HUB GROUP INC
Form 10-K
February 18, 2010

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

(Mark One)

[X] 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	36-4007085
(State or other jurisdiction of incorporation of organization)	(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 X 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 X 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 X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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. X

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 X Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

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, 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.

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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 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. Slark – Vice Chairman and Chief Executive Officer of Molex, Incorporated, a manufacturer of electronic, electrical and fiber optic interconnection products and systems.

PART II

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

Our Class A Common Stock ("Class A Common Stock") trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market under the symbol "HUBG." 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)

	Years Ended December 31,				
	2009	2008	2007	2006 (2)	2005
Statement of Income Data:					
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

	As of December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
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

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

FORWARD LOOKING STATEMENTS

The information contained in this annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "hopes," "believes," "intends," "estimates," "anticipates," 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):

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

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

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

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,		
	2008	2007	% Change
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	$ 1,860,608	$ 1,658,168	12.2 %

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

	Twelve Months Ended December 31,	
	2008	2007
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 $234.3 million in 2008 from $232.3 million 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 to $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 in-flow.

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
	$49,842

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
	$11,819

CRITICAL ACCOUNTING POLICIES