

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2009

OR

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

Commission File No. 0-27754

**HUB GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation of organization)

**36-4007085**

(I.R.S. Employer  
Identification No.)

**3050 Highland Parkway, Suite 100**

**Downers Grove, Illinois 60515**

(Address and zip code of principal executive offices)

**(630) 271-3600**

(Registrant's telephone number, including area code)

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

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

**Class A Common Stock, \$.01 par value**

(Title of Class)

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

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

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

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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

The aggregate market value of the Registrant's voting stock held by non-affiliates on June 30, 2009, based upon the last reported sale price on that date on the NASDAQ Global Select Market of \$20.64 per share, was \$740,375,975.

On February 12, 2010, the Registrant had 37,405,371 outstanding shares of Class A Common Stock, par value \$.01 per share, and 662,296 outstanding shares of Class B Common Stock, par value \$.01 per share.

**Documents Incorporated by Reference**

The Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 6, 2010 (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.

## **PART I**

### **Item 1. BUSINESS**

#### **General**

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

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

#### **Services Provided**

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

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

We use our network to access containers and trailers owned by leasing companies, railroads and steamship lines. We are able to track trailers and containers entering a service area and reuse that equipment to fulfill the customers’ outbound shipping requirements. This effectively allows us to “capture” containers and trailers and keep them within our network. As of December 31, 2009, we also have exclusive access to approximately 7,355 rail-owned containers for our dedicated use on the Union Pacific (“UP”) and the Norfolk Southern (“NS”) rail networks and approximately 1,375 rail-owned containers for our dedicated use on the Burlington Northern Santa Fe (“BNSF”) and the NS rail networks. In addition to these rail-owned containers, we currently have a total of 6,225 53’ private containers for use on the UP and NS. We financed these containers with operating leases. These arrangements are included in Note 8 to the consolidated financial statements.

Our drayage services are provided by our subsidiary, Comtrak, which assists us in providing reliable, cost effective intermodal services to our customers. Comtrak has terminals in Atlanta, Bensalem (Philadelphia), Birmingham, Charleston, Charlotte, Chattanooga, Chicago, Cleveland, Columbus, Dallas, Harrisburg, Huntsville, Jacksonville, Kansas City, Memphis, Nashville, Ontario (Los Angeles), Perry, Saint Louis, Savannah, Stockton, and Tampa. As of December 31, 2009, Comtrak owned 283 tractors, leased 20 tractors, leased or owned 553 trailers, employed 301 drivers and contracted with 1,007 owner-operators.

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

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

*Logistics.* Our logistics business operates under the name of Unyson Logistics. Unyson Logistics is comprised of a network of logistics professionals dedicated to developing, implementing and operating customized logistics solutions. Unyson offers a wide range of transportation management services and technology solutions including shipment optimization, load consolidation, mode selection, carrier management, load planning and execution and web-based shipment visibility. Our multi-modal transportation capabilities include small parcel, heavyweight, expedited, less-than-truckload, truckload, intermodal and railcar. Unyson Logistics operates throughout North America, providing operations through its main operating location in St. Louis with additional support locations in Boston, Chicago, Cleveland and Minneapolis.

## Hub Network

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

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

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

## Marketing and Customers

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

Our marketing efforts have produced a large, diverse customer base, with no one customer representing more than 5% of our total revenue in 2009. We service customers in a wide variety of industries, including consumer products, retail and durable goods.

## Management Information Systems

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

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

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

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

### **Relationship with Railroads**

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

We have relationships with each of the following major railroads:

Burlington Northern Santa Fe	Florida East Coast
Canadian National	Kansas City Southern
Canadian Pacific	Norfolk Southern
CSX	Union Pacific

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

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

### **Relationship with Drayage Companies**

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

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

### **Relationship with Trucking Companies**

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

### **Risk Management and Insurance**

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

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

### **Government Regulation**

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

### **Competition**

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

### **General**

*Employees:* As of December 31, 2009, we had 1,329 employees or 1,028 employees excluding drivers. We are not a party to any collective bargaining agreement and consider our relationship with our employees to be satisfactory.

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

### **Periodic Reports**

Upon written request, our annual report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2009, our quarterly reports on Form 10-Q and current reports on Form 8-K will be furnished to stockholders free of charge; write to: Public Relations Department, Hub Group, Inc., 3050 Highland Parkway, Suite 100, Downers Grove, Illinois 60515. Our filings are also accessible through our website at [www.hubgroup.com](http://www.hubgroup.com) as soon as reasonably practicable after we file or furnish such reports to the Securities and Exchange Commission.

### **Item 1A. RISK FACTORS**

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

We derived 70% of our revenue from our intermodal services in 2009 as compared to 71% in 2008 and 73% in 2007. As a result, any decrease in demand for intermodal transportation services compared to other transportation services could have an adverse effect on our results of operations.

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

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

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

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

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

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

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

We derived 19% of our revenue from our truck brokerage services in 2009 as compared to 20% in 2008 and 19% in 2007. We depend upon various third-party trucking companies for the transportation of our customers' loads. Particularly during periods of economic expansion, trucking companies may be unable to expand their fleets due to capital constraints or chronic driver shortages, and these trucking companies also may raise their rates. If we face insufficient capacity among our third-party trucking companies, we may be unable to maintain or expand our truck brokerage business. Also, we may be unable to pass rate increases on to our customers, which could adversely affect our profitability.

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

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

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

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

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

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

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

Economic recession, customers' business cycles, changes in fuel prices and supply, interest rate fluctuations, increases in fuel or energy taxes and other general economic factors affect the demand for transportation services and the operating costs of railroads, trucking companies and drayage companies. We have little or no control over any of these factors or their effects on the transportation industry. Increases in the operating costs of railroads, trucking companies or drayage companies can be expected to result in higher freight rates. Our operating margins could be adversely affected if we were unable to pass through to our customers the full amount of higher freight rates. Economic recession or a downturn in customers' business cycles also may have an adverse effect on our results of operations and growth by reducing demand for our services. Therefore, our results of operations, like the entire freight transportation industry, are cyclical and subject to significant period-to-period fluctuations.

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

Transportation costs represented 88% of our consolidated revenue in 2009, 87% in 2008 and 86% in 2007. Because transportation costs represent such a significant portion of our costs, even relatively small increases in these transportation costs, if we are unable to pass them through to our customers, are likely to have a significant effect on our gross margin and operating income.

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

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

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

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

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

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

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

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

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

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

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

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

Our largest 20 customers accounted for approximately 40%, 36% and 36% of our revenue in 2009, 2008 and 2007, respectively. A reduction in or termination of our services by several of our largest customers could have a material adverse effect on our revenue and business.

**Insurance and claims expenses could significantly reduce our earnings.**

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

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

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

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

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

**An economic downturn could materially adversely affect our business.**

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

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

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

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

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

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

We directly, or indirectly through our subsidiaries, operate 43 offices throughout the United States, Canada and Mexico, including our headquarters in Downers Grove, Illinois and our Company-owned drayage operations headquartered in Memphis, Tennessee. All of our office space is leased. Most office leases have initial terms of more than one year, and many include options to renew. While some of our leases expire in the near term, we do not believe that we will have difficulty in renewing them or in finding alternative office space. We believe that our offices are adequate for the purposes for which they are currently used.

**Item 3. LEGAL PROCEEDINGS**

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

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of our security holders during the fourth quarter of 2009.

## Executive Officers of the Registrant

In reliance on General Instruction G to Form 10-K, information on executive officers of the Registrant is included in this Part I. The table sets forth certain information as of February 1, 2010 with respect to each person who is an executive officer of the Company.

Name	Age	Position
David P. Yeager	56	Chairman of the Board of Directors and Chief Executive Officer
Mark A. Yeager	45	Vice Chairman of the Board of Directors, President and Chief Operating Officer
Christopher R. Kravas	44	Chief Intermodal Officer
David L. Marsh	42	Chief Marketing Officer
Terri A. Pizzuto	51	Executive Vice President, Chief Financial Officer and Treasurer
James B. Gaw	59	Executive Vice President-Sales
Dwight C. Nixon	47	Executive Vice President-Highway
Donald G. Maltby	55	Executive Vice President-Logistics
Dennis R. Polsen	56	Executive Vice President-Information Services
David C. Zeilstra	40	Vice President, Secretary and General Counsel

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

Mark A. Yeager has served as Vice Chairman of the Board since November 2008. He became the President of the Company in January 2005 and has been our Chief Operating Officer and a Director since May 2004. From July 1999 to December 2004, Mr. Yeager was President-Field Operations. From November 1997 through June 1999, Mr. Yeager was Division President, Secretary and General Counsel. From March 1995 to November 1997, Mr. Yeager was Vice President, Secretary and General Counsel. From May 1992 to March 1995, Mr. Yeager served as our Vice President-Quality. Prior to joining us in 1992, Mr. Yeager was an associate at the law firm of Grippo & Elden from January 1991 through May 1992 and an associate at the law firm of Sidley & Austin from May 1989 through January 1991. Mr. Yeager received a Juris Doctor degree from Georgetown University in 1989 and a Bachelor of Arts degree from Indiana University in 1986. Mr. Yeager is the brother of David P. Yeager.

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

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

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

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

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

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

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

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

#### **Directors of the Registrant**

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

## PART II

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

Our Class A Common Stock (“Class A Common Stock”) trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market under the symbol “HUBG.” Set forth below are the high and low closing prices for shares of the Class A Common Stock for each full quarterly period in 2009 and 2008.

	2009		2008	
	High	Low	High	Low
First Quarter	\$28.27	\$15.83	\$35.17	\$22.77
Second Quarter	\$25.52	\$17.42	\$36.32	\$30.90
Third Quarter	\$24.76	\$18.34	\$41.75	\$31.31
Fourth Quarter	\$27.82	\$22.48	\$36.50	\$21.82

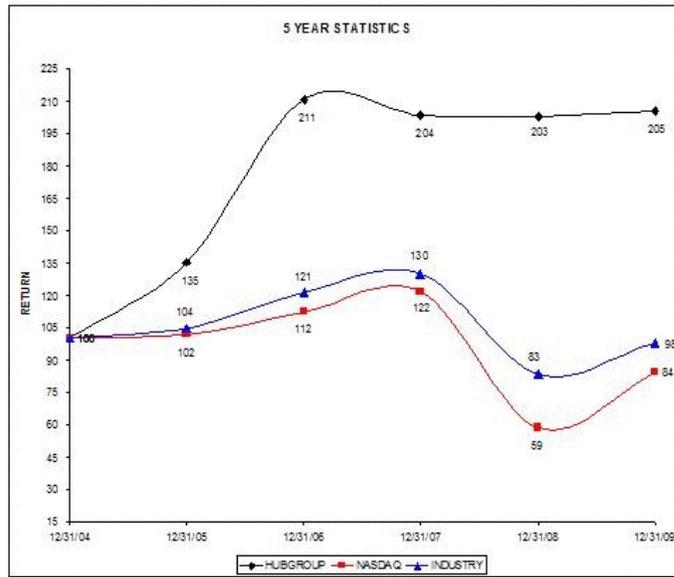
On February 12, 2010, there were approximately 309 stockholders of record of the Class A Common Stock and, in addition, there were an estimated 9,482 beneficial owners of the Class A Common Stock whose shares were held by brokers and other fiduciary institutions. On February 12, 2010, there were 13 holders of record of our Class B Common Stock (the “Class B Common Stock” together with the Class A Common Stock, the “Common Stock”).

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

On October 26, 2006, our Board of Directors authorized the purchase of up to \$75.0 million of our Class A Common Stock. During the fourth quarter of 2007, we completed the authorized purchase of \$75.0 million of our Class A Common Stock. On November 14, 2007, our Board of Directors authorized the purchase of up to \$75.0 million of our Class A Common Stock. We purchased 38,800 shares at an average price of \$36.12 during 2008. No additional shares were purchased before the authorization expired June 30, 2009.

## Performance Graph

The following line graph compares the Company's cumulative total stockholder return on its Class A Common Stock since December 31, 2004 with the cumulative total return of the Nasdaq Stock Market Index and the Nasdaq Trucking and Transportation Index. These comparisons assume the investment of \$100 on December 31, 2004 in each index and in the Company's Class A Common Stock and the reinvestment of dividends.



**Item 6. SELECTED FINANCIAL DATA**

**Selected Financial Data**  
(in thousands except per share data)

	<b>Years Ended December 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006 (2)</b>	<b>2005</b>
<b>Statement of Income Data:</b>					
Revenue	\$ 1,510,970	\$ 1,860,608	\$ 1,658,168	\$ 1,609,529	\$ 1,481,878
Gross margin	185,690	234,311	232,324	218,418	174,742
Operating income	55,531	95,462	90,740	77,236	47,904
Income from continuing operations before taxes	55,885	96,326	93,228	79,508	48,871
Income from continuing operations after taxes	34,265	59,245	59,799	47,705	29,176
Income from discontinued operations, net of tax (1)	-	-	-	981	3,770
Net income	\$ 34,265	\$ 59,245	\$ 59,799	\$ 48,686	\$ 32,946
Basic earnings per common share					
Income from continuing operations	\$ 0.92	\$ 1.59	\$ 1.55	\$ 1.19	\$ 0.73
Income from discontinued operations	\$ -	\$ -	\$ -	\$ 0.03	\$ 0.10
Diluted earnings per common share					
Income from continuing operations	\$ 0.91	\$ 1.58	\$ 1.53	\$ 1.17	\$ 0.71
Income from discontinued operations	\$ -	\$ -	\$ -	\$ 0.02	\$ 0.09

	<b>As of December 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Balance Sheet Data:</b>					
Total assets	\$ 573,348	\$ 528,231	\$ 491,967	\$ 484,548	\$ 444,418
Long-term debt, excluding current portion	-	-	-	-	-
Stockholders' equity	353,841	315,184	250,899	258,844	242,075

- (1) HGDS disposed of May 1, 2006
- (2) Comtrak was acquired February 28, 2006

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

**FORWARD LOOKING STATEMENTS**

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

- the degree and rate of market growth in the domestic intermodal, truck brokerage and logistics markets served by us;
- deterioration in our relationships with existing railroads or adverse changes to the railroads' operating rules;
- changes in rail service conditions or adverse weather conditions;
- further consolidation of railroads;
- the impact of competitive pressures in the marketplace, including entry of new competitors, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;
- changes in rail, drayage and trucking company capacity;
- railroads moving away from ownership of intermodal assets;
- equipment shortages or equipment surplus;
- changes in the cost of services from rail, drayage, truck or other vendors;
- increases in costs for independent contractors due to regulatory, judicial and legal changes;
- labor unrest in the rail, drayage or trucking company communities;
- general economic and business conditions;
- significant deterioration in our customers' financial condition, particularly in the retail and durable goods sectors;
- fuel shortages or fluctuations in fuel prices;
- increases in interest rates;
- changes in homeland security or terrorist activity;
- difficulties in maintaining or enhancing our information technology systems;
- changes to or new governmental regulation;
- loss of several of our largest customers;
- inability to recruit and retain key personnel;
- inability to recruit and maintain drivers and owner operators;
- changes in insurance costs and claims expense;
- changes to current laws which will aid union organizing efforts; and
- inability to close and successfully integrate any future business combinations.

**CAPITAL STRUCTURE**

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

**EXECUTIVE SUMMARY**

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

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

Our drayage services are provided by our subsidiary, Comtrak, which assists us in providing reliable, cost effective intermodal services to our customers. Comtrak has terminals in Atlanta, Bensalem (Philadelphia), Birmingham, Charleston, Charlotte, Chattanooga, Chicago, Cleveland, Columbus, Dallas, Harrisburg, Huntsville, Jacksonville, Kansas City, Memphis, Nashville, Ontario (Los Angeles), Perry, Saint Louis, Savannah, Stockton, and Tampa. As of December 31, 2009, Comtrak owned 283 tractors, leased 20 tractors, leased or owned 553 trailers, employed 301 drivers and contracted with 1,007 owner-operators.

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

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

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

Our yield management group works with pricing and operations to enhance customer margins. We are working on margin enhancement projects including matching up inbound and outbound loads, reducing our drayage costs and improving our recovery of accessorial costs. Our top 50 customers' revenue represents approximately 59% of our revenue.

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

## RESULTS OF OPERATIONS

### *Year Ended December 31, 2009 Compared to Year Ended December 31, 2008*

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

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

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

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

#### **Revenue**

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

#### **Gross Margin**

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

#### **Salaries and Benefits**

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

#### **General and Administrative**

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

## Depreciation and Amortization

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

## Other Income (Expense)

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

## Provision for Income Taxes

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

## Net Income

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

## Earnings Per Common Share

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

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

## *Year Ended December 31, 2008, Compared to Year Ended December 31, 2007*

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

	Twelve Months Ended December 31,		% Change
	2008	2007	
Revenue			
Intermodal	\$ 1,329,382	\$ 1,206,364	10.2%
Brokerage	372,051	322,465	15.4%
Logistics	159,175	129,339	23.1%
Total revenue	<u>\$ 1,860,608</u>	<u>\$ 1,658,168</u>	12.2%

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

	<b>Twelve Months Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Revenue	100.0 %	100.0 %
Transportation costs	87.4	86.0
Gross margin	12.6	14.0
Costs and expenses:		
Salaries and benefits	5.0	5.8
General and administration	2.3	2.5
Depreciation and amortization	0.2	0.2
Total costs and expenses	7.5	8.5
Operating income	5.1	5.5
Other income (expense):		
Interest and dividend income	0.1	0.1
Total other income	0.1	0.1
Income before provision for income taxes	5.2	5.6
Provision for income taxes	2.0	2.0
Net income	3.2%	3.6%

#### **Revenue**

Revenue increased 12.2% to \$1,860.6 million in 2008 from \$1,658.2 million in 2007. Intermodal revenue increased 10.2% to \$1,329.4 million from \$1,206.4 million due to a 9% increase in fuel, a 2% increase in volume and a 1% decrease related to price/mix. Truck brokerage revenue increased 15.4% to \$372.1 million from \$322.5 million due to volume increases, changes in mix and an increase in fuel surcharges. Logistics revenue increased 23.1% to \$159.2 million from \$129.3 million due to increases in business from both new and existing customers in 2008.

#### **Gross Margin**

Gross margin increased 0.9% to 12.6% in 2008 from 14.0% in 2007. Gross margin as a percentage of revenue decreased to 12.6% in 2008 from 14.0% in 2007. The decrease in gross margin as a percentage of revenue was due to a one time \$2.0 million profitable vendor deal in 2007, the owner operator work stoppage in northern California that cost us an extra \$1.0 million in 2008 and competitive pricing.

#### **Salaries and Benefits**

Salaries and benefits decreased to \$93.7 million in 2008 from \$95.7 million in 2007. The decrease in 2008 was due to a decrease in bonuses of \$3.7 million due to not earning as much EPS based bonus as we did in 2007, partially offset by an increase in salaries of \$1.4 million. As a percentage of revenue, salaries and benefits decreased to 5.0% in 2008 from 5.8% in 2007. Headcount as of December 31, 2008 and 2007 was 1,099 and 1,081, respectively, which excludes drivers, as driver costs are included in transportation costs.

#### **General and Administrative**

General and administrative expenses decreased to \$41.2 million from \$41.4 million in 2007. The decrease was primarily due to a \$0.9 million reduction in general insurance expense related to conversions in 2008 of QS locations to Comtrak and a \$0.6 million reduction in outside services related to reduced consultant spending. These reductions were partially offset by a \$0.6 million increase in rent, an increase of \$0.5 million related to bad debts due to bankruptcies, and a \$0.3 million increase in repairs and maintenance related to maintenance for information technology hardware. As a percentage of revenue, general and administrative expenses decreased to 2.3% in 2008 from 2.5% in 2007.

## Depreciation and Amortization

Depreciation and amortization decreased 11.9% to \$4.0 million in 2008 from \$4.5 million in 2007. This expense as a percentage of revenue remained consistent at 0.2% of revenue. The decrease in depreciation and amortization was due to lower software depreciation due to certain assets being fully depreciated.

## Other Income (Expense)

Interest expense remained consistent at \$0.1 million in 2008 and 2007. Interest and dividend income decreased to \$1.2 million in 2008 from \$2.5 million in 2007. The decrease in interest and dividend income was the result of lower interest rates in 2008 partially due to investing our cash in money market funds comprised of U.S. Treasury Securities and repurchase agreements for these securities rather than commercial paper.

## Provision for Income Taxes

The provision for income taxes increased to \$37.1 million in 2008 from \$33.4 million in 2007. We provided for income taxes using an effective rate of 38.5% in 2008 compared to 35.9% in 2007. The 2007 effective rate was lower primarily due to two events. In the fourth quarter of 2007, we resolved a dispute with the IRS which reduced our 2007 income tax provision by \$1.3 million. Also, tax legislation enacted by the State of Illinois in the third quarter of 2007 created a benefit of approximately \$1.2 million from the reduction of non-current deferred tax liabilities. The tax legislation modified how we apportion taxable income to Illinois.

## Net Income

Net income decreased to \$59.2 million in 2008 from \$59.8 million in 2007 due to higher income taxes and lower interest and dividend income, only partially offset by higher gross margin, lower salaries and benefits, lower depreciation and amortization expense and lower general and administrative expense.

## Earnings Per Common Share

Basic earnings per share was \$1.59 in 2008 and \$1.55 in 2007. Basic earnings per share increased primarily due to the decrease in the basic weighted average number of shares outstanding because of our purchase of treasury shares in 2007.

Diluted earnings per share increased to \$1.58 in 2008 from \$1.53 in 2007. Diluted earnings per share increased primarily due to the decrease in the diluted weighted average number of shares outstanding because of our purchase of treasury shares in 2007.

## LIQUIDITY AND CAPITAL RESOURCES

In 2009, we funded our operations, capital expenditures and purchase of treasury stock through cash flows from operations.

Cash provided by operating activities for the year ended December 31, 2009 was approximately \$45.2 million, which resulted from net income of \$34.3 million, adjustments for non cash items of \$18.1 million offset by an increase in net operating assets and liabilities of \$7.2 million.

Net cash used in investing activities for the year ended December 31, 2009 was \$4.2 million and related primarily to capital expenditures. We expect capital expenditures to be between \$9.0 million and \$11.0 million in 2010.

The net cash provided by financing activities for the year ended December 31, 2009 included \$1.1 million of cash used to purchase treasury stock offset by \$0.3 million of proceeds from stock options exercised and \$0.8 million of reported excess tax benefits from share-based compensation as a financing cash inflow.

We invest our cash overnight in a money market fund comprised of U.S. Treasury Securities and repurchase agreements for these securities. These investments are included in cash and cash equivalents on our balance sheet due to their short term maturity and are reported at their carrying value which approximates fair value.

Our revolving credit agreement provides for unsecured borrowing up to \$50.0 million. The interest rate ranges from LIBOR plus 0.75% to 1.25% or Prime plus 0.5%. The revolving line of credit expires on March 23, 2010. The financial covenants require a minimum net worth of \$175.0 million and a cash flow leverage ratio of not more than 2.0 to 1.0. The commitment fees charged on the unused line of credit were between 0.15% and 0.25%. Our unused and available borrowings under our bank revolving line of credit were \$47.1 million as of December 31, 2009 and December 31, 2008. We were in compliance with our debt covenants as of December 31, 2009.

We have standby letters of credit that expire from 2010 to 2012. As of December 31, 2009, our letters of credit were \$2.9 million.

## CONTRACTUAL OBLIGATIONS

Our contractual cash obligations as of December 31, 2009 were minimum rental commitments. We have six years remaining on a ten year lease agreement for a building and property (Comtrak's Memphis facility) with a related party, the President of Comtrak. Rent paid under this agreement totaled \$0.7 million for the year ended December 31, 2009. The annual lease payments escalate by less than 1% per year. Minimum annual rental commitments, as of December 31, 2009, under non-cancelable operating leases, principally for real estate, containers and equipment are payable as follows (in thousands):

2010	\$	16,919
2011		15,096
2012		11,599
2013		4,344
2014		1,166
2015 and thereafter		718
	\$	<u>49,842</u>

## Deferred Compensation

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

2010	\$	1,841
2011		729
2012		805
2013		761
2014		1,945
2015 and thereafter		5,738
	\$	<u>11,819</u>

## CRITICAL ACCOUNTING POLICIES

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

### Allowance for Uncollectible Trade Accounts Receivable

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

## **Revenue Recognition**

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

## **Provision for Income Taxes**

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

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

## **Valuation of Goodwill and Other Indefinite-Lived Intangibles**

We review goodwill and other indefinite-lived intangibles for impairment on an annual basis or whenever events or changes in circumstances indicate the carrying amount of goodwill or other indefinite-lived intangibles may not be recoverable. An indefinite lived intangible asset is impaired if its fair value is less than its carrying value. Goodwill impairment is indicated if the fair value of the reporting unit is less than its carrying value. An impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. We utilize a third party independent valuation firm to assist in performing the necessary valuations to be used in the impairment testing. These valuations are based on a market comparable approach, a discounted cash flow approach or a combination of both approaches. The fair value measurement is determined based on assumptions that a market participant would use including expectations regarding future operating performance (which are consistent with our internal projections and operating plans), discount rates, control premiums and other factors which are subjective in nature. As of December 31, 2009, reasonable variations in these assumptions do not have a significant impact on the results of the goodwill impairment test. Actual cash flows from operations could differ from management's estimates due to changes in business conditions, operating performance and economic conditions.

## **Valuation of Finite-Lived Intangibles and Fixed Assets**

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

## **Equipment**

We operate tractors and utilize containers in connection with our business. This equipment may be purchased or acquired under capital or operating lease agreements. In addition, we rent equipment from third parties and various railroads under short term rental arrangements. Equipment which is purchased is depreciated on the straight line method over the estimated useful life. We had no equipment under capital lease arrangements as of December 31, 2009 or 2008. Our equipment leases have five to seven year terms and in some cases contain renewal options.

## **Stock Based Compensation**

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

## **Fair Value Measurement**

In September 2006, the FASB issued guidance in the Fair Value Measurements and Disclosures Topic of the Codification. This guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB deferred the effective date of this guidance for one year for nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted the guidance effective January 1, 2008 for all financial assets and liabilities. As of January 1, 2009, we adopted the guidance for all nonfinancial assets and nonfinancial liabilities. There is no impact on our financial statements as of December 31, 2009.

## **New Pronouncements**

In December 2007, the FASB issued guidance in the Business Combinations Topic of the Codification. This guidance requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values including contingent consideration. In addition, this guidance changes the recognition of assets acquired and liabilities assumed arising from preacquisition contingencies and requires the expensing of acquisition-related costs as incurred. The guidance applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We adopted this guidance effective January 1, 2009. Any impact would be on future acquisitions.

In April 2008, the FASB issued guidance in the Intangibles-Goodwill and Other Topic of the Codification on the determination of the useful life of an intangible asset. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted this guidance effective January 1, 2009 and it had no impact on our financial statements.

The FASB issued guidance in the Subsequent Events Topic of the Codification in May 2009. The guidance is intended to establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We adopted this guidance effective for the quarter ending June 30, 2009. The adoption of this guidance had no impact on our financial statements as of December 31, 2009, other than the additional disclosure.

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

## **OUTLOOK, RISKS AND UNCERTAINTIES**

### **Business Combinations/Divestitures**

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

### **Revenue**

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

### **Gross Margin**

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

## **Salaries and Benefits**

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

## **General and Administrative**

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

## **Depreciation and Amortization**

We estimate that depreciation and amortization of property and equipment in 2010 will approximate 2009.

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

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

## **Other Income (Expense)**

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

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk related to changes in interest rates on our bank line of credit which may adversely affect our results of operations and financial condition. We have no significant exposure to foreign currency exchange rate changes. No derivative financial instruments were outstanding as of December 31, 2009 and 2008. We do not use financial instruments for trading purposes.

As of December 31, 2009 and 2008, the Company had no outstanding obligations under its bank line of credit arrangement.

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AND FINANCIAL STATEMENT SCHEDULE

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Hub Group, Inc. as of December 31, 2009 and 2008 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the index at Item 15(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hub Group, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hub Group, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2010 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois  
February 18, 2010

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

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 126,863	\$ 85,799
Accounts receivable		
Trade, net	145,317	145,362
Other	11,932	10,318
Prepaid taxes	593	123
Deferred taxes	2,874	1,985
Prepaid expenses and other current assets	6,801	4,346
<b>TOTAL CURRENT ASSETS</b>	<b>294,380</b>	<b>247,933</b>
Restricted investments	9,583	6,118
Property and equipment, net	28,510	32,713
Other intangibles, net	6,164	6,610
Goodwill, net	232,892	233,110
Other assets	1,819	1,747
<b>TOTAL ASSETS</b>	<b>\$ 573,348</b>	<b>\$ 528,231</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable		
Trade	\$ 110,626	\$ 105,064
Other	7,695	6,107
Accrued expenses		
Payroll	8,253	9,988
Other	18,958	26,388
<b>TOTAL CURRENT LIABILITIES</b>	<b>145,532</b>	<b>147,547</b>
Non-current liabilities	12,002	9,535
Deferred taxes	61,973	55,965
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares issued or outstanding in 2009 and 2008	-	-
Common stock		
Class A: \$.01 par value; 97,337,700 shares authorized and 41,224,792 shares issued in 2009 and 2008; 37,253,330 outstanding in 2009 and 36,970,347 shares outstanding in 2008	412	412
Class B: \$.01 par value; 662,300 shares authorized; 662,296 shares issued and outstanding in 2009 and 2008	7	7
Additional paid-in capital	171,470	174,355
Purchase price in excess of predecessor basis, net of tax benefit of \$10,306	(15,458)	(15,458)
Retained earnings	299,552	265,287
Other comprehensive income	(9)	-
Treasury stock; at cost, 3,971,462 shares in 2009 and 4,254,445 shares in 2008	(102,133)	(109,419)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>353,841</b>	<b>315,184</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 573,348</b>	<b>\$ 528,231</b>

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

**HUB GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)

	Years Ended		
	2009	2008	2007
Revenue	\$ 1,510,970	\$ 1,860,608	\$ 1,658,168
Transportation costs	1,325,280	1,626,297	1,425,844
Gross margin	<u>185,690</u>	<u>234,311</u>	<u>232,324</u>
Costs and expenses:			
Salaries and benefits	88,518	93,658	95,678
General and administrative	37,467	41,234	41,416
Depreciation and amortization	4,174	3,957	4,490
Total costs and expenses	<u>130,159</u>	<u>138,849</u>	<u>141,584</u>
Operating income	<u>55,531</u>	<u>95,462</u>	<u>90,740</u>
Other income (expense):			
Interest expense	(91)	(102)	(108)
Interest and dividend income	146	1,153	2,480
Other, net	299	(187)	116
Total other income	<u>354</u>	<u>864</u>	<u>2,488</u>
Income before provision for income taxes	55,885	96,326	93,228
Provision for income taxes	<u>21,620</u>	<u>37,081</u>	<u>33,429</u>
Net income	<u>\$ 34,265</u>	<u>\$ 59,245</u>	<u>\$ 59,799</u>
Basic earnings per common share	<u>\$ 0.92</u>	<u>\$ 1.59</u>	<u>\$ 1.55</u>
Diluted earnings per common share	<u>\$ 0.91</u>	<u>\$ 1.58</u>	<u>\$ 1.53</u>
Basic weighted average number of shares outstanding	<u>37,367</u>	<u>37,174</u>	<u>38,660</u>
Diluted weighted average number of shares outstanding	<u>37,525</u>	<u>37,484</u>	<u>39,128</u>

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

**HUB GROUP, INC**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except shares)

	<b>Years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Class A &amp; B Common Stock Shares Outstanding</b>			
Beginning of year	37,632,643	37,329,027	39,605,418
Purchase of treasury shares	(43,408)	(85,361)	(2,741,700)
Treasury shares issued for restricted stock and stock options exercised	326,391	388,977	465,309
Ending balance	<u>37,915,626</u>	<u>37,632,643</u>	<u>37,329,027</u>
<b>Class A &amp; B Common Stock Amount</b>			
Beginning of year	\$ 419	\$ 419	\$ 419
Ending balance	<u>419</u>	<u>419</u>	<u>419</u>
<b>Additional Paid-in Capital</b>			
Beginning of year	174,355	176,657	179,203
Exercise of non-qualified stock options	(2,965)	(4,085)	(6,668)
Share-based compensation expense	4,394	4,360	3,853
Tax benefit of share-based compensation plans	852	2,903	3,952
Issuance of restricted stock awards, net of forfeitures	(5,166)	(5,480)	(3,683)
Ending balance	<u>171,470</u>	<u>174,355</u>	<u>176,657</u>
<b>Purchase Price in Excess of Predecessor Basis, Net of Tax</b>			
Beginning of year	(15,458)	(15,458)	(15,458)
Ending balance	<u>(15,458)</u>	<u>(15,458)</u>	<u>(15,458)</u>
<b>Retained Earnings</b>			
Beginning of year	265,287	206,042	146,243
Net income	34,265	59,245	59,799
Ending balance	<u>299,552</u>	<u>265,287</u>	<u>206,042</u>
<b>Accumulated Other Comprehensive Income</b>			
Beginning of year	-	-	-
Foreign currency translation adjustments	(9)	-	-
Ending balance	<u>(9)</u>	<u>-</u>	<u>-</u>
<b>Treasury Stock</b>			
Beginning of year	(109,419)	(116,761)	(51,563)
Purchase of treasury shares	(1,101)	(2,630)	(76,309)
Issuance of restricted stock and exercise of stock options	8,387	9,972	11,111
Ending balance	<u>(102,133)</u>	<u>(109,419)</u>	<u>(116,761)</u>
<b>Total stockholders' equity</b>	<u>\$ 353,841</u>	<u>\$ 315,184</u>	<u>\$ 250,899</u>

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

**HUB GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:			
Net Income	\$ 34,265	\$ 59,245	\$ 59,799
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,199	7,369	7,195
Deferred taxes	5,519	9,294	3,523
Compensation expense related to share-based compensation plans	4,394	4,360	3,853
Loss (gain) on sale of assets	50	(22)	(160)
Changes in operating assets and liabilities:			
Restricted investments	(3,465)	(912)	(2,189)
Accounts receivable, net	(1,569)	15,092	(4,119)
Prepaid taxes	(470)	(37)	2,033
Prepaid expenses and other current assets	(2,455)	(28)	132
Other assets	(72)	(374)	88
Accounts payable	7,150	(18,532)	4,223
Accrued expenses	(8,603)	(13,040)	4,094
Non-current liabilities	2,285	(908)	2,108
Net cash provided by operating activities	<u>45,228</u>	<u>61,507</u>	<u>80,580</u>
Cash flows from investing activities:			
Proceeds from sale of equipment	84	1,342	725
Purchases of property and equipment	(4,246)	(10,732)	(10,197)
Cash used in acquisition of Comtrak, Inc.	-	(5,000)	(5,000)
Net cash used in investing activities	<u>(4,162)</u>	<u>(14,390)</u>	<u>(14,472)</u>
Cash flows from financing activities:			
Proceeds from stock options exercised	256	407	760
Purchase of treasury stock	(1,101)	(2,630)	(76,309)
Excess tax benefits from share-based compensation	852	2,903	3,952
Net cash provided by (used in) financing activities	<u>7</u>	<u>680</u>	<u>(71,597)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	41,064	47,797	(5,489)
Cash and cash equivalents beginning of year	85,799	38,002	43,491
Cash and cash equivalents end of year	<u>\$ 126,863</u>	<u>\$ 85,799</u>	<u>\$ 38,002</u>
Supplemental disclosures of cash paid for:			
Interest	\$ 91	\$ 102	\$ 106
Income taxes	\$ 17,263	\$ 27,199	\$ 22,192

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

## HUB GROUP, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1. Description of Business and Summary of Significant Accounting Policies

*Business:* Hub Group, Inc. (“we”, “us” or “our”) provides intermodal transportation services utilizing primarily third party arrangements with railroads and drayage companies. We also arrange for transportation of freight by truck and perform logistics and drayage services.

*Principles of Consolidation:* The consolidated financial statements include our accounts and all entities in which we have more than a 50% equity ownership or otherwise exercise unilateral control. All significant intercompany balances and transactions have been eliminated.

*Cash and Cash Equivalents:* We consider as cash equivalents all highly liquid instruments with an original maturity of three months or less. We invested our cash overnight in a money market fund comprised of U.S. Treasury Securities and repurchase agreements for these securities. The outstanding balances were \$123.0 million and \$80.9 million as of December 31, 2009 and 2008, respectively.

*Accounts Receivable and Allowance for Uncollectible Accounts:* In the normal course of business, we extend credit to customers after a review of each customer’s credit history. An allowance for uncollectible trade accounts has been established through an analysis of the accounts receivable aging, an assessment of collectibility based on historical trends and an evaluation based on current economic conditions. To be more specific, we reserve a portion of every account balance that has aged over one year, a portion of receivables for customers in bankruptcy and certain account balances specifically identified as uncollectible. On an annual basis we perform a hindsight analysis to determine our experience in collecting account balances over one year old and account balances in bankruptcy. We then use this hindsight analysis to establish our reserves for receivables over one year and in bankruptcy. In establishing a reserve for certain account balances specifically identified as uncollectible, we consider the aging of the customer receivables, the customer’s current and projected financial results, the customer’s ability to meet and sustain their financial commitments, the positive or negative effects of the current and projected industry outlook and the general economic conditions. The allowance for uncollectible accounts is reported on the balance sheet in net accounts receivable. Our reserve for uncollectible accounts was approximately \$4.6 million and \$5.1 million as of December 31, 2009 and 2008, respectively. Receivables are written off once collection efforts have been exhausted. Recoveries of receivables previously charged off are recorded when received.

*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 the applicable assets over their expected useful lives: building and improvements, 1 to 8 years; leasehold improvements, the shorter of useful life or lease term; computer equipment and software, 3 to 5 years; furniture and equipment, 3 to 11 years; and transportation equipment and automobiles, 5 to 10 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. 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. We review long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In the event that the undiscounted future cash flows resulting from the use of the asset group is less than the carrying amount, an impairment loss equal to the excess of the assets carrying amount over its fair value is recorded.

*Goodwill and Other Intangibles:* Goodwill represents the excess of purchase price over the fair market value of net assets acquired in connection with our business combinations. Goodwill and intangible assets that have indefinite useful lives are not amortized but are subject to annual impairment tests.

We review goodwill and other indefinite-lived intangibles for impairment as of November 1 or whenever events or changes in circumstances indicate the carrying amount of goodwill or other indefinite-lived intangibles may not be recoverable. An indefinite lived intangible asset is impaired if its fair value is less than its carrying value. Goodwill impairment is indicated if the fair value of the reporting unit is less than its carrying value. An impairment loss is measured as the difference between the implied fair value of the reporting unit’s goodwill and the carrying amount of goodwill. We utilize a third party independent valuation firm to assist in performing the necessary valuations to be used in the impairment testing. These valuations are based on a market comparable approach, a discounted cash flow approach or a combination of both approaches. The fair value measurement is determined based on assumptions that a market participant would use including expectations regarding future operating performance (which are consistent with our internal projections and operating plans), discount rates, control premiums and other factors which are subjective in nature. As of December 31, 2009, reasonable variations in these assumptions do not have a significant impact on the results of the goodwill impairment test. Actual cash flows from operations could differ from management’s estimates due to changes in business conditions, operating performance and economic conditions.

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

*Concentration of Credit Risk:* Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We place our cash and temporary investments with high quality financial institutions and invest our cash overnight in a money market fund comprised of U.S. Treasury Securities and repurchase agreements for these securities. We primarily serve customers located throughout the United States with no significant concentration in any one region. No one customer accounted for more than 5% of revenue in 2009, 2008 or 2007. We review a customer's credit history before extending credit. In addition, we routinely assess the financial strength of our customers and, as a consequence, believe that our trade accounts receivable risk is limited.

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

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

Tax liabilities are recorded when, in management's judgment, a tax position does not meet the more likely than not threshold for recognition as prescribed by the guidance. For tax positions that meet the more likely than not threshold, a tax liability may be recorded depending on management's assessment of how the tax position will ultimately be settled. We recognize interest expense and penalties related to income tax liabilities in our provision for income taxes.

*Earnings Per Common 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 and for restricted stock which are both computed using the treasury stock method.

*Stock Based Compensation:* Share-based compensation includes the restricted stock awards expected to vest based on the grant date fair value. Compensation expense is amortized straight-line over the vesting period and is included in salaries and benefits. We present excess tax deductions resulting from the exercise of share-based compensation as financing cash in-flows and as operating cash out-flows in the Statement of Cash Flows.

*New Pronouncements:* In September 2006, the FASB issued new guidance in the Fair Value Measurements and Disclosures Topic of the Codification. This guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. In February 2008, the FASB deferred the effective date of this guidance for one year for nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted the guidance effective January 1, 2008 for all financial assets and liabilities. As of January 1, 2009, we adopted the guidance for all nonfinancial assets and all nonfinancial liabilities. There is no impact on our financial statements as of December 31, 2009.

In December 2007, the FASB issued guidance in the Business Combinations Topic of the Codification. This guidance requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values including contingent consideration. In addition, this guidance changes the recognition of assets acquired and liabilities assumed arising from preacquisition contingencies and requires the expensing of acquisition-related costs as incurred. The guidance applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. We adopted this guidance effective January 1, 2009. Any impact would be on future acquisitions.

In April 2008, the FASB issued guidance in the Intangibles-Goodwill and Other Topic of the Codification on the determination of the useful life of an intangible asset. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted this guidance effective January 1, 2009 and it had no impact on our financial statements.

The FASB issued guidance in the Subsequent Events Topic of the Codification in May 2009. This guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The guidance also indicates the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, as well as the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. We adopted this guidance effective for the quarter ending June 30, 2009. The adoption of this guidance had no impact on our financial statements as of December 31, 2009, other than the additional disclosure.

The Company evaluated subsequent events through February 18, 2010, the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure except for the issuance of restricted stock as described in Note 9.

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

*Use of Estimates:* The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us 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. Significant estimates include the allowance for doubtful accounts and the cost of purchased transportation. Actual results could differ from those estimates.

*Reclassifications:* Certain prior year amounts have been reclassified to conform to the current year presentation.

## **NOTE 2. Capital Structure**

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

## **NOTE 3. Earnings Per Share**

The following is a reconciliation of our earnings per share (in thousands, except for per share data):

	<b>Years Ended, December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net income for basic and diluted earnings per share	\$ 34,265	\$ 59,245	\$ 59,799
Weighted average shares outstanding - basic	37,367	37,174	38,660
Dilutive effect of stock options and restricted stock	<u>158</u>	<u>310</u>	<u>468</u>
Weighted average shares outstanding - diluted	<u>37,525</u>	<u>37,484</u>	<u>39,128</u>
Earnings per share - basic	<u>\$ 0.92</u>	<u>\$ 1.59</u>	<u>\$ 1.55</u>
Earnings per share - diluted	<u>\$ 0.91</u>	<u>\$ 1.58</u>	<u>\$ 1.53</u>

## **NOTE 4. Fair Value Measurement**

The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximated fair value as of December 31, 2009 and 2008 due to their short-term nature. Cash and cash equivalents included \$123.0 million and \$80.9 million as of December 31, 2009 and 2008, respectively, invested in a money market fund comprised of U.S. treasury securities and repurchase agreements for these securities. Restricted investments included \$9.6 million and \$6.1 million as of December 31, 2009 and 2008, respectively, of mutual funds which are reported at fair value. The fair value measurement of these securities is based on quoted prices in active markets for identical assets which are defined as "Level 1" of the fair value hierarchy in the Fair Value Measurements and Disclosures Topic of the Codification.

**NOTE 5. Property and Equipment**

Property and equipment consist of the following (in thousands):

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Building and improvements	\$ 72	\$ 54
Leasehold improvements	2,174	1,700
Computer equipment and software	52,302	50,366
Furniture and equipment	8,077	7,995
Transportation equipment	30,551	30,231
	<u>93,176</u>	<u>90,346</u>
Less: Accumulated depreciation and amortization	(64,666)	(57,633)
Property and Equipment, net	<u>\$ 28,510</u>	<u>\$ 32,713</u>

Depreciation expense was \$7.8 million, \$6.9 million and \$6.8 million for 2009, 2008 and 2007, respectively.

**NOTE 6. Income Taxes**

The following is a reconciliation of our effective tax rate to the federal statutory tax rate:

	<u>Years Ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	2.6	2.7	3.4
Nondeductible expenses	0.5	0.6	0.5
Provision for valuation allowance	0.4	-	0.1
IRS settlement	-	-	(1.4)
Illinois law change	-	-	(1.3)
Other	<u>0.2</u>	<u>0.2</u>	<u>(0.4)</u>
Net effective rate	<u>38.7%</u>	<u>38.5%</u>	<u>35.9%</u>

We and our subsidiaries file both unitary and separate company state income tax returns.

The following is a summary of our provision for income taxes (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current			
Federal	\$ 14,700	\$ 25,197	\$ 26,234
State and local	1,619	2,590	3,672
	<u>16,319</u>	<u>27,787</u>	<u>29,906</u>
Deferred			
Federal	4,560	8,651	4,000
State and local	741	643	(477)
	<u>5,301</u>	<u>9,294</u>	<u>3,523</u>
Total provision	<u>\$ 21,620</u>	<u>\$ 37,081</u>	<u>\$ 33,429</u>

The following is a summary of our deferred tax assets and liabilities (in thousands):

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Reserve for uncollectible accounts receivable	\$ 1,721	\$ 1,813
Accrued compensation	2,792	2,577
Other reserves	2,393	1,748
Current deferred tax assets	<u>6,906</u>	<u>6,138</u>
Accrued compensation	3,739	3,035
Operating loss carryforwards	390	386
Other reserves	842	692
Income tax basis in excess of financial basis of goodwill	870	1,588
Less valuation allowance	<u>(379)</u>	<u>(163)</u>
Long-term deferred tax assets	<u>5,462</u>	<u>5,538</u>
Total deferred tax assets	<u>\$ 12,368</u>	<u>\$ 11,676</u>
Prepays	\$ (1,374)	\$ (1,200)
Other receivables	<u>(2,658)</u>	<u>(2,953)</u>
Current deferred tax liabilities	<u>(4,032)</u>	<u>(4,153)</u>
Property and equipment	(7,322)	(7,393)
Goodwill	<u>(60,113)</u>	<u>(54,110)</u>
Long-term deferred tax liabilities	<u>(67,435)</u>	<u>(61,503)</u>
Total deferred tax liabilities	<u>\$ (71,467)</u>	<u>\$ (65,656)</u>

Our state tax net operating losses of \$390,000 expire between December 31, 2012 and December 31, 2023. Management believes it is more likely than not that the deferred tax assets will be realized with the exception of \$379,000 related to state tax net operating losses for which a valuation allowance has been established.

During its examination of our 1997 federal income tax return, the Internal Revenue Service ("IRS") proposed to reclassify our allocation of a significant amount of tax basis in fixed assets to non-amortizable intangibles. The dispute was ultimately resolved in the fourth quarter of 2007 after the IRS Office of Appeals reviewed the dispute and permitted the statute of limitations to lapse. The settlement reduced our 2007 income tax provision by \$1.3 million and resulted in a reclassification of our liability for unrecognized tax benefits to a deferred tax liability.

As of December 31, 2009 and 2008, the amount of unrecognized tax benefits was \$0.5 million and \$0.3 million, of which \$0.3 million and \$0.2 million would decrease our income tax provision, respectively, if recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding accrued interest expense) is as follows (in thousands):

Balance at January 1, 2007	\$ 3,152
Reductions as a result of a lapse of the applicable statute of limitations	<u>(2,896)</u>
Balance at December 31, 2007	\$ 256
Additions for tax positions taken in prior years	<u>80</u>
Balance at December 31, 2008	\$ 336
Additions based on tax positions related to the current year	118
Additions for tax positions taken in prior years	199
Reductions for tax positions taken in prior years	(80)
Reductions as a result of a lapse of the applicable statute of limitations	<u>(55)</u>
Balance at December 31, 2009	<u>\$ 518</u>

We are subject to income tax in the U.S. federal jurisdiction and numerous state jurisdictions. Our 2006 tax year was the subject of our most recent IRS examination. The examination was concluded in 2009 and resulted in the issuance of a no-change letter. The examination by Illinois of our 2005 and 2006 tax years concluded in 2009 and resulted in our payment of approximately \$17,000 to Illinois of combined income tax, penalty and interest. Maryland commenced an examination of our 2006 through 2008 tax years in December 2009. Although no other significant examinations are currently in effect, tax years 2006 through 2008 generally remain open to examination (with the exceptions noted above for the federal and Illinois jurisdictions) by the major tax jurisdictions to which we are subject. During the next twelve months, it is reasonably possible we will both reduce unrecognized tax benefits by approximately \$0.1 million as a result of expiration of state statutes of limitations and increase unrecognized tax benefits by approximately \$0.1 million as a result of state income tax apportionment uncertainty.

**NOTE 7. Long-Term Debt and Financing Arrangements**

We have a revolving credit agreement that provides for unsecured borrowings of up to \$50.0 million. The interest rate ranges from LIBOR plus 0.75% to 1.25% or Prime plus 0.5%. The revolving line of credit expires on March 23, 2010. The financial covenants require a minimum net worth of \$175.0 million and a cash flow leverage ratio of not more than 2.0 to 1.0. The commitment fees charged on the unused line of credit are between 0.15% and 0.25%.

Our unused and available borrowings under our bank revolving line of credit were \$47.1 million as of December 31, 2009 and December 31, 2008. We were in compliance with our debt covenants as of December 31, 2009.

We have standby letters of credit that expire from 2010 to 2012. As of December 31, 2009, our letters of credit were \$2.9 million.

**NOTE 8. Rental Expense, User Charges and Commitments**

Minimum annual rental commitments, as of December 31, 2009, under non-cancelable operating leases, principally for real estate, containers and equipment, are payable as follows (in thousands):

2010	\$	16,919
2011		15,096
2012		11,599
2013		4,344
2014		1,166
2015 and thereafter		718
	\$	<u>49,842</u>

Total rental expense included in general and administrative expense, which relates primarily to real estate, was approximately \$8.0 million, \$8.3 million and \$7.7 million for 2009, 2008 and 2007, respectively. Many of the real estate leases contain renewal options and escalation clauses which require payments of additional rent to the extent of increases in the related operating costs. We straight-line rental expense in accordance with the FASB guidance in the Leases Topic of the Codification.

In March 2006, we entered into a ten year lease agreement for a building and property (Comtrak's Memphis facility) with a related party, the President of Comtrak. Rent paid under this lease agreement included in general and administrative expense totaled \$0.7 million for each of the years ended 2009, 2008 and 2007. The annual lease payments escalate by less than 1% per year.

We incur rental expense for our leased containers and tractors that are included in transportation costs and totaled \$11.5 million, \$12.1 million, and \$9.9 million for 2009, 2008 and 2007, respectively.

We incur charges for use of a fleet of rail owned chassis and dedicated rail owned containers on the Union Pacific, Norfolk Southern and Burlington Northern Santa Fe which are included in transportation costs. Such charges were \$50.1 million, \$45.4 million and \$45.5 million for 2009, 2008 and 2007, respectively. As of December 31, 2009, we have the ability to return the majority of the containers and pay for the chassis only when we are using them under these agreements. As a result, no minimum commitments related to these chassis and containers have been included in the table above. Chassis charges included in accrued expenses-other as of December 31, 2009 and 2008 were \$3.1 million and \$9.8 million, respectively.

**NOTE 9. Stock-Based Compensation Plans**

In 1996, we 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 1,800,000. In 1997, we 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 600,000. In 1999 we 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 2,400,000. In 2002, we adopted a fourth Long-Term Incentive Plan (the “2002 Incentive Plan”). The number of shares of Class A Common Stock reserved for issuance under the 2002 Incentive Plan was 2,400,000. In 2003, we amended our 2002 Incentive Plan to add an additional 2,000,000 shares of Class A Common Stock that are reserved for issuance. In 2007, we amended our 2002 Incentive Plan to add an additional 1,000,000 shares of Class A common Stock that are reserved for issuance. Under the 1996, 1997, 1999 and 2002 Incentive Plans, stock options, stock appreciation rights, restricted stock and performance units may be granted for the purpose of attracting and motivating our key employees and non-employee directors. We have not granted any stock options since 2003. Restricted stock vests over a three to five year period. As of December 31, 2009, 1,915,433 shares were available for future grant. Generally, when stock options are exercised, either new shares are issued or shares are issued out of treasury.

We generally recognize the cost of share-based awards on a straight-line basis over the vesting period of the award including an estimate of forfeitures. Share-based compensation expense for 2009, 2008 and 2007 was \$4.4 million, \$4.4 million and \$3.9 million or \$2.7 million, \$2.7 million and \$2.5 million, net of taxes, respectively. Share-based compensation is included in Salaries and benefits in the accompanying Statements of Income.

The following table summarizes the stock option activity for the year ended December 31, 2009:

<u>Stock Options</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2009	266,000	\$ 1.89		
Options exercised	(125,300)	\$ 2.05		
Options forfeited	-	\$ -		
Outstanding at December 31, 2009	<u>140,700</u>	<u>\$ 1.75</u>	3.06	\$ 3,523,594
Exercisable at December 31, 2009	<u>140,700</u>	<u>\$ 1.75</u>	<u>3.06</u>	<u>\$ 3,523,594</u>

Intrinsic value for stock options is defined as the difference between the current market value and the grant price. The total intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was \$2.6 million, \$5.4 million and \$8.3 million, respectively. Cash received from stock options exercised during the years ended December 31, 2009, 2008 and 2007 was \$0.3 million, \$0.4 million and \$0.8 million, respectively. The tax benefit realized for tax deductions from stock options exercised for the years ended December 31, 2009, 2008 and 2007 was \$1.0 million, \$2.3 million and \$3.2 million, respectively.

The following table summarizes information about options outstanding as of December 31, 2009:

<u>Options Outstanding and Exercisable</u>			
<u>Range of Exercise Prices</u>	<u>Number of Shares</u>	<u>Weighted Avg. Remaining Contractual Life</u>	<u>Weighted Avg. Exercise Price</u>
\$1.22 to \$1.22	20,100	3.01	\$1.22
\$1.22 to \$1.22	35,000	2.96	\$1.30
\$1.30 to \$1.66	40,000	3.06	\$1.51
\$1.66 to \$2.43	12,800	2.12	\$2.24
\$2.43 to \$2.70	32,800	3.55	\$2.64
\$1.22 to \$2.70	<u>140,700</u>	<u>3.06</u>	<u>\$1.75</u>

The following table summarizes the non-vested restricted stock activity for the year ended December 31, 2009:

<u>Non-vested restricted stock</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested January 1, 2009	402,368	\$ 25.96
Granted	208,101	\$ 26.56
Vested	(129,426)	\$ 26.13
Forfeited	(7,010)	\$ 26.74
Non-vested at December 31, 2009	<u>474,033</u>	<u>\$ 26.16</u>

The following table summarizes the restricted stock granted during the respective years:

<u>Restricted stock grants</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employees	196,101	215,508	200,163
Outside directors	12,000	10,644	10,644
Total	<u>208,101</u>	<u>226,152</u>	<u>210,807</u>
Weighted average grant date fair value	\$ 26.56	\$ 26.16	\$ 27.77
Vesting period	3-5 years	3-5 years	3 years

The fair value of non-vested restricted stock is equal to the market price of our stock at the date of grant.

The total fair value of restricted shares vested during the years ended December 31, 2009, 2008 and 2007 was \$3.3 million, \$3.9 million and \$3.9 million, respectively.

As of December 31, 2009, there was \$8.2 million of unrecognized compensation cost related to non-vested share-based compensation that is expected to be recognized over a weighted average period of 1.44 years.

During January 2010, we granted 187,416 shares of restricted stock to certain employees and 12,000 shares of restricted stock to outside directors with a weighted average grant date fair value of \$26.79. The stock vests over a three to five year period.

#### **NOTE 10. Business Segment**

We have no separately reportable segments. Under the enterprise wide disclosure requirements, we report revenue (in thousands), for Intermodal, Brokerage and Logistics Services as follows:

	<u>Years Ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Intermodal	\$ 1,054,862	\$ 1,329,382	\$ 1,206,364
Brokerage	292,639	372,051	322,465
Logistics	163,469	159,175	129,339
Total revenue	<u>\$ 1,510,970</u>	<u>\$ 1,860,608</u>	<u>\$ 1,658,168</u>

**NOTE 11. Employee Benefit Plans**

We had one profit-sharing plan and trust as of December 31, 2009 and two profit-sharing plans and trusts in 2008 and 2007, all respectively under section 401(k) of the Internal Revenue Code. At our discretion, we partially match qualified contributions made by employees to the plan. We expensed approximately \$1.3 million, \$1.8 million and \$1.9 million related to these plans in 2009, 2008, and 2007, respectively.

In January 2005, we established the Hub Group, Inc. Nonqualified Deferred Compensation Plan (the "Plan") to provide added incentive for the retention of certain key employees. Under the Plan, participants can elect to defer certain compensation. Accounts will grow on a tax-deferred basis to the participant. Restricted investments included in the consolidated balance sheets represent the fair value of the mutual funds and other security investments related to the Plan as of December 31, 2009 and 2008. Both realized and unrealized gains and losses are included in income and expense and offset the change in the deferred compensation liability. We provide a 50% match on the first 6% of employee compensation deferred under the Plan, with a maximum match equivalent to 3% of base salary. In addition, we have a legacy deferred compensation plan. There are no new contributions being made into this legacy plan. We expensed \$0.4 million, \$0.3 million and \$1.0 million related to the employer match for these plans in 2009, 2008 and 2007, respectively. The liabilities related to these plans as of December 31, 2009 and 2008 were \$11.8 million and \$8.8 million, respectively.

**NOTE 12. Legal Matters**

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

**NOTE 13. Stock Buy Back Plans**

On October 26, 2006, our Board of Directors authorized the purchase of up to \$75.0 million of our Class A Common Stock. During the fourth quarter of 2007, we completed the authorized purchase of \$75.0 million of our Class A Common Stock.

On November 14, 2007, our Board of Directors authorized the purchase of up to \$75.0 million of our Class A Common Stock. We purchased 38,800 shares at an average price of \$36.12 during 2008. No additional shares were purchased before the authorization expired June 30, 2009.

**NOTE 14. Goodwill and Other Intangible Assets**

In accordance with the FASB issued guidance in the Intangibles-Goodwill and Other Topic of the Codification, we completed the required annual impairment test. No impairment charge was recognized based on the results of the annual goodwill impairment test and there were no accumulated impairment losses at the beginning of the period.

The following table presents the carrying amount of goodwill (in thousands):

Balance at January 1, 2008	\$ 230,448
Other	<u>2,662</u>
Balance at December 31, 2008	\$ 233,110
Other	<u>(218)</u>
Balance at December 31, 2009	<u>\$ 232,892</u>

The changes in the carrying amount of goodwill for 2008 are due primarily to purchase accounting adjustments related to the acquisition of Comtrak. The changes in the carrying amount of goodwill for 2009 relate to the amortization of the income tax benefit of tax goodwill in excess of financial statement goodwill.

The components of the "Other intangible assets" are as follows (in thousands):

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Life</u>
<b>As of December 31, 2009:</b>				
Relationships with owner operators	\$ 647	\$ (413)	\$ 234	6 years
Backlog/open orders	20	(20)	-	1 month
Trade name	2,904	-	2,904	Indefinite
Customer relationships	3,823	(977)	2,846	15 years
Information technology	500	(320)	180	6 years
<b>Total</b>	<u>\$ 7,894</u>	<u>\$ (1,730)</u>	<u>\$ 6,164</u>	
<b>As of December 31, 2008:</b>				
Relationships with owner operators	\$ 647	\$ (306)	\$ 341	6 years
Backlog/open orders	20	(20)	-	1 month
Trade name	2,904	-	2,904	Indefinite
Customer relationships	3,823	(722)	3,101	15 years
Information technology	500	(236)	264	6 years
<b>Total</b>	<u>\$ 7,894</u>	<u>\$ (1,284)</u>	<u>\$ 6,610</u>	

The above intangible assets will be amortized using the straight-line method. Amortization expense for each of the years ended December 31, 2009, 2008 and 2007 was \$0.4 million. Amortization expense for the next five years is as follows (in thousands):

2010	\$ 444
2011	444
2012	285
2013	253
2014	253

#### **NOTE 15. Restructuring Charges**

In 2009, we recorded restructuring charges of approximately \$1.0 million. This consisted of a severance charges for 115 employees in the first quarter, 7 employees in the second quarter, 4 employees in the third quarter and 6 employees in the fourth quarter of 2009. Approximately \$13,000 of severance payments remained to be paid as of December 31, 2009.

All severance charges are included in salaries and benefits in the Statements of Income.

The following table displays the activity and balances of the restructuring reserves in the Consolidated Balance Sheets (in thousands):

<b>Balance at January 1, 2009</b>	\$ -
Restructuring expenses-severance	993
Cash payments made	(879)
Change in estimate	(101)
<b>Balance at December 31, 2009</b>	<u>\$ 13</u>

**NOTE 16. Guarantees**

The California Air Resource Board (CARB) has approved new regulations that require significantly reduced emissions from existing on-road diesel vehicles operating in California. The regulations require older model tractors to be modified to comply with the new regulations. In response to the costs associated with complying with these new emission laws, we developed a guaranty program with a leasing company in 2009. As part of this program, we are guaranteeing the owner operators' lease payments for these tractors. The term of the guarantee is through 2012.

At December 31, 2009, the potential maximum exposure under these lease guarantees was approximately \$3.8 million. The potential maximum exposure represents the payment of the remaining lease payments on all outstanding guaranteed leases at December 31, 2009. However, upon default, we have the option to purchase the tractors. We could then sell the tractors and use the proceeds to recover all or a portion of the amounts paid under the guarantees. Alternatively, we can contract with another owner operator who would assume the lease. At December 31, 2009, there were no potential defaults.

We recorded a \$0.1 million liability at December 31, 2009 for the guarantees representing the fair value of the guarantees based on a discounted cash-flow analysis. We are amortizing the amounts over the remaining lives of the respective guarantees.

**NOTE 17. Comprehensive Income**

Foreign subsidiaries' assets and liabilities are translated to United States dollars at the end of period exchange rates. Revenues and expenses are translated at average rates for the period. Translation adjustments are reported as a separate component of stockholders' equity. Total comprehensive income was \$34.3 million, \$59.2 million and \$59.8 million for the years ended December 31, 2009, 2008 and 2007 respectively.

**NOTE 18. Selected Quarterly Financial Data (Unaudited)**

The following table sets forth selected quarterly financial data for each of the quarters in 2009 and 2008 (in thousands, except per share amounts):

	Quarters			
	First	Second	Third	Fourth
<b>Year Ended December 31, 2009:</b>				
Revenue	\$ 351,695	\$ 362,613	\$ 388,781	\$ 407,881
Gross margin	45,169	45,763	48,200	46,558
Operating income	10,676	13,446	15,892	15,517
Net income	6,178	8,305	9,831	9,951
Basic earnings per share	\$ 0.17	\$ 0.22	\$ 0.26	\$ 0.27
Diluted earnings per share	\$ 0.17	\$ 0.22	\$ 0.26	\$ 0.26

	Quarters			
	First	Second	Third	Fourth
<b>Year Ended December 31, 2008:</b>				
Revenue	\$ 424,995	\$ 490,929	\$ 514,212	\$ 430,472
Gross margin	57,502	59,839	63,160	53,810
Operating income	20,988	24,070	27,283	23,121
Net income	13,135	14,970	16,930	14,210
Basic earnings per share	\$ 0.35	\$ 0.40	\$ 0.45	\$ 0.38
Diluted earnings per share	\$ 0.35	\$ 0.40	\$ 0.45	\$ 0.38

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

None.

**Item 9A. CONTROLS AND PROCEDURES**

**MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES**

As of December 31, 2009, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and Rule 15d-15(f) under the Securities Exchange Act of 1934. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

No significant changes were made in our internal control over financial reporting during the fourth quarter of 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate controls over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009. Based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria), management believes our internal control over financial reporting was effective as of December 31, 2009.

Management believes, however, that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Ernst & Young LLP, an independent registered public accounting firm, who audited and reported on the consolidated financial statements, included in this report, has issued an attestation report on the Company's internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited Hub Group, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hub Group Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Hub Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hub Group, Inc. as of December 31, 2009 and 2008 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of Hub Group, Inc., and our report dated February 18, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, Illinois  
February 18, 2010

**Item 9B. OTHER INFORMATION**  
None.

**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The sections entitled “Election of Directors” and “Ownership of the Capital Stock of the Company” appearing in our proxy statement for our annual meeting of stockholders to be held on May 6, 2010, sets forth certain information with respect to our directors and Section 16 compliance and is incorporated herein by reference. Certain information with respect to persons who are or may be deemed to be our executive officers is set forth under the caption “Executive Officers of the Registrant” in Part I of this report.

Our code of ethics can be found on our website at [www.hubgroup.com](http://www.hubgroup.com).

**Item 11. EXECUTIVE COMPENSATION**

The section entitled “Compensation of Directors and Executive Officers” appearing in our proxy statement for our annual meeting of stockholders to be held on May 6, 2010, sets forth certain information with respect to the compensation of our management and is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The section entitled “Ownership of the Capital Stock of the Company” appearing in our proxy statement for our annual meeting of stockholders to be held on May 6, 2010, sets forth certain information with respect to the ownership of our Common Stock and is incorporated herein by reference.

**Equity Compensation Plan Information**

The following chart contains certain information regarding the Company’s Long-Term Incentive Plans:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	140,700	\$ 1.75	1,915,433
Equity compensation plans not approved by security holders	--	--	--
<b>Total</b>	<b>140,700</b>	<b>\$ 1.75</b>	<b>1,915,433</b>

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

The sections entitled “Certain Transactions” and “Meetings and Committees of the Board” appearing in our proxy statement for the annual meeting of our stockholders to be held on May 6, 2010, set forth certain information with respect to certain business relationships and transactions between us and our directors and officers and the independence of our directors and is incorporated herein by reference.

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

The section entitled “Principal Accountant Fees and Services” appearing in our proxy statement for our annual meeting of stockholders to be held on May 6, 2010, sets forth certain information with respect to certain fees we have paid to our principal accountant for services and is incorporated herein by reference.

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Financial Statements**

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

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2009 and December 31, 2008

Consolidated Statements of Income - Years ended December 31, 2009, December 31, 2008 and December 31, 2007

Consolidated Statements of Stockholders' Equity - Years ended December 31, 2009, December 31, 2008 and December 31, 2007

Consolidated Statements of Cash Flows - Years ended December 31, 2009, December 31, 2008 and December 31, 2007

Notes to Consolidated Financial Statements

**(b) Financial Statement Schedules**

The following financial statement schedules of Hub Group, Inc. are filed as part of this report and should be read in conjunction with the consolidated financial statements of Hub Group, Inc.:

	<u>Page</u>
I. Valuation and qualifying accounts and reserves .....	S-1

All other schedules are omitted because they are not required, are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

**(c) 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.

## 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: February 18, 2010

HUB GROUP, INC.

By /s/ David P. Yeager  
David P. Yeager  
Chairman and Chief Executive Officer

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
<u>/s/ David P. Yeager</u> David P. Yeager	Chairman and Chief Executive Officer	February 18, 2010
<u>/s/ Mark A. Yeager</u> Mark A. Yeager	Vice Chairman, President and Chief Operating Officer	February 18, 2010
<u>/s/ Terri A. Pizzuto</u> Terri A. Pizzuto	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 18, 2010
<u>/s/ Charles R. Reaves</u> Charles R. Reaves	Director	February 18, 2010
<u>/s/ Martin P. Slark</u> Martin P. Slark	Director	February 18, 2010
<u>/s/ Gary D. Eppen</u> Gary D. Eppen	Director	February 18, 2010

**HUB GROUP, INC.**  
**VALUATION AND QUALIFYING ACCOUNTS**

**Allowance for uncollectible trade accounts**

<b>Year Ended December 31:</b>	<b>Balance at Beginning of Year</b>	<b>Charged to Costs &amp; Expenses</b>	<b>Charged to Other Accounts(1)</b>	<b>Balance at End of Year</b>
2009	\$ 5,102,000	\$ 1,157,000	\$ (1,652,000)	\$ 4,607,000
2008	\$ 5,456,000	\$ 448,000	\$ (802,000)	\$ 5,102,000
2007	\$ 6,299,000	\$ (63,000)	\$ (780,000)	\$ 5,456,000

**Deferred tax valuation allowance**

<b>Year ended December 31:</b>	<b>Balance at Beginning of Year</b>	<b>Charged to Costs &amp; Expenses</b>	<b>Transferred to Other Accounts (2)</b>	<b>Balance at End of Year</b>
2009	\$ 163,000	\$ 216,000	-	\$ 379,000
2008	\$ 163,000	-	-	\$ 163,000
2007	\$ 248,000	\$ 81,000	\$ (166,000)	\$ 163,000

(1) Expected customer account adjustments charged to revenue and write-offs, net of recoveries

(2) Establish liability for uncertain tax positions

## INDEX TO EXHIBITS

<u>Number</u>	<u>Exhibit</u>
3.1	Amended Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's quarterly report on Form 10-Q filed July 23, 2007, File No. 000-27754)
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	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)
10.2	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)
10.3	Hub Group's Nonqualified Deferred Compensation Plan Basic Plan Document as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.4 to the Registrant's report on Form 10-K dated February 21, 2008 and filed February 22, 2008, File No. 000-27754)
10.4	Hub Group's Nonqualified Deferred Compensation Plan Adoption Agreement as amended and restated as of January 1, 2008 (incorporated by reference to Exhibit 10.5 to the Registrant's report on Form 10-K dated February 21, 2008 and filed February 22, 2008, File No. 000-27754)
10.5	Description of Executive Officer cash compensation for 2010
10.6	Director compensation for 2010
10.7	Hub Group's 2002 Long Term Incentive Plan (as amended and restated effective May 7, 2007) (incorporated by reference from Appendix B to the Registrant's definitive proxy statement on Schedule 14A dated and filed March 26, 2007)
10.8	\$40 million Credit Agreement dated as of March 23, 2005 among the Registrant, Hub City Terminals, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.1 to the Registrant's report on Form 8-K dated March 23, 2005 and filed March 25, 2005, File No. 000-27754)
10.9	Lease Agreement dated as of May 10, 2005, between Banc of America Leasing & Capital, LLC and Hub City Terminals, Inc., with form of Schedule thereto (incorporated by reference to Exhibit 10.1 to the Registrant's report on Form 8-K dated May 10, 2005 and filed May 16, 2005, File No. 000-27754)
10.10	Guaranty of Corporation, dated as of May 10, 2005, made by Registrant to, and for the benefit of, Banc of America Leasing & Capital, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's report on Form 8-K dated May 10, 2005 and filed May 16, 2005, File No. 000-27754)
10.11	Amendment to the \$40 million Credit Agreement among the Registrant, Hub City Terminals, Inc. and Harris Trust and Savings Bank dated February 21, 2006 (incorporated by reference to Exhibit 10.16 to the Registrant's report on Form 10-K for the year ended December 31, 2005 and filed February 27, 2006, File No. 000-27754)
10.12	Form of Terms of Restricted Stock Award under Hub Group, Inc. 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's report on Form 8-K dated May 22, 2006 and filed May 26, 2006, File No. 000-27754)
10.13	Equipment Purchase Contract, dated as of March 8, 2007, by and between Hub City Terminals, Inc., Singamas Management Services, Ltd. and Singamas North America, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's report on Form 8-K filed March 12, 2007, File No. 000-27754)
14	Hub Group's Code of Business Conduct and Ethics (incorporated by reference from Exhibit 99.2 to the Registrant's report on Form 10-K dated March 12, 2003 and filed on March 13, 2003, File No. 000-27754)
21	Subsidiaries of the Registrant

- 23.1 Consent of Ernst & Young LLP
- 31.1 Certification of David P. Yeager, Chairman and Chief Executive Officer, Pursuant to Rule 13a-4(a) promulgated under the Securities Exchange Act of 1934
- 31.2 Certification of Terri A. Pizzuto, Executive Vice President, Chief Financial Officer and Treasurer, Pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934
- 32.1 Certification of David P. Yeager and Terri A. Pizzuto, Chief Executive Officer and Chief Financial Officer respectively, Pursuant to 18 U.S.C. Section 1350

**Hub Group, Inc.**  
**Description of Executive Officer Cash Compensation**  
**For 2010**

**Annual Cash Compensation**

**Base Salary**

Set forth below are the base salaries of the Chief Executive Officer and each of the four most highly compensated executive officers in 2009 effective January 1, 2010. The Company considers various factors in assigning executive officers to specific salary ranges, including job content, level of responsibility, accountability, and the competitive compensation market. On an annual basis, all executive officers' salaries are reviewed and adjusted to reflect individual performance and position within their respective ranges.

**Bonus Plan**

Executive officers are eligible for annual performance-based awards under the Company's bonus plan, as are all salaried employees. For 2009, goals were weighted upon achievement of targeted levels of earnings per share and, for some executives, upon achievement of personal goals. The goals for 2010 will also be weighted.

**Restricted Stock**

The Company makes periodic grants of restricted stock to executive officers. The grants of restricted stock made in early 2010 vest in equal installments over a five year period beginning a year from the grant date.

**David P. Yeager**  
**Chairman and Chief Executive Officer**

<u>Base</u>		
	2010	\$574,867

**Mark A. Yeager**  
**Vice Chairman, President and Chief Operating Officer**

<u>Base</u>		
	2010	\$460,000

**Terri A. Pizzuto**  
**Executive Vice President, Chief Financial Officer and Treasurer**

<u>Base</u>		
	2010	\$300,000

**Christopher R. Kravas**  
**Chief Intermodal Officer**

<u>Base</u>		
	2010	\$300,000

**David L. Marsh**  
**Chief Marketing Officer**

<u>Base</u>		
	2010	\$300,000

**Hub Group, Inc.**  
**Directors' Compensation For 2010**

**Directors' Compensation**

Each non-employee director receives an annual retainer fee of \$60,000 in 2010, paid in quarterly installments. In addition, expenses are paid for attendance at each Committee meeting. Directors who are also officers or employees of the Company receive no compensation for duties performed as a director.

**Stock Plan**

The Company makes periodic grants of restricted stock to the directors. In connection with their 2010 compensation package, each independent director received 4,000 shares of restricted stock in January 2010. These shares vest over three years.

## Subsidiaries of Hub Group, Inc.

## SUBSIDIARIES

## JURISDICTION OF INCORPORATION/ORGANIZATION

Hub City Terminals, Inc.	Delaware
Hub Group Atlanta, LLC	Delaware
Hub Group Canada, L.P.	Delaware
Hub Group Associates, Inc.	Illinois
Hub Group Distribution Services, LLC	Illinois
Quality Services L.L.C.	Missouri
Hub Chicago Holdings, Inc.	Delaware
Hub Group Transport, LLC	Delaware
Hub Freight Services, Inc.	Delaware
Comtrak Logistics, Inc.	Delaware
HGNA Group de Mexico, S. de RL de C.V.	Mexico

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Forms S-8 Nos. 333-146951, 333-115576 and 333-103845) pertaining to the Hub Group, Inc. 2002 Long Term Incentive Plan, Form S-8 No. 333-107745 pertaining to the Hub Group Employee Profit Sharing Plan and Trust, Form S-8 No. 333-33006 pertaining to the Hub Group, Inc. 1999 Long-Term Incentive Plan and Form S-8 No. 333-48185 pertaining to the Hub Group, Inc. 1997 Long-Term Incentive Plan, of our reports dated February 18, 2010, with respect to the consolidated financial statements and schedule of Hub Group, Inc., and the effectiveness of internal control over financial reporting of Hub Group, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2009.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 18, 2010

## CERTIFICATION

I, David P. Yeager, certify that:

- 1) I have reviewed this report on Form 10-K of Hub Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2010

By: /s/ David P. Yeager

\_\_\_\_\_  
Name: David P. Yeager

Title: Chairman and Chief Executive Officer

## CERTIFICATION

I, Terri A. Pizzuto, certify that:

- 1) I have reviewed this report on Form 10-K of Hub Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and;
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2010

By: /s/ Terri A. Pizzuto

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Name: Terri A. Pizzuto

Title: Executive Vice President,

Chief Financial Officer and Treasurer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following statement is provided by the undersigned to accompany the Annual Report on Form 10-K for the year ended December 31, 2009 of Hub Group, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and shall not be deemed filed pursuant to any provision of the Exchange Act of 1934 or any other securities law.

Each of the undersigned certifies that the foregoing Report on Form 10-K fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hub Group, Inc.

/s/ David P. Yeager

David P. Yeager  
Chairman and Chief Executive Officer

/s/ Terri A. Pizzuto

Terri A. Pizzuto  
Executive Vice President, Chief Financial Officer and  
Treasurer