance with Statement of Financial Accounting Standards No. 131 ("Statement 131") "Disclosure About Segments of an Enterprise and Related Information". Under the

enterprise wide disclosure requirements of Statement 131, the Company reports revenue, in thousands, for Intermodal Services, Brokerage Services, and Logistics Services as follows:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Intermodal Services	\$ 1,004,434	\$ 967,033	\$ 910,396
Brokerage Services	207,617	196,434	164,706
Logistics Services	172,328	133,332	70,804
Total Revenue	\$ 1,384,379	\$ 1,296,799	\$ 1,145,906

NOTE 13. PROFIT-SHARING PLAN

The Company has two profit-sharing plans and trusts under section 401(k) of the Internal Revenue Code. Generally, for every dollar the employee contributes, the Company has contributed an additional \$.20 up to \$100. In addition, the Company, at its discretion, typically has made profit sharing

contributions. Historically, the Company has contributed an amount equal to 3% of each participant's compensation up to a maximum of \$5,100. The Company's contributions to the Plan were approximately \$1,684,000, \$1,645,000 and \$1,458,000 for 2000, 1999 and 1998, respectively.

NOTE 14. RELATED PARTY TRANSACTIONS

The Class B Common Stock ("Class B") stockholders, some of whom are officers of the Company, as well as officers of the Company who are not Class B stockholders, received approximately 33% of minority interest distributions of income from the Company up until the remaining 70% minority interests were purchased in connection with the April 1999 Purchase. Furthermore, these parties received approximately \$66,268,000 when the Company acquired minority interests in Hub City Los Angeles, L.P., Hub City Golden Gate, L.P., Hub Group Distribution Services, Hub City Dallas, L.P., Hub City Houston, L.P., Hub City Rio Grande, L.P., Hub City Alabama, L.P., Hub City Atlanta, L.P., Hub City Boston, L.P., Hub City Canada, L.P., Hub City Cleveland, L.P., Hub City Detroit, L.P., Hub City Florida, L.P., Hub City Indianapolis, L.P., Hub City Kansas, L.P., Hub City Mid-Atlantic, L.P., Hub City New York/New Jersey, L.P., Hub City New York State, L.P., Hub City Ohio, L.P., Hub City Philadelphia, L.P., Hub City Pittsburgh, L.P., Hub City Portland, L.P. and Hub City St. Louis, L.P.

NOTE 15. LEGAL MATTERS

In the ordinary course of conducting its business, the Company becomes involved in various lawsuits related to its business. The Company does not believe that the ultimate resolution of these matters will be material to its business, financial position or results of operations.

NOTE 16. IMPAIRMENT OF PROPERTY AND EQUIPMENT

In the second quarter of 1999, a \$0.9 million pretax charge was recorded relating to certain operating software applications. Specifically, \$0.7 million of this charge was attributable to a write-down of the Visual Movement software previously used primarily for brokerage. The Visual Movement software is no longer being used by the Company and was replaced with enhancements to the Company's proprietary intermodal operating software during the second quarter of 1999. These enhancements allow for greater network visibility of loads. The

remaining \$0.2 million impairment loss related to the write-down of a logistics software program. The fair value was determined based on the estimated future cash flows attributable to the single customer using this program. The Company installed a new software package in 1999 that provides enhanced functionality for its operational applications.

NOTE 17. RESTRUCTURING CHARGE

In the fourth quarter of 2000, management approved a plan to restructure the Company's accounting functions and centralize them at its corporate headquarters in Lombard, Illinois. This centralization plan will result in the reduction of 56 accounting-related employees from the operating companies. All affected employees were informed in mid-November 2000. In connection with this plan, the Company recorded a pretax charge of \$250,000 classified as salaries and benefits in the fourth quarter of 2000. These costs are expected to be paid during the first half of 2001 and have been included in accrued payroll expenses.

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NOTE 18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth selected quarterly financial data for each of the quarters in 2000 and 1999 (in thousands, except per share amounts):

	QUARTERS			
	FIRST	SECOND	THIRD	FOURTH
Year Ended December 31, 2000:				
Revenue	\$ 328,568	\$ 344,329	\$ 354,797	\$ 356,685
Gross margin	39,465	44,583	44,223	45,007
Operating income	2,334	6,689	4,934	4,442
Net income/(loss)	(317)	2,298	1,564	1,072
Basic earnings/(loss) per share	\$ (0.04)	\$ 0.30	\$ 0.20	\$ 0.14
Diluted earnings/(loss) per share	\$ (0.04)	\$ 0.30	\$ 0.20	\$ 0.14

	QUARTERS			
	FIRST	SECOND	THIRD	FOURTH
Year Ended December 31, 1999:				
Revenue	\$ 307,682	\$ 319,448	\$ 333,337	\$ 336,332
Gross margin	39,169	39,045	41,493	42,708
Operating income	7,386	5,848	8,578	8,322
Net income	1,943	2,638	3,199	3,066
Basic earnings per share	\$ 0.25	\$ 0.34	\$ 0.42	\$ 0.40
Diluted earnings per share	\$ 0.25	\$ 0.34	\$ 0.41	\$ 0.40

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The sections entitled "Election of Directors" and "Ownership of the Capital Stock of the Company" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 15, 2001, sets forth certain information with respect to the directors of the Registrant and Section 16 compliance and is incorporated herein by reference. Certain information with

respect to persons who are or may be deemed to be executive officers of the Registrant is set forth under the caption "Executive Officers of the Registrant" in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The section entitled "Compensation of Directors and Executive Officers" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 15, 2001, sets forth certain information with respect to the compensation of management of the Registrant and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section entitled "Ownership of the Capital Stock of the Company" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 15, 2001, sets forth certain information with respect to the ownership of the Registrant's Common Stock and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section entitled "Certain Transactions" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 15, 2001, sets forth certain information with respect to certain business relationships and transactions between the Registrant and its directors and officers and it is incorporated herein by reference.

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PART IV

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

(A) (1) FINANCIAL STATEMENTS

The following consolidated financial statements of the Registrant are included under Item 8 of this Form 10-K:

Report of Independent Accountants

Consolidated Balance Sheets - December 31, 2000 and December 31, 1999

Consolidated Statements of Operations - Years ended December 31, 2000, December 31, 1999 and December 31, 1998

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2000, December 31, 1999 and December 31, 1998

Consolidated Statements of Cash Flows - Years ended December 31, 2000, December 31, 1999 and December 31, 1998

Notes to Consolidated Financial Statements

(A) (2) FINANCIAL STATEMENT SCHEDULES

The remaining financial statements and statement schedule for which provision is made in Regulation S-X are set forth in the Index immediately preceding such financial statements and statement schedule and are incorporated herein by reference.

(A) (3) EXHIBITS

The exhibits included as part of this Form 10-K are set forth in the Exhibit Index immediately preceding such Exhibits and are incorporated herein by reference.

(B) REPORTS ON FORM 8-K

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 15, 2001

HUB GROUP, INC.

By /S/ DAVID P. YEAGER

-----  
David P. Yeager  
Chief Executive Officer and  
Vice Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated:

	Title	Date
/S/ PHILLIP C. YEAGER ----- Phillip C. Yeager	Chairman and Director	March 15, 2001
/S/ DAVID P. YEAGER ----- David P. Yeager	Vice Chairman, Chief Executive Officer and Director	March 15, 2001
/S/ THOMAS L. HARDIN ----- Thomas L. Hardin	President, Chief Operating Officer and Director	March 15, 2001
/S/ JAY E. PARKER ----- Jay E. Parker	Vice President-Finance and Chief Accounting Officer (Principal Financial and Accounting Officer)	March 15, 2001
/S/ CHARLES R. REAVES ----- Charles R. Reaves	Director	March 15, 2001
/S/ MARTIN P. SLARK ----- Martin P. Slark	Director	March 15, 2001
/S/ GARY D. EPPEN ----- Gary D. Eppen	Director	March 15, 2001

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SCHEDULE II

HUB GROUP, INC.  
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Charged to Costs & Expenses	Deduction	Balance at End of Year
	-----	-----	-----	-----
Year Ended December 31: Allowance for uncollectible accounts receivable 2000	\$ 2,134,000	\$ 2,353,000	\$(1,812,000)	\$ 2,675,000

1999	691,000	2,321,000	(878,000)	2,134,000
1998	303,000	1,523,000	(1,135,000)	691,000

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INDEX TO EXHIBITS

NUMBER -----	EXHIBIT -----
2.1	Purchase Agreement among the Registrant, American President Companies, Ltd. and APL Land Transport Services, Inc. (incorporated by reference to the Registrants report on Form 8-K dated May 2, 1996 and filed May 17, 1996, File No. 0-27754)
2.2	Purchase and Sale Agreement among Hub Holdings, Inc. and Hub City North Central, Inc. (incorporated by reference to Exhibit 2.2 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
3.1	Amended Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 and 3.3 to the Registrant's registration statement on Form S-1, File No. 33-90210)
3.2	By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's registration statement on Form S-1, File No. 33-90210)
10.1	Form of Amended and Restated Limited Partnership Agreement (incorporated by reference to Exhibit 10.1 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No 000-27754)
10.2	Amended and Restated Limited Partnership Agreement of Hub City Canada, L.P. (incorporated by reference to Exhibit 10.2 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No 000-27754)
10.3	Form of Non-Competition Agreement (incorporated by reference to Exhibit 10.3 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27,1997, File No 000-27754)
10.4	Purchase and Sale Agreement between the Registrant and the Stockholders of Hub City Terminals, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant's registration statement on Form S-1, File No. 33-90210)
10.5	Hub Group Distribution Services Purchase and Sale Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.6	Management Agreement (incorporated by reference to Exhibit 10.6 to the Registrant's report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.7	Stockholders' Agreement (incorporated by reference to Exhibit 10.7 to the Registrant's report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.8	Credit Agreement dated as of September 27, 1997, among the Registrant, Hub City Terminals, Inc., Hub Holdings, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.8 to the Registrant's report on Form 10-Q dated and filed November 13, 1997, File No. 000-27754)

- 10.9 \$100 million Credit Agreement dated as of April 30, 1999, among the Registrant, Hub City Terminals, Inc., Hub Holdings, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.9 to the Registrant's report on Form 10-Q dated and filed May 10, 1999, File No. 000-27754)
- 10.10 \$40 million Bridge Credit Agreement dated as of April 30, 1999 among the Registrant, Hub City Terminals, Inc., Hub Holdings, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.10 to the Registrant's report on Form 10-Q dated and filed May 10, 1999, File No. 000-27754)
- 10.11 \$50 million Note Purchase Agreement dated as of June 25, 1999, among the Registrant, Hub City Terminals, Inc., Hub Holdings, Inc. and various purchasers (incorporated by reference to Exhibit 10.11 to the Registrant's report on Form 10-Q dated and filed August 16, 1999, File No. 000-27754)
- 10.12 Amendment to \$100 million Credit Agreement among the Registrant, Hub City Terminals, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.12 to the Registrant's report on Form 10-Q dated and filed November 13, 2000, File No. 000-27754)
- 10.13 Amendment to \$100 million Credit Agreement among the Registrant, Hub City Terminals, Inc. and Harris Trust and Savings Bank
- 10.14 Amendment to \$50 million Note Purchase Agreement among the Registrant, Hub City Terminals, Inc. and various purchasers
- 10.15 Letter from the Registrant to Daniel L. Sellers dated December 24, 1998
- 21 Subsidiaries of the Registrant
- 23.1 Consent of Arthur Andersen LLP

EXHIBIT 21

Subsidiaries of Hub Group, Inc.

SUBSIDIARIES	JURISDICTION OF INCORPORATION/ORGANIZATION
Hub City Terminals, Inc.	Delaware
Hub Group Atlanta, LLC	Delaware
Hub Group Boston, LLC	Delaware
Hub Group Canada, LP	Delaware
Hub Group Cleveland, LLC	Delaware
Hub Group Detroit, LLC	Delaware
Hub Group Florida, LLC	Delaware
Hub Group Golden Gate, LLC	Delaware
Hub Group Indianapolis, LLC	Delaware
Hub Group Kansas City, LLC	Delaware
Hub Group Los Angeles, LLC	Delaware
Hub Group Mid-Atlantic, LLC	Delaware
Hub Group New Orleans, LLC	Delaware
Hub Group New York State, LLC	Delaware
Hub Group New York-New Jersey, LLC	Delaware
Hub Group North Central, LLC	Delaware
Hub Group Ohio, LLC	Delaware
Hub Group Pittsburgh, LLC	Delaware
Hub Group Portland, LLC	Delaware

Hub Group St. Louis, LLC	Delaware
Hub Group Tennessee, LLC	Delaware
Hub City Texas, L.P.	Delaware
Hub Group Associates, Inc.	Illinois
Hub Highway Services	Illinois
Hub Group Distribution Services	Illinois
Q.S. of Illinois, LLC	Michigan
Q.S.S.C., Inc.	Delaware
Quality Services L.L.C.	Missouri
Quality Services of Kansas, L.L.C.	Kansas
Quality Services of New Jersey, L.L.C.	New Jersey
Q.S. of Georgia, L.L.C.	Georgia
HLX Company, L.L.C.	Delaware
Hub Chicago Holdings, Inc.	Delaware



HUB GROUP, INC.  
HUB CITY TERMINALS, INC.  
AMENDMENT TO CREDIT AGREEMENT

Harris Trust and Savings Bank  
Chicago, Illinois

LaSalle Bank National Association  
Chicago, Illinois

U.S. Bank National Association  
Des Plaines, Illinois

National City Bank  
Cleveland, Ohio

Firststar Bank, N.A.  
Milwaukee, Wisconsin

Ladies and Gentlemen:

Reference is hereby made to that certain Credit Agreement dated as of April 30, 1999 (the "CREDIT AGREEMENT"), as amended and currently in effect, by and among Hub Group, Inc. (the "PUBLIC HUB COMPANY"), Hub City Terminals, Inc. for itself and as successor by merger to Hub Holdings, Inc. ("HUB CHICAGO"; together with the Public Hub Company, the "BORROWERS") and you (the "LENDERS"). All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

The Borrowers and the Required Lenders have agreed to amend the Capital Expenditures financial covenant contained in the Credit Agreement and at the Borrowers' request, the Agent and Required Lenders have agreed to approve the increase of the interest rate of the Senior Note Offering under the terms and conditions set forth in this amendment (herein, the "AMENDMENT").

1. AMENDMENT.

Subject to the satisfaction of the conditions precedent set forth in Section 3 below, Section 7.26 of the Credit Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"7.26. CAPITAL EXPENDITURES. The Hub Group shall not expend or become obligated for Capital Expenditures during the fiscal year ending December 31, 2001 in an aggregate amount in excess of \$12,000,000 and shall not expend or become obligated for Capital Expenditures during the fiscal year ending December 31, 2002 in an aggregate amount in excess of \$15,000,000."

2. INCREASE IN INTEREST RATE OF SENIOR NOTE OFFERING.

Subject to the satisfaction of the conditions precedent set forth in Section 3 below, the increase in the pre-default interest rate applicable to the Senior Note Offering, from 8.64% to 9.14%, is hereby approved by the Agent and Required Lenders.

3. CONDITIONS PRECEDENT.

The effectiveness of the amendment made in Section 1 and the approval made in Section 2 of this Amendment are subject to the satisfaction of all of the following conditions precedent:

3.01. The Borrowers, the Guarantors and the Required Lenders shall have executed and delivered this Amendment.

3.02. The Senior Note Offering shall have been modified by written instrument (the "SENIOR NOTE AMENDMENT") in form and substance reasonably satisfactory to the Agent and Required Lenders to effect a waiver and modification of the terms and conditions thereof such that the same are no more burdensome on the Borrowers than the corresponding provisions of the Credit Agreement after giving effect to the modifications contemplated by this

Amendment.

3.03. After giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing as of the date this Amendment would otherwise take effect.

4. MISCELLANEOUS.

4.01. Each Borrower and each Guarantor acknowledges and agrees that, except as modified by this Amendment, all of the Loan Documents to which it is a party remain in full force and effect for the benefit and security of, among other things, the Obligations as modified hereby. Each Borrower and each Guarantor further acknowledges and agrees that all references in such Loan Documents to the Obligations shall be deemed a reference to the Obligations as so modified. Each Borrower and each Guarantor further agrees to execute and deliver any and all instruments or documents as may be reasonably required by the Agent or the Required Lenders to confirm any of the foregoing.

4.02. Except as specifically amended hereby, the Credit Agreement shall continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in the Credit Agreement, the Notes, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Credit Agreement, any reference in any of such items to the Credit Agreement being sufficient to refer to the Credit Agreement as specifically amended hereby.

4.03. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, all of which

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taken together shall constitute one and the same agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. This Amendment shall be governed by the internal laws of the State of Illinois.

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Dated as of February 26, 2001.

HUB GROUP, INC., a Borrower  
HUB CITY TERMINALS, INC., a Borrower

By

David P. Yeager  
Chief Executive Officer for each of  
the above Companies

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GUARANTORS' CONSENT

The undersigned heretofore executed and delivered to the Lenders the Guaranty Agreement. The undersigned hereby consent to the Amendment to the Credit Agreement as set forth above and confirm that the Guaranty Agreement and all of the obligations of the undersigned thereunder remain in full force and effect. The undersigned further agree that their consent to any further amendments to the Credit Agreement shall not be required as a result of this consent having been obtained, except to the extent, if any, required by the Guaranty Agreement. Without limiting the generality of the foregoing, each of the undersigned limited liability companies (other than HLX Company, L.L.C., Quality Services, L.L.C., Quality Services of Kansas, L.L.C., Quality Services

of New Jersey, L.L.C, Q.S. of Illinois, L.L.C. and Q.S. of Georgia, L.L.C.) acknowledge and agree that it (i) was previously organized as and is the same entity as the limited partnership listed in the parenthesis next to its name below and that executed the Guaranty Agreement and (ii) is liable on the Guaranty Agreement to the same extent, and with the same force and effect, as if it had originally executed the Guaranty Agreement in the place and stead of its respective converting limited partnership.

HUB CHICAGO HOLDINGS, INC., a  
Guarantor

By  
David P. Yeager  
Chief Executive Officer for each of  
the above Companies

HLX COMPANY, L.L.C., a Guarantor

By  
David P. Yeager  
Vice Chairman and Chief Executive  
Officer

QSSC, INC.  
QUALITY SERVICES, L.L.C.,  
QUALITY SERVICES OF KANSAS, L.L.C.  
QUALITY SERVICES OF NEW JERSEY,  
L.L.C.  
Q.S. OF ILLINOIS, L.L.C.  
Q.S. OF GEORGIA, L.L.C.

By  
David P. Yeager  
Chief Executive Officer for each of  
the above Guarantors

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HUB GROUP ALABAMA, LLC (formerly  
known as Hub City Alabama, L.P.)  
HUB GROUP ATLANTA, LLC (formerly  
known as Hub City Atlanta, L.P.)  
HUB GROUP BOSTON, LLC (formerly known  
as Hub City Boston, L.P.)  
HUB GROUP CANADA, L.P. (formerly  
known as Hub City Canada, LLC)  
HUB GROUP CLEVELAND, LLC (formerly  
known as Hub City Cleveland, L.P.)  
HUB GROUP DETROIT, LLC (formerly  
known as Hub City Detroit, L.P.)  
HUB GROUP FLORIDA, LLC (formerly  
known as Hub City Florida, L.P.)  
HUB GROUP GOLDEN GATE, LLC (formerly  
known as Hub City Golden Gate,  
L.P.)  
HUB GROUP INDIANAPOLIS, LLC (formerly  
known as Hub City Indianapolis,  
L.P.)  
HUB GROUP KANSAS CITY, LLC (formerly  
known as Hub City Kansas City,  
L.P.)  
HUB GROUP LOS ANGELES, LLC (formerly

known as Hub City Los Angeles,  
L.P.)  
HUB GROUP MID ATLANTIC, LLC (formerly  
known as Hub City Mid Atlantic,  
L.P.)  
HUB GROUP NEW ORLEANS, LLC (formerly  
known as Hub City New Orleans,  
L.P.)  
HUB GROUP NEW YORK STATE, LLC  
(formerly known as Hub City New  
York State, L.P.)  
HUB GROUP NEW YORK-NEW JERSEY, LLC  
(formerly known as Hub City New  
York-New Jersey, L.P.)  
HUB GROUP NORTH CENTRAL, LLC  
(formerly known as Hub City North  
Central, L.P.)  
HUB GROUP OHIO, LLC (formerly known  
as Hub City Ohio, L.P.)  
HUB GROUP PHILADELPHIA, LLC  
(formerly known as Hub City  
Philadelphia, L.P.)  
HUB GROUP PITTSBURGH, LLC (formerly  
known as Hub City  
Pittsburgh, L.P.)  
HUB GROUP PORTLAND, LLC (formerly  
known as Hub City Portland, L.P.)  
HUB GROUP ST. LOUIS, LLC (formerly  
known as Hub City St. Louis, L.P.)

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HUB GROUP TENNESSEE, LLC (formerly  
known as Hub City Tennessee, L.P.)  
HUB CITY TEXAS, L.P.

By \_\_\_\_\_  
David P. Yeager  
Chief Executive Officer for each  
of the above Guarantors

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Accepted and agreed to as of the date and year last above written.

HARRIS TRUST AND SAVINGS BANK

By  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION

By  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FIRSTAR BANK, N.A.

By  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LASALLE BANK NATIONAL ASSOCIATION

By

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NATIONAL CITY BANK

By

Name: \_\_\_\_\_

Title: \_\_\_\_\_

=====

HUB GROUP, INC.

and

HUB CITY TERMINALS, INC.

-----

FIRST AMENDMENT

Dated as of February 26, 2001

to

NOTE PURCHASE AGREEMENTS

Dated as of June 15, 1999

-----

Re: \$50,000,000 8.64% Senior Notes

Due June 25, 2009

=====

FIRST AMENDMENT TO NOTE PURCHASE AGREEMENTS

THIS FIRST AMENDMENT dated as of February 26, 2001 (the or this "FIRST AMENDMENT") to the Note Purchase Agreements each dated as of June 15, 1999 is between HUB GROUP, INC., a Delaware corporation ("PUBLIC HUB COMPANY"), HUB CITY TERMINALS, INC., a Delaware corporation, for itself and as successor by merger to Hub Holdings, Inc. ("HUB CHICAGO"; Public Hub Company and Hub Chicago being individually referred to herein as an "OBLIGOR" and collectively as the "OBLIGORS"), and each of the institutions which is a signatory to this First Amendment (collectively, the "NOTEHOLDERS").

RECITALS:

A. The Obligors and each of the Noteholders have heretofore entered into separate and several Note Purchase Agreements each dated as of June 15, 1999 (collectively, the "NOTE PURCHASE AGREEMENTS"). The Obligors have heretofore issued the \$50,000,000 8.64% Senior Notes Due June 25, 2009 (the "NOTES") dated June 25, 2000 pursuant to the Note Purchase Agreements.

B. The Obligors and the Noteholders now desire to amend the Note Purchase Agreements in the respects, but only in the respects, hereinafter set forth.

C. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreements unless herein defined or the context shall otherwise require.

D. All requirements of law have been fully complied with and all other acts and things necessary to make this First Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have

been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this First Amendment set forth in Section 3.1 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Obligors and the Noteholders do hereby agree as follows:

SECTION 1. AMENDMENTS.

SECTION 1.1. A new definition of Capital Expenditures shall be added in alphabetical order in Schedule B to the Note Purchase Agreements to read as follows:

"CAPITAL EXPENDITURES" shall mean for any period, the aggregate of all expenditures (whether paid in cash or accrued as a liability) of the Public Hub Company and its Restricted Subsidiaries during that period which, in accordance with GAAP are or should be included in "additions to property, plant or equipment" or similar items reflected in the statement of cash flows of the Public Hub Company and its Restricted Subsidiaries.

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SECTION 1.2. The definition of "CONSOLIDATED EBITDA" appearing in Schedule B to the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:

"CONSOLIDATED EBITDA" for any period means the sum of (a) Consolidated Net Income during such period PLUS (to the extent deducted in determining Consolidated Net Income), (b) all provisions for any Federal, state or local income taxes made by the Public Hub Company and the Restricted Subsidiaries during such period, (c) all provisions for depreciation and amortization (other than amortization of debt discount) made by the Public Hub Company and the Restricted Subsidiaries during such period, (d) Consolidated Interest Expense during such period, (e) Minority Interest Expense, (f) if such period includes the fiscal quarters of the Public Hub Company ending on December 31, 2000 or March 31, 2001, non-cash charges during such quarters on the books of the Public Hub Company and its Restricted Subsidiaries in accordance with GAAP aggregating up to \$5,100,000 (for both such quarters taken together), (g) all other non-cash charges during such period on the books of the Public Hub Company and its Restricted Subsidiaries in accordance with GAAP to the extent the aggregate amount of such other non-cash charges do not exceed \$2,500,000 during any period of four consecutive fiscal quarters of the Public Hub Company (prorated appropriately downward (or upward) for any shorter (or longer) period), (h) if such period includes the fiscal quarters of the Public Hub Company ending on December 31, 2000 or March 31, 2001, severance payments made during such quarters aggregating up to \$1,200,000 (for both such quarters taken together) and (i) if such period includes the fiscal quarters of the Public Hub Company ending on March 31, 2001, June 30, 2001, September 30, 2001 or December 31, 2001, severance payments (in addition to those accounted for in clause (h) above) made during such quarters aggregating up to \$600,000 (for all four such quarters taken together). For purposes of calculations under SECTION 10.3, Consolidated EBITDA shall be adjusted for the period in respect of which any such calculation is being made to give effect to (i) the audited "EBITDA" (determined in a manner consistent with the definition of "Consolidated EBITDA" contained in this Agreement) of any business entity acquired by the Public Hub Company or any Restricted Subsidiary (the "ACQUIRED BUSINESS") and (ii) all Debt incurred by the Public Hub Company or any Restricted Subsidiary in connection with such acquisition, and shall be computed as if the Acquired Business had been a Restricted Subsidiary throughout the period and all Debt incurred in connection with such acquisition had been incurred at the beginning of

such period in respect of which such calculation is being made. Without limiting the foregoing, Consolidated EBITDA shall also be adjusted for the period in respect of which any such calculation is being made to eliminate (1) the audited "EBITDA" of any Subsidiary or other property or assets disposed of by the Public Hub Company or any Restricted Subsidiary (the "TRANSFERRED BUSINESS") and (2) Debt relating to such Subsidiary, property or assets, as the case may be, and shall be computed as if the Transferred Business had been transferred at the beginning of such period in respect of which such calculation is being made. In the case of any business entity acquired during the twelve calendar month period immediately preceding the date of any

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determination hereunder whose financial records are not, and are not required to be in accordance with applicable laws, rules and regulations, audited by the Public Hub Company's independent public accountants at the time of the acquisition thereof, the Public Hub Company shall base such determination upon the Public Hub Company's internally audited net earnings of such business entity for the immediately preceding fiscal year or the net earnings of such business entity as audited by such business entity's independent auditors for the immediately preceding fiscal year.

SECTION 1.3. The definition of "CONSOLIDATED EBITDAR" appearing in Schedule B to the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:

"CONSOLIDATED EBITDAR" for any period means the sum of (a) Consolidated Net Income during such period, PLUS (to the extent deducted in determining Consolidated Net Income) (b) all provisions for any Federal, state or local income taxes made by the Public Hub Company and the Restricted Subsidiaries during such period, (c) all provisions for depreciation and amortization (other than amortization of debt discount) made by the Public Hub Company and the Restricted Subsidiaries during such period, (d) Consolidated Interest Expense during such period, (e) all Rentals (other than Rentals on Capital Leases) payable during such period by the Public Hub Company and the Restricted Subsidiaries, (f) Minority Interest Expense, (g) if such period includes the fiscal quarters of the Public Hub Company ending on December 31, 2000 or March 31, 2001, non-cash charges during such quarters on the books of the Public Hub Company and its Restricted Subsidiaries in accordance with GAAP aggregating up to \$5,100,000 (for both such quarters taken together), (h) all other non-cash charges during such period on the books of the Public Hub Company and its Restricted Subsidiaries in accordance with GAAP to the extent the aggregate amount of such other non-cash charges do not exceed \$2,500,000 during any period of four consecutive fiscal quarters of the Public Hub Company (prorated appropriately downward (or upward) for any shorter (or longer) period), (i) if such period includes the fiscal quarters of the Public Hub Company ending on December 31, 2000 or March 31, 2001, severance payments made during such quarters aggregating up to \$1,200,000 (for both such quarters taken together) and (j) if such period includes the fiscal quarters of the Public Hub Company ending on March 31, 2001, June 30, 2001, September 30, 2001 or December 31, 2001, severance payments (in addition to those accounted for in clause (i) above) made during such quarters aggregating up to \$600,000 (for all four such quarters taken together). Consolidated EBITDAR shall not be adjusted to take into account earnings or interest of an Acquired Business that were earned or accrued prior to its becoming an Acquired Business.

SECTION 1.4. The definition of "CONSOLIDATED INTEREST EXPENSE" appearing in Schedule B to the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:



"CONSOLIDATED INTEREST EXPENSE" means for any period all interest (including the interest component on Rentals on Capital Leases) and all amortization of debt discount and expense on any particular Debt (including, without limitation, payment-in-kind, zero coupon and other like Securities) of the Public Hub Company and the Restricted Subsidiaries for which such calculations are being made. Computations of Consolidated Interest Expense on a PRO-FORMA basis for Debt having a variable interest rate shall be calculated at the rate in effect on the date of any determination.

SECTION 1.5. Section 10.3 of the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:

"SECTION 10.3. CASH FLOW LEVERAGE RATIO. The Public Hub Company and its Restricted Subsidiaries will not, as of the close of each fiscal quarter specified below, permit the ratio of Consolidated Debt to Consolidated EBITDA for the immediately preceding four consecutive fiscal quarter period to exceed the ratios set forth below:

AS OF THE FISCAL QUARTER ENDING ON:	CONSOLIDATED DEBT TO CONSOLIDATED EBITDA SHALL NOT BE MORE THAN:
December 31, 2000	3.85 to 1.00
March 31, 2001	3.75 to 1.00
June 30, 2001	3.75 to 1.00
September 30, 2001	3.50 to 1.00
December 31, 2001	3.25 to 1.00
March 31, 2002	3.25 to 1.00
June 30, 2002	3.00 to 1.00
September 30, 2002	3.00 to 1.00
December 31, 2002	2.75 to 1.00
March 31, 2003	2.75 to 1.00
June 30, 2003 and thereafter	2.50 to 1.00"

SECTION 1.6. Section 10.2 of the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:

"SECTION 10.2. FIXED CHARGE COVERAGE RATIO. The Public Hub Company and its Restricted Subsidiaries will not, as of close of each fiscal quarter specified below, permit the ratio of (a) Consolidated EBITDAR for the immediately preceding four consecutive fiscal quarter period to (b) Consolidated Fixed Charges as of such date to be less than (i) 1.25 to 1.00 as of the end of the fiscal quarters ending March 31, 2001, June 30, 2001 and September 30, 2001, and (ii) 1.30 to 1.00 as of the close of each fiscal quarter thereafter."

SECTION 1.7. Section 10.6(b)(i) of the Note Purchase Agreements shall be amended and restated in its entirety to read as follows:

"(i) the sale, lease, transfer or other disposition of assets of a Restricted Subsidiary to any Obligor or a Wholly-owned Restricted Subsidiary or of an Obligor to any other Obligor; or"

SECTION 1.8. Section 10 of the Note Purchase Agreements shall be amended by adding thereto a new Section 10.10 to read as follows:

"SECTION 10.10. CAPITAL EXPENDITURES. The Public Hub Company and its Restricted Subsidiaries shall not expend or become obligated for Capital Expenditures during the fiscal year ending December 31, 2001 in an aggregate amount in excess of \$12,000,000 and shall not expend or become obligated for Capital Expenditures during the fiscal year ending

December 31, 2002 in an aggregate amount in excess of \$15,000,000."

SECTION 1.9. From and after December 31, 2000 interest on the Notes shall accrue at the rate of 9.14% per annum in lieu of 8.64% per annum and the overdue rate on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount at a rate per annum from time to time equal to the greater of (i) 11.14% per annum or (ii) 2% over the rate of interest publicly announced by Harris Trust and Savings Bank, Chicago, Illinois from time to time as its "base" or "prime" rate.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

SECTION 2.1. To induce the Noteholders to execute and deliver this First Amendment (which representations shall survive the execution and delivery of this First Amendment), the Obligors, jointly and severally, represent and warrant to the Noteholders that:

(a) this First Amendment has been duly authorized, executed and delivered by each Obligor and this First Amendment constitutes the legal, valid and binding obligation, contract and agreement of each Obligor enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the Note Purchase Agreements, as amended by this First Amendment, constitute the legal, valid and binding obligations, contracts and agreements of the Obligors enforceable against them in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(c) the execution, delivery and performance by the Obligors of this First Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not

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require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which any Obligor is a party or by which any Obligor's properties or assets are or may be bound, including, without limitation, the Credit Agreement dated as of April 30, 1999, among the Obligors, the Lenders party thereto and Harris Trust and Savings Bank, individually and as Agent, and all amendments, supplements and modifications thereto, or (B) result in a breach or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii) (A) (3) of this Section 2.1(c);

(d) as of the date hereof and after giving effect to this First Amendment, no Default or Event of Default has occurred which is continuing;

(e) all the representations and warranties contained in Section 5 of the Note Purchase Agreements (other than those contained in Sections 5.3, 5.4(a), 5.4(b) and 5.9) are true and correct in all material respects with the same force and effect as if made by the Obligors on and as of the date hereof (other than any representation and warranty that expressly relates to a specified earlier date, which was true and correct in all material respects as of such date);

PROVIDED, THAT, notwithstanding any reference in Sections 5.4(c) and 5.4(d) of the Note Purchase Agreements to the Restricted Subsidiaries listed on Schedule 5.4 to the Note Purchase Agreements, the representations and warranties hereby made by the Obligors with reference to Sections 5.4(c) and 5.4(d) of the Note Purchase Agreements shall relate to the Restricted Subsidiaries existing on the date hereof;

(f) The statements and information furnished to the Noteholders in connection with the negotiation of this Amendment do not, taken as a whole, and other than financial projections or forecasts, contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading, the Noteholders acknowledging that as to any projections furnished to the Noteholders, the Obligors and the Constituent Company Guarantors only represent that the same were prepared on the basis of information and estimates the Obligors believed to be reasonable; and

(g) All tax returns with respect to any income tax or other material tax required to be filed by the Obligors and the Restricted Subsidiaries in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Obligors or the Restricted Subsidiaries or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns, have been paid. The Obligors do not know of any proposed additional tax assessment against the Obligors or any Restricted Subsidiary for which adequate provision in accordance with GAAP has not been made. Adequate provisions in accordance with GAAP for taxes on the books of the Obligors and each Restricted Subsidiary have been made for all open years, and for its current fiscal period.

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SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS FIRST AMENDMENT.

SECTION 3.1. This First Amendment shall not become effective until, and shall become effective when, each and every one of the following conditions shall have been satisfied:

(a) executed counterparts of this First Amendment, duly executed by the Obligors and the holders of at least 51% of the outstanding principal of the Notes, shall have been delivered to the Noteholders;

(b) the Noteholders shall have received a copy of the resolutions of the Board of Directors of each Obligor authorizing the execution, delivery and performance by such Obligor of this First Amendment, certified by such Obligor's Secretary or an Assistant Secretary;

(c) the representations and warranties of the Obligors set forth in Section 2 hereof are true and correct on and with respect to the date hereof; and

(d) the Noteholders shall have received the favorable opinion of counsel to the Obligors as to the matters set forth in Sections 2.1(a), 2.1(b) and 2.1(c) hereof, which opinion shall be in form and substance satisfactory to the Noteholders.

Upon receipt of all of the foregoing, this First Amendment shall become effective as of December 31, 2000.

SECTION 4. PAYMENT OF NOTEHOLDERS' COUNSEL FEES AND EXPENSES.

SECTION 4.1. The Obligors agrees to pay upon demand, the reasonable fees and expenses of Chapman and Cutler, counsel to the Noteholders, in

connection with the negotiation, preparation, approval, execution and delivery of this First Amendment.

SECTION 5. MISCELLANEOUS.

SECTION 5.1. This First Amendment shall be construed in connection with and as part of each of the Note Purchase Agreements, and except as modified and expressly amended by this First Amendment, all terms, conditions and covenants contained in the Note Purchase Agreements and the Notes are hereby ratified and shall be and remain in full force and effect.

SECTION 5.2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Note Purchase Agreements without making specific reference to this First Amendment but nevertheless all such references shall include this First Amendment unless the context otherwise requires.

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SECTION 5.3. The descriptive headings of the various Sections or parts of this First Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

SECTION 5.4. This First Amendment shall be governed by and construed in accordance with Illinois law.

SECTION 5.5. The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

[Signature Pages Begin on Next Page]

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IN WITNESS WHEREOF, the Obligors and the Noteholders have caused this instrument to be executed this February 26, 2001.

HUB GROUP, INC.  
HUB CITY TERMINALS, INC.

By  
David P. Yeager  
Chief Executive Officer for each of the  
above Companies

Consented, Accepted and Agreed  
this February 26, 2001

HUB CHICAGO HOLDINGS, INC., a Constituent  
Company Guarantor

By  
David P. Yeager  
Chief Executive Officer for each of the  
above Companies

HLX COMPANY, L.L.C., a Constituent  
Company Guarantor

By  
David P. Yeager  
Vice Chairman and Chief Executive  
Officer

QSSC, INC.  
QUALITY SERVICES, L.L.C.,  
QUALITY SERVICES OF KANSAS, L.L.C.  
QUALITY SERVICES OF NEW JERSEY, L.L.C.  
Q.S. OF ILLINOIS, L.L.C.  
Q.S. OF GEORGIA, L.L.C.

By  
David P. Yeager  
Chief Executive Officer for each of the  
above Constituent Company Guarantors

HUB GROUP ALABAMA, LLC (formerly known as  
Hub City Alabama, L.P.)  
HUB GROUP ATLANTA, LLC (formerly known as  
Hub City Atlanta, L.P.)  
HUB GROUP BOSTON, LLC (formerly known as  
Hub City Boston, L.P.)  
HUB GROUP CANADA, L.P.  
HUB GROUP CLEVELAND, LLC (formerly known  
as Hub City Cleveland, L.P.)  
HUB GROUP DETROIT, LLC (formerly known as  
Hub City Detroit, L.P.)  
HUB GROUP FLORIDA, LLC (formerly known as  
Hub City Florida, L.P.)  
HUB GROUP GOLDEN GATE, LLC (formerly known  
as Hub City Golden Gate, L.P.)  
HUB GROUP INDIANAPOLIS, LLC (formerly  
known as Hub City Indianapolis, L.P.)  
HUB GROUP KANSAS CITY, LLC (formerly known  
as Hub City Kansas City, L.P.)  
HUB GROUP LOS ANGELES, LLC (formerly known  
as Hub City Los Angeles, L.P.)  
HUB GROUP MID ATLANTIC, LLC (formerly  
known as Hub City Mid Atlantic, L.P.)  
HUB GROUP NEW ORLEANS, LLC (formerly known  
as Hub City New Orleans, L.P.)  
HUB GROUP NEW YORK STATE, LLC (formerly  
known as Hub City New York State, L.P.)  
HUB GROUP NEW YORK-NEW JERSEY, LLC  
(formerly known as Hub City New  
York-New Jersey, L.P.)  
HUB GROUP NORTH CENTRAL, LLC (formerly  
known as Hub City North Central, L.P.)  
HUB GROUP OHIO, LLC (formerly known as Hub  
City Ohio, L.P.)  
HUB GROUP PHILADELPHIA, LLC (formerly  
known as Hub City Philadelphia, L.P.)  
HUB GROUP PITTSBURGH, LLC (formerly known  
as Hub City Pittsburgh, L.P.)  
HUB GROUP PORTLAND, LLC (formerly known as  
Hub City Portland, L.P.)  
HUB GROUP ST. LOUIS, LLC (formerly known  
as Hub City St. Louis, L.P.)  
HUB GROUP TENNESSEE, LLC (formerly known  
as Hub City Tennessee, L.P.)  
HUB CITY TEXAS, L.P.

By  
David P. Yeager  
Chief Executive Officer for each of the  
above Constituent Company Guarantors

Consented, Accepted and Agreed  
this February 26, 2001:

BAYSTATE HEALTH SYSTEM, INC.

By: David L. Babson & Company Inc. as  
Investment Adviser

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

C.M. LIFE INSURANCE COMPANY

By: David L. Babson & Company Inc. as  
Investment Sub-Adviser

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: David L. Babson & Company Inc., as  
Investment Adviser

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

INVESTORS PARTNER LIFE INSURANCE COMPANY

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

JOHN HANCOCK LIFE INSURANCE COMPANY

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

JOHN HANCOCK VARIABLE LIFE INSURANCE

COMPANY

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

MELLON BANK, N.A., solely in its capacity  
as Trustee for the Bell Atlantic  
Master Trust (as directed by John  
Hancock Financial Services, Inc.), and  
not in its individual capacity

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

ING INVESTMENT MANAGEMENT LLC, as agent  
on behalf of ReliaStar Life Insurance  
Company

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

ING INVESTMENT MANAGEMENT LLC, as  
agent on behalf of ReliaStar Life  
Insurance Company of New York

By \_\_\_\_\_  
Name:  
Title:

Consented, Accepted and Agreed  
this February 26, 2001:

UNITED OF OMAHA LIFE INSURANCE COMPANY

By \_\_\_\_\_  
Name:  
Title:

Hub Group, Inc.  
377 East Butterfield Road  
Suite 700  
Lombard, Illinois 60148

December 24, 1998

Mr. Dan Sellers  
3526 Winterberry Circle  
Louisville, Kentucky 40207

Dear Dan:

The purpose of this letter is to inform you that Hub Group will pay you \$200,000 should Hub Group be sold to a third party and, due to that sale, either of the following happens (i) you are terminated without cause or (ii) Phillip C. Yeager or his immediate descendants cease to run the day-to-day operations of Hub Group.

Please contact me with any questions.

Sincerely,

By /s/ David P. Yeager

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David P. Yeager  
Vice Chairman and Chief Executive Officer