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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 0-27754

HUB GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

377 EAST BUTTERFIELD ROAD, SUITE 700
LOMBARD, ILLINOIS 60148
(Address, including zip code, of principal executive offices)
(630) 271-3600
(Registrant's telephone number, including area code)

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
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On November 8, 1996, the registrant had 5,261,250 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.

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HUB GROUP, INC.

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HUB GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 1995	September 30, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2	$ 17,897
Accounts receivable, net		
Trade	6,197	108,996
Affiliates	2,376	-
Prepaid expenses	33	925
Other current assets	114	1,310
TOTAL CURRENT ASSETS	8,722	129,128
PROPERTY AND EQUIPMENT, net	137	12,398
GOODWILL, net	-	27,741
DEFERRED TAX BENEFIT	-	9,936
OTHER ASSETS	224	661
TOTAL ASSETS	$9,083	$179,864
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable		
Trade	$5,620	$ 96,321
Affiliates	1,774	-
Other	89	6,521
Accrued expenses		
Payroll	286	5,605
Other	149	4,283
Current portion of long-term debt	-	2,749
TOTAL CURRENT LIABILITIES	7,918	115,479
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	-	15,177
DEFERRED TAXES	-	234
CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	-	7,441
STOCKHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	26	59
Additional paid-in capital	18	52,886
Purchase price in excess of predecessor basis	-	(25,764)
Tax benefit of purchase price in excess of predecessor basis	-	10,306
Retained earnings	1,121	4,046
TOTAL STOCKHOLDERS' EQUITY	1,165	41,533
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$9,083	$179,864

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1996	1995	1996
REVENUE:				
Trade	$16,609	$238,584	$ 49,781	$493,158
Affiliates	3,981	-	10,478	3,459
Total revenue	20,590	238,584	60,259	496,617
PURCHASED TRANSPORTATION	19,048	209,877	55,665	437,401
Net revenue	1,542	28,707	4,594	59,216
COSTS AND EXPENSES:				
Salaries and benefits	585	13,888	1,813	28,989
Selling, general and administrative	286	5,073	894	11,018
Depreciation and amortization	4	795	22	1,660
Total costs and expenses	875	19,756	2,729	41,667
Operating income	667	8,951	1,865	17,549
OTHER INCOME (EXPENSE):				
Interest expense	-	(292)	-	(631)
Interest income	12	256	66	561
Other, net	-	8	-	(30)
Total other income (expense)	12	(28)	66	(100)
INCOME BEFORE MINORITY INTEREST AND PROVISION FOR INCOME TAXES	679	8,923	1,931	17,449
MINORITY INTEREST	-	5,415	-	10,101
INCOME BEFORE PROVISION FOR INCOME TAXES	679	3,508	1,931	7,348
PROVISION FOR INCOME TAXES	-	1,403	-	2,698
NET INCOME	$ 679	$ 2,105	$ 1,931	$ 4,650
PRO FORMA PROVISION FOR ADDITIONAL INCOME TAXES	272	-	501	241
PRO FORMA NET INCOME	$ 407	$ 2,105	$ 1,430	$ 4,409
PRO FORMA EARNINGS PER SHARE	$ 0.24	$ 0.35	$ 0.86	$ 0.93
PRO FORMA WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,662	5,989	1,662	4,740

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the nine months ended September 30, 1996
(in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Purchase Price in Excess of Predecessor Basis	Tax Benefit of Purchase Price in Excess of Predecessor Basis	Retained Earnings	Stockholders' Equity
Balance at January 1, 1996	300	$ 26	$ 18	$ -	$ -	$ 1,121	1,165
Net income		-	-	-	-	4,650	4,650
Distributions to stockholders		(25)	(17)	-		(1,725)	(1,767)
Issuance of common stock in acquisitions	1,662,296	-	-	-	-	-	-
Retirement of shares acquired	(200)	-	-	-	-	-	-
Sale of common stock in initial public offering, net of offering costs	4,261,250	59	52,886	-	-	-	52,945
Acquisition of general partnership interests	-	-	-	(25,764)	10,306	-	(15,458)
Purchase of common stock	(100)	(1)	(1)	-	-	-	(2)
Balance at September 30, 1996	5,923,546	$ 59	$52,886	$(25,764)	$10,306	$4,046	$41,533

See notes to unaudited condensed consolidatedfinancial statements.

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

	Nine months ended September 30,	
	1995	1996
Cash flows from operating activities:		
Net income	$ 1,931	$ 4,650
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22	1,774
Deferred taxes	-	604
Minority interest	-	10,101
Gain on sale of assets	-	(58)
Changes in working capital, net of effects of purchase transactions:		
Accounts receivable, net	(1,670)	(24,847)
Prepaid expenses	-	(31)
Other current assets	31	(472)
Accounts payable	333	20,666
Accrued expenses	(113)	4,263
Other assets	(8)	264
Net cash provided by operations	526	16,914
Cash flows from investing activities:		
Cash used in acquisitions, net	-	(37,544)
Purchase of minority interest	-	(2,554)
Purchases of property and equipment, net	(43)	(4,340)
Net cash used in investing activities	(43)	(44,438)
Cash flows from financing activities:		
Proceeds from sale of common stock in initial public offering, net of offering costs	-	52,945
Proceeds from sale of common stock	2	-
Purchase of common stock	-	(2)
Distributions to shareholders	(2,560)	(1,767)
Distributions to minority interest	-	(2,762)
Payments on long-term debt	-	(4,619)
Proceeds from long-term debt	-	1,624
Collection of note receivable - affiliate	51	-
Net cash provided by (used in) financing activities	(2,507)	45,419
Net increase (decrease) in cash	(2,024)	17,895
Cash, beginning of period	2,026	2
Cash, end of period	$ 2	$ 17,897
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	$ 1	$ 70
Income taxes	37	957

NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Hub Group, Inc. (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. However, the Company believes that the disclosures contained herein are adequate to make the information presented not misleading.

The financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position and results of operations.

NOTE 2. CAPITAL STRUCTURE

On March 8, 1995, the Company was incorporated and issued 100 shares of Class A common stock to the sole incorporator. On March 18, 1996, the Company purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through issuance of 1,000,000 shares of the Company's Class A common stock and 662,296 shares of the Company's Class B common stock. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis.

Concurrent with the acquisition of Hub Chicago in March 1996, the Company completed the initial public offering of 4,261,250 shares of its Class A common stock, with net proceeds to the Company of $53.0 million. Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of the Company's Class A common stock through a secondary offering. The Company did not receive any net proceeds from the sale of the shares by the selling stockholder.

Concurrent with the initial public offering, the Company, through its new wholly owned subsidiary, Hub Chicago, acquired with cash the general partnership interests in 26 operating partnerships. In addition, the Company directly acquired with cash an interest in the Hub Group Distribution Services partnership (together with the 26 operating partnerships collectively referred to as "Hub Partnerships"). The combined financial statements of Hub Partnerships, the predecessor to the majority of the business of the Company, are included herein. Further reference is made to the Company's Registration Statement filed on Form S-1 for the historical financial statements of Hub Chicago and Hub Partnerships. See Note 3. "Business Combinations" for further discussion of these acquisitions.

NOTE 3. BUSINESS COMBINATIONS

On March 18, 1996, the Company acquired the general partnership interests in 26 operating partnerships and an interest in the Hub Group Distribution Services partnership for a total purchase price of approximately $43,309,000. The purchase price of these acquisitions was allocated to the assets acquired and liabilities assumed based on the fair value at the date of acquisition using the purchase method of accounting.

The portion of the difference between fair value and historical cost of individual assets acquired and liabilities assumed attributable to partnership interests acquired by the Company from non-control group stockholders was recorded at fair market value. This resulted in goodwill of approximately $17,425,000 and an increase in property and equipment of approximately $96,000. The remaining portion of the difference between fair value and historical cost attributable to partnership interests acquired from control group stockholders, approximately $25,764,000, has been charged to equity as purchase price in excess of predecessor basis.

On May 2, 1996, the Company purchased the rights to service the customers of American President Lines Domestic Distribution Services, a division of APL Land Transport Services, Inc., for a purchase price of approximately $8,090,000. The total purchase price has been recorded as goodwill under the purchase method of accounting.

The allocations presented above represent preliminary purchase price allocations. Goodwill, the cost of purchased businesses in excess of the market value of net tangible and identifiable assets acquired, is being amortized over 40 years on a straight-line basis. On an ongoing basis, the Company will measure realizability by the ability of the acquired entities to generate current and expected future operating income in excess of annual amortization of goodwill.

In connection with the purchase of the partnership interests in each of the Hub Partnerships, approximately $10,306,000 has been recorded as a deferred tax benefit (utilizing an assumed effective tax rate of 40%), representing the tax effect of the difference between goodwill for income tax purposes of approximately $43,189,000 and goodwill for financial reporting purposes of approximately $17,425,000. The corresponding credit is recorded as an increase in equity in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The following summarizes the effects of businesses acquired and accounted for as purchases in 1996 as if they had been acquired as of January 1, 1995:

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996
	(000's)	
Revenue as reported	$ 60,259	$496,617
Revenue of purchased business for period prior to acquisitions, net of eliminations	597,170	184,660
Pro forma revenue	$657,429	$681,277
Net income as reported	$ 1,931	$ 4,650
Net income (loss) of purchased businesses for period prior to acquisition	580	(261)
Adjustment for goodwill amortization	(286)	(95)
Pro forma net income	$ 2,225	$ 4,294
Earnings per share as reported	$ 0.86	$ 0.93
Effect of purchased businesses prior to acquisitions	(0.44)	(0.19)
Pro forma earnings per share	$ 0.42	$ 0.74

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

	Nine Months Ended September 30, 1996 (000's)
Accounts receivable	$75,576
Prepaid expenses	861
Other current assets	724
Property and equipment	9,309
Goodwill	25,515
Deferred tax benefit	10,306
Other assets	701
Accounts payable	(74,693)
Accrued expenses	(5,190)
Long-term debt	(20,921)
Minority interest	(102)
Purchase price in excess of predecessor basis	25,764
Tax benefit of purchase price in excess of predecessor basis	(10,306)
Cash used in acquisitions	$37,544

NOTE 4. PURCHASE OF MINORITY INTEREST

On August 1, 1996, the Company purchased the remaining 70% minority interest in Hub City Tennessee, L.P. for approximately $2,554,000. The entire purchase price was recorded as goodwill.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 1995	September 30, 1996
	(000's)	
Land	$ -	$ 92
Building and improvements	-	827
Leasehold improvements	17	551
Computer equipment and software	478	6,495
Furniture and equipment	221	2,861
Transportation equipment and automobiles	29	3,471
	745	14,297
Less: Accumulated depreciation and amortization	(608)	(1,899)
PROPERTY AND EQUIPMENT, net	$ 137	$12,398

NOTE 6. INCOME TAXES

The Company records income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires the Company to compute deferred taxes based upon the amount of taxes payable in future years, after considering known changes in tax rates and other statutory provisions that will be in effect in those years. Prior to March 18, 1996, the Company was a non-taxable Subchapter S corporation. The pro forma provision for additional income taxes for the nine months ended September 30, 1995 and 1996 assumes that the Company operated as a taxable corporation since January 1, 1995.

The reconciliation of the Company's effective tax rate to the federal statutory tax rate is as follows:

	Nine Months Ended September 30,	
	1995	1996
U.S. federal statutory rate	34.0%	34.0%
State taxes, net of federal benefit	6.0%	6.0%
Income earned as non-taxable Subchapter S corporation prior to March 18, 1996	(40.0)	(3.3)
Net effective rate	0.0%	36.7%

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

	Nine Months Ended September 30,	
	1995	1996
	(000's)	
Current	$ -	$2,094
Federal	-	370
State and local	-	2,464
	-	
Deferred	-	199
Federal	-	35
State and local	-	234
Total provision	$ -	$2,698

See Note 3. "Business Combinations" for discussion of deferred taxes recorded pursuant to acquisitions.

NOTE 7. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Fair value approximates book value at the balance sheet date.

	September 30, 1996 (000's)
Installment notes payable due through 2000, monthly installments ranging from $234 - $10,929, including interest, ranging from 2.9% to 12%, collateralized by certain equipment	$ 2,293
Unsecured balloon notes, interest compounded annually at 5.45%, interest and principal due March, 2001	9,282
Mortgage note payable due in 1998 with monthly installments of $2,381, including interest at 8.5%, collateralized by certain property	209
Note payable due in three annual installments of $2,000,000 beginning on May 1, 1997, interest is due at the time the principal is paid at 6% compounded annually	6,000
Capital lease obligations, collateralized by certain equipment	142
Total long-term debt	17,926
Less current position	(2,749)
	$15,177

NOTE 8. STOCK-BASED COMPENSATION PLAN

Concurrent with the initial public offering the Company adopted a Long-Term Incentive Plan (the "Incentive Plan"). Under the Incentive Plan, stock options, and stock appreciation rights, restricted stock and performance units may be granted for the purpose of attracting and motivating key employees and non-employee directors of the Company. Concurrent with the adoption of the Incentive Plan the Company granted 326,500 options to key employees and 36,000 options to non-employee directors. All options granted have an exercise price of $14.00 per share, the initial public offering price. The options granted to key employees vest ratably over a five-year period and expire 10 years after the date they were granted. The options granted to the non-employee directors vest ratably over a three-year period and expire 10 years after the date of grant.

In October 1995, the FASB issued Statement No. 123, "Accounting for Stock-Based Compensation." The Company is required to adopt this standard no later than December 31, 1996. This Statement encourages companies to recognize expense for stock options at an estimated fair value based on an option pricing model. If expense is not recognized for stock options, pro forma footnote disclosure is required of what net income and earnings per share would have been under the Statement's approach to valuing and expensing stock options. Certain other new disclosures will be required. The Company will implement the provisions of this statement in 1996, but has decided that it will not recognize the expense related to stock options in the financial statements. The impact of this new Statement has not yet been completely evaluated.

NOTE 9. EQUITY

	December 31, 1995	
	Authorized	Issued and Outstanding
Preferred stock, $.01 par value	2,000,000	--
Common stock, no par value	200	200
Class A common stock, $.01 par value	12,337,700	100
Class B common stock, $.01 par value	662,300	--

	September 30, 1996	
	Authorized	Issued and Outstanding
Preferred stock, $.01 par value	2,000,000	--
Class A common stock, $.01 par value	12,337,700	5,261,250
Class B common stock, $.01 par value	662,300	662,296

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS COMBINATIONS

On March 18, 1996, Hub Group, Inc. (the "Company") acquired the general partnership interests in 26 operating partnerships and an interest in the Hub Group Distribution Services partnership (collectively referred to as "Hub Partnerships") for a total purchase price of approximately $43,309,000. On May 2, 1996, the Company purchased the rights to service the customers of American President Lines Domestic Distribution Services ("APLDDS"), a division of APL Land Transport Services, Inc., for a purchase price of approximately $8,090,000. The purchase price of these acquisitions was allocated to the assets acquired and liabilities assumed based on the fair value on the date of acquisition using the purchase method of accounting. Prior to the acquisitions, the Company's business was comprised of the operations of its wholly owned subsidiary, Hub City Terminals, Inc. ("Hub Chicago").

The acquired businesses' revenues are many multiples of the revenue of Hub Chicago. As a result, consolidated revenues and operating expenses increased dramatically in the period subsequent to March 17, 1996, as compared to the prior year. This relationship will continue for the remainder of 1996. Additionally, purchased transportation costs and operating costs as a percentage of revenue may differ from historical trends for Hub Chicago.

As a result of the APLDDS acquisition, the Company acquired the right to service APLDDS customers. However, the Company did not assume any assets or liabilities associated with that business. Furthermore, the Company was not obligated to hire any of the more than 200 employees in the APLDDS organization. The APLDDS business was absorbed directly into the operations of Hub Chicago and Hub Partnerships and management believes the associated incremental operating costs are significantly less than APLDDS historical operating costs. Management is unable to track the incremental purchased transportation and operating costs attributable to the acquired APLDDS business. Consequently, discussion of results of operations excluding acquisitions will be limited to comparisons of revenue. Discussion of pro forma financial data reflect results of operations as if the Company had acquired Hub Partnerships and APLDDS as of January 1, 1995.

RESULTS OF OPERATIONS

REVENUE

Actual revenue totaled $238.6 million for the three months ended September 30, 1996, representing a 1058.7% increase over the comparable period in 1995. Without the acquisitions, revenue totaled $20.6 million for the three months ended September 30, 1996, representing no change over the comparable period in 1995. Actual revenue for the nine months ended September 30, 1996, of $496.6 million represents an increase of 724.1% over the comparable period in 1995. Without the acquisitions, Company revenues totaled $60.7 million for the nine months ended September 30, 1996 for an increase of 0.5% over the comparable period in 1995. The lack of a more substantial increase in revenue without acquisitions is attributed principally to the relocation of a significant customer's distribution center. It should be noted that the distribution center was relocated to a site that is now being served by one of the partnerships that is part of Hub Partnerships.

Pro forma consolidated revenues increased 7.1% to $238.6 million and 3.6% to $681.3 million for the three and nine month periods ended September 30, 1996, versus $222.8 million and $657.4 million in the comparable periods in 1995, respectively. It should be noted that the business acquired from APLDDS on May 2, 1996, had been experiencing significant decline in 1995 and the first quarter of 1996. Management believes the Company has successfully transitioned greater than 90% of the APLDDS business that existed on May 2, 1996.

Excluding the APLDDS acquisition, Hub Chicago and Hub Partnerships combined revenues increased 18.8% to $215.4 million and 15.9% to $602.4 million for the three and nine month periods ending September 30, 1996, compared to $181.4 million and $519.6 million for the comparable periods in 1995, respectively. The increases were primarily attributable to strong growth in the truckload brokerage and logistics sectors. Intermodal revenues, excluding the APLDDS acquisition, increased moderately.

Management believes that the truckload brokerage business will show an increase in the fourth quarter of 1996 compared to the fourth quarter of 1995. Management believes the logistics business growth rate will decline somewhat when comparing 1996 to 1995 for the fourth quarter. This is due to the fourth quarter of 1995 being the only quarter in 1995 that experienced revenue from the new logistics business. Management estimates that in 1997 revenue growth will decline from current levels. This estimate is based on management's opinion that the dramatic growth in the truckload brokerage and logistics businesses experienced in 1996 provides too large of a revenue base to sustain the same growth rate in 1997. Furthermore, management cannot predict an acquisition similar to APLDDS in 1997. Finally, management expects to maintain its moderate levels of growth in intermodal revenue, excluding the acquired revenue from APLDDS.

NET REVENUE

Actual net revenue as a percentage of revenue increased for the three and nine month periods ended September 30, 1996, to 12.0% and 11.9% from 7.5% and 7.6% for the comparable periods in 1995, respectively. This is primarily a reflection of the lower net revenue as a percentage of revenue that is experienced by Hub Chicago as compared to Hub Partnerships. Hub Chicago has a larger proportion of high volume/low margin accounts than does Hub Partnerships.

Pro forma net revenue as a percentage of revenue increased to 12.0% and 11.6% for the three and nine month periods ended September 30, 1996, from 11.3% and 11.0% for the comparable periods in 1995, respectively. On a pro forma basis, net revenue as a percentage of revenue, for the APLDDS business was 6.9% and 4.1% for the first nine months of 1995 and for the period January 1, 1996 through May 1, 1996, respectively. Management believes that it is experiencing a net revenue percentage that has modestly improved from the levels experienced by APLDDS for the transitioned APLDDS business. The lower pro forma percentages experienced by APLDDS causes the current year percentages to compare favorably to the prior year percentages. This favorable pro forma comparison is partially offset by the lower net revenue percentage experienced by the new logistics business that started late in 1995.

Historically, the Company contracted for all its drayage needs with 100% of the attendant costs being classified as purchased transportation. As the Company sets up its own drayage operations, the salaries and benefits for non-driver employees as well as general and administrative expenses are classified below the net revenue line as operating expenses. Assuming that the Company meets its drayage needs at or below the previously contracted cost, the classification of a portion of the cost below the net revenue line will cause net revenue as a percentage of revenue to increase.

Management expects fluctuations in the net revenue percentage from quarter-to-quarter caused by changes in business mix, changes in truckload margins, changes in logistics business margins, changes in trailer capacity, changes in intermodal industry growth and changes in accounting estimates.

SALARIES AND BENEFITS

Actual salaries and benefits increased to $13.9 million and $29.0 million in the three and nine month periods ended September 30, 1996, from $0.6 million and $1.8 million in the comparable periods in 1995, respectively. Pro forma salaries and benefits increased to $13.9 million and $41.0 million in the three and nine month periods ended September 30, 1996, from $12.7 million and $36.7 million in the comparable periods in 1995, respectively. The salaries and benefits incurred by APLDDS in servicing their customers were lower as a percentage of revenue than experienced by the Company. APLDDS was a division of APL Land Transport Services, Inc. ("APL") and consequently received much of its support services from APL and was assessed a management fee. This had the effect of deflating salaries and benefits while inflating selling, general and administrative expenses. For the nine months ended September 30, 1995 and for the period January 1, 1996 through May 1, 1996, salaries and benefits as a percentage of revenue for APLDDS were 3.8% and 4.8%, respectively. Pro forma salaries and benefits as a percentage of revenue increased to 5.8% and 6.0% for the three and nine month periods ended September 30, 1996 from 5.7% and 5.6% in the comparable periods in 1995, respectively, which is partially attributed to the historical cost structure of APLDDS. Also contributing to the increase was the Company's investment in additional personnel in 1996 to handle new truckload brokerage and logistics business, to expand the local and national sales forces and to provide financial and administrative services required for continued growth.

It is anticipated that the percentage could fluctuate from quarter-to-quarter as there are timing differences between revenue increases and changes in levels of staffing. Factors that could affect the percentage from staying in the recent historical range are revenue growth rates significantly higher or lower than forecasted, a management decision to invest in additional personnel to stimulate new or existing businesses or changes in customer requirements that result in a higher cost of labor per move.

SELLING, GENERAL AND ADMINISTRATIVE

Actual selling, general and administrative expenses increased to $5.1 million and $11.0 million for the three and nine month periods ended September 30, 1996, from $0.3 million and $0.9 million in the comparable periods in 1995, respectively. Pro forma selling, general and administrative expenses decreased to $5.1 million and $17.1 million for the three and nine month periods ended September 30, 1996, from $7.3 million and $21.4 million in the comparable periods in 1995, respectively. As a percentage of revenue these pro forma expenses were 2.1% and 2.5% for the three and nine month periods ended September 30, 1996, and 3.3% for both of the comparable periods in 1995. As explained in "Salaries and Benefits," APLDDS received much of its support services through a management fee allocation from APL. This caused the APLDDS historical selling, general and administrative expenses to be inflated. For the nine months ended September 30, 1996, and for the period January 1, 1996, through May 1, 1996, selling, general and administrative expenses as a percentage of revenue for APLDDS were 6.7% and 6.0%, respectively. Also contributing to the decrease in the pro forma percentages was the leverage that the Company generated on its strong revenue growth in 1996.

DEPRECIATION AND AMORTIZATION

Actual depreciation and amortization expense increased to $0.8 million and $1.7 million for the three and nine month periods ended September 30, 1996, from negligible amounts in the comparable periods in 1995. Pro forma depreciation and amortization increased to $0.8 million and $2.4 million for the three and nine month periods ended September 30, 1996, from $0.7 and $2.2 million in the comparable periods in 1995, respectively. As a percentage of revenue, pro forma depreciation and amortization was 0.3% and 0.4% for the three and nine month periods ended September 30, 1996, and 0.3% for both of the comparable periods in 1995.

Management estimates that as a percentage of revenue, depreciation and amortization will remain at current levels or increase in the future. Factors that could cause an increase in the percentage are increased leasehold improvement amortization as operating companies transition to larger facilities, increased software amortization on planned implementation of new packages in the truckload brokerage and logistics businesses and increased goodwill amortization that would arise if the Company exercised any of its options to purchase the remaining minority interest in any of its operating companies.

OTHER INCOME (EXPENSE)

Actual interest expense was $0.3 million and $0.6 million for the three and nine month periods ended September 30, 1996, compared to no interest expense in both of the comparable periods in 1995. All of the interest expensed in 1996 was incurred subsequent to March 17, 1996. Pro forma interest expense was $0.3 million and

$1.0 million for the three and nine month periods ended September 30, 1996, and $0.3 and $0.9 for the comparable periods in 1995, respectively.

There are three primary components of interest expense. First are the five-year balloon notes assumed or issued in conjunction with the acquisition of Hub Partnerships. Interest expense on these notes began to decline in third quarter of 1996 as discretionary payments were made. Management estimates interest will continue to decline on a quarterly basis as it relates to these notes as the various operating companies continue to make discretionary principal payments. The annual rate of interest on these balloon notes is 5.45%.

The second component to interest expense relates to the notes issued in conjunction with the acquisition of APLDDS. Interest expense will decline from current levels for these notes in May of 1997 and 1998 coincident with required principal payment terms. The notes will be completely paid off in May of 1999. The annual rate of interest on these notes is 6.0%.

The third primary component of interest expense relates to borrowing for tractors as the Company continues its strategy of starting small drayage operations to service portions of its own business in those areas where it is needed to enhance customer service (see "Liquidity and Capital Resources"). Interest expense related to this component will continue to increase as the Company continues expansion. The current annual rate of interest on these loans is determined at the time of each tractor purchase at a rate equal to 3.0% over the two-year Treasury note rate.

Actual interest income was $0.3 million and $0.6 million for the three and nine month periods ended September 30, 1996, compared to virtually none and $0.1 million for the comparable periods in 1995, respectively. Pro forma interest income was $0.3 million and $0.6 million for the three and nine month periods ended September 30, 1996, and $0.2 million and $0.5 million for the comparable periods in 1995, respectively.

Management estimates that interest income will likely decrease from current levels. Factors that could cause such a decrease are the possible use of cash to make payments on the balloon notes, to make payments on the APLDDS notes, to make down payments on tractors, to fund working capital needs for those operating companies starting their own Company-owned drayage operations, to fund the purchase of the remaining minority interest in any of its operating companies and to increase the Company's capital investment in an international joint venture.

MINORITY INTEREST

Actual minority interest was $5.4 million and $10.1 million for the three and nine month periods ended September 30, 1996, compared to zero in the comparable periods in 1995. On a pro forma basis, minority interest was $5.4 million and $11.1 million for the three and nine month periods ended September 30, 1996, and $3.0 million and $8.2 million for the comparable periods in 1995, respectively. As management estimates that 20% of the acquired APLDDS business has accrued to Hub Chicago, minority interest as a percentage of income before minority interest of 56% was applied to pro forma income before minority interest for APLDDS for the nine months ended September 30, 1995, and the period January 1, 1996, through May 1, 1996. To calculate the 56% minority interest factor, it was estimated that the minority interest will accrue its 70% ownership in Hub Partnerships which operate 80% of the APLDDS business.

On a pro forma basis, minority interest as a percentage of income before minority interest was 60.7% and 60.9% for the three and nine month periods ended September 30, 1996, and 70.3% and 69.0% for the comparable periods in 1995, respectively. The 1995 percentages are heavily influenced by the loss that was experienced by APLDDS. Due to the dispersion of the APLDDS business between Hub Chicago and Hub Partnerships, the 1995 pro forma minority interest as a percentage of income before minority interest is less than the percentage applicable to the rest of the Company. Since APLDDS incurred a loss in 1995, the pro forma minority interest percentage for the Company was driven upward.

Factors that could have a material impact and result in minority interest percentages of income before minority interest found outside the historical range are the exercise of any of the Company's options to purchase the remaining minority interest in any of its operating companies and disproportionate changes in the profitability of businesses between those which are owned 100% by the Company and those which are owned less than 100% by the Company. The Company owns 100% of Hub Chicago, Hub City Tennessee, L.P. ("Hub Tennessee") and the new logistics business. The Company also owns 50% of an international joint venture. The Company owns 30% of all the operating companies that make up Hub Partnerships with the exception of Hub Tennessee and Hub Distribution. The Company owns approximately 21% of Hub Distribution.

INCOME TAXES

Income taxes were $1.4 million and $2.7 million for the three and nine month periods ended September 30, 1996. The Company had no provision for income taxes prior to March 18, 1996, as the Company was a non-taxable subchapter S corporation. The Company is providing for income taxes at an effective rate of 40% for all income subsequent to March 17, 1996.

PRO FORMA PROVISION FOR ADDITIONAL INCOME TAXES

Additional pro forma income taxes were none and $0.2 million in the three and nine month periods ended September 30, 1996, versus $0.3 million and $0.5 million in the comparable periods in 1995, respectively. Additional pro forma provision for income taxes are shown to provide an assumed effective federal and state income tax provision at a rate of 40% of income before taxes for any periods which include activity prior to March 18, 1996.

PRO FORMA NET INCOME

Pro forma net income (pro forma only regarding income taxes) increased to $2.1 million and $4.4 million for the three and nine month periods ended September 30, 1996, versus $0.4 million and $1.4 million for the comparable periods in 1995, respectively. Pro forma net income (pro forma not only for income taxes but also for the acquisitions of Hub Partnerships and APLDDS) increased to $2.1 million and $4.3 million for the three and nine month periods ended September 30, 1996, from $0.8 million and $2.2 million for the comparable periods in 1995, respectively. These increases in pro forma numbers, which give effect to the Company's acquisitions, equate to increases of 176.6% and 93.0%, respectively. The large increases are the result of the significant losses incurred by APLDDS before being acquired by the Company. Management expects that net income growth rates after May of 1997 will be significantly less than the pro forma net income growth rates experienced since May of 1996.

PRO FORMA EARNINGS PER SHARE

Pro forma earnings per share (pro forma only to provide income taxes) increased to $0.35 and $0.93 for the three and nine month periods ended September 30, 1996, from $0.24 and $0.86 in the comparable periods in 1995, respectively. Pro forma earnings per share (pro forma not only to provide for income taxes but also for the Company's acquisitions) increased to $0.35 and $0.74 for the three and nine month periods ended September 30, 1996, from $0.14 and $0.42 in the comparable periods in 1995, respectively. These increases in pro forma numbers, which give effect to the Company's acquisitions, equate to increases of 150.0% and 76.2%, respectively. The large increases are the result of the significant losses incurred by APLDDS before being acquired by the Company. Management expects that earnings per share growth rates after May of 1997 will be significantly less than the pro forma net income growth rates experienced since May of 1996.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 1996, the Company had four significant transactions that affected liquidity. The transactions were the initial public offering of the Company's Class A common stock, the subsequent acquisitions of Hub Partnerships and APLDDS and the purchase of the remaining 70% minority interest in Hub Tennessee. These items represented a cash inflow of $53.0 million and cash outflows of $35.5 million, $2.0 million and $2.6 million, respectively. Related to the acquisitions, the Company assumed long-term debt, including current portions, of $20.9 million, approximately $12.4 million of which are five-year balloon notes due in March of 2001, bearing interest at an annual rate of 5.45%. Approximately $6.0 million bears interest at 6% and is due in three equal annual installments beginning in May of 1997. Immediately prior to the initial public offering and Hub Partnership acquisition, Hub Chicago issued five-year balloon notes, due in March 2001, to its shareholders for approximately $663,000, bearing interest at an annual rate of 5.45%. The acquisitions resulted in the recognition of a $10.3 million deferred tax asset, which will offset cash payments for taxes ratably over the next 15 years. The resulting $28.1 million of goodwill from the acquisitions and the minority interest purchase represents an annual tax deductible expense to be recognized ratably over the next 15 years. For book purposes, goodwill is being amortized over 40 years.

The Company expects to continue to pay down the balloon notes from time to time as cash availability permits. The first payments, totaling $3.9 million, were made in the third quarter of 1996.

The Company maintains a bank line of credit for $5.0 million, which bears interest at the prime rate less 1/2%. As of September 30, 1996, the unused and available portion of this credit line was $5.0 million. Although there are no assurances, management believes it can obtain a significant additional line of credit, if necessary.

Capital expenditures are principally used to enhance or expand the Company's computer system and network capabilities and, most recently, to acquire a number of tractors to support company-owned drayage operations. Part of the Company's strategy is to supplement third party drayage operations with company-owned tractors to service portions of the Company's intermodal business in those locations where drayage service is limited or where customers require an enhanced level of service which cannot be competitively accommodated by a third-party provider.

As of September 30, 1996, the Company owns 61 tractors which are a part of Company-owned drayage operations for the operating companies located in Missouri, Michigan, New Jersey and Illinois. The Company-owned drayage operation in Missouri has been functioning since 1994. The Michigan operations started in the second quarter of 1996, and the New Jersey and Illinois operations started in the third quarter of 1996. Of the 61 tractors in operation at September 30, 1996, 40 were acquired in 1996 at a cost of approximately $65,000 each. Ten of these tractors were purchased with cash with the remainder financed at a rate of 3% over the two-year Treasury rate after an initial down payment of 10%. Management is considering additional sites for Company-owned tractors, and it is anticipated that Company-owned drayage operations, in total, will require the acquisition of approximately 22 tractors in the fourth quarter of 1996 and 125 in 1997. The Company will purchase up to 30 of these tractors with cash with the remainder being financed. Management estimates that each start-up of a company-owned drayage operation requires working capital of $0.3 million to $0.4 million above and beyond the cost of acquiring the tractors. Management estimates that an additional three to five locations may start Company-owned drayage operations by the end of 1997. Management intends to carefully evaluate existing and new drayage operations before committing to these or any future locations.

The Company will have the continuing option, exercisable any time after the local in-charge executive currently associated with an operating company ceases to be an employee, to purchase the remaining minority interest in that operating company upon approval by the independent members of the Company's Board of Directors. The future exercise of such options could result in the need for significant funds. Those funds may come from existing cash, third-party debt or other financing or any combination thereof.

The Company believes that existing cash, cash provided by operations and cash available under a line of credit and its other financing commitment will be sufficient to meet the Company's short-term working capital and capital expenditure needs. The company also believes that the aforementioned items are sufficient to meet its anticipated long-term working capital, capital expenditure and debt repayment needs through the year 1998.

CERTAIN FACTORS THAT MAY AFFECT OPERATING RESULTS

This document contains forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. In addition to those mentioned elsewhere in this document, such risks and uncertainties include the impact of competitive pressures in the marketplace, the degree and rate of market growth in the markets served by the Company, changes in industry-wide capacity, further consolidation of rail carriers, changes in governmental regulation, changes in the cost of services from vendors and fluctuations in interest rates.

HUB PARTNERSHIPS
UNAUDITED CONDENSED COMBINED BALANCE SHEET
(in thousands)

	December 31, 1995
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$10,949
Accounts receivable, net	
Trade	74,406
Affiliate	1,774
Prepaid expenses	832
Other current assets	1,641
TOTAL CURRENT ASSETS	89,602
PROPERTY AND EQUIPMENT, net	8,994
OTHER ASSETS	366
TOTAL ASSETS	$98,962
LIABILITIES AND EQUITY	
CURRENT LIABILITIES:	
Accounts payable	
Trade	$64,212
Affiliate	2,376
Other	3,323
Accrued expenses	
Payroll	4,125
Other	1,115
Current portion of long-term debt	681
TOTAL CURRENT LIABILITIES	75,832
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	1,007
CONTINGENCIES AND COMMITMENTS	
MANDATORILY REDEEMABLE COMMON STOCK	10,386
EQUITY:	
Common stock, $0-$100 par value	1,943
Additional paid-in capital	500
Treasury stock	(32)
Partnership capital	129
Retained earnings	9,197
TOTAL STOCKHOLDERS' EQUITY	11,737
TOTAL LIABILITIES AND EQUITY	$98,962

See notes to unaudited condensed combined financial statements.

HUB PARTNERSHIPS
UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1995	January 1 through March 17, 1996
REVENUE:			
Trade	$ 164,789	$469,840	$142,413
Affiliate	6,128	16,862	3,992
Total revenue	170,917	486,702	146,405
PURCHASED TRANSPORTATION	149,384	427,857	128,405
Net revenue	21,533	58,845	18,000
COSTS AND EXPENSES:			
Salaries and benefits	10,709	29,684	9,807
Selling, general and administrative	3,741	11,937	3,393
Depreciation and amortization	989	1,553	553
Total costs and expenses	15,439	43,174	13,753
Operating income	6,094	15,671	4,247
INTEREST AND OTHER INCOME	146	684	159
INCOME BEFORE PROVISION FOR INCOME TAX	6,240	16,355	4,406
PROVISION FOR INCOME TAXES	(3)	222	126
NET INCOME	$ 6,243	$ 16,133	$ 4,280

See notes to unaudited condensed combined financial statements.

HUB PARTNERSHIPS
UNAUDITED CONDENSED COMBINED STATEMENT OF EQUITY
For the period January 1, 1996 through March 17, 1996
(in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Partnership Capital	Retained Earnings	Equity
BALANCE AT JANUARY 1, 1996	84,763	$ 1,814	$ 629	$(32)	$129	$ 9,197	$ 11,737
Net income						4,280	4,280
Distributions		(1,745)	(629)	32		(13,477)	(15,819)
BALANCE AT MARCH 17, 1996	84,763	$ 69	$ -	$ -	$129	$ -	$ 198

See notes to unaudited condensed combined financial statements.

HUB PARTNERSHIPS
UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30, 1995	January 1 through March 17, 1996
Cash flows from operating activities:		
Net income	$ 16,133	$ 4,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,553	553
Loss on sale of property and equipment	53	3
Changes in working capital:		
Accounts receivable, net	(2,058)	604
Prepaid expenses	(388)	(29)
Other current assets	(776)	918
Accounts payable	4,201	4,783
Accrued expenses	1,485	(140)
Other assets	(37)	(407)
Net cash provided by operations	20,166	10,565
Cash flows from investing activities:		
Purchases of property and equipment, net	(3,376)	(775)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,404	13,594
Proceeds from sale of common stock	145	-
Distributions	(17,941)	(26,207)
Payments on long-term debt	(775)	(361)
Net cash used in financing activities	(17,167)	(12,974)
Net increase (decrease) in cash	(377)	(3,184)
Cash, beginning of period	14,805	10,949
Cash, end of period	$ 14,428	$ 7,765
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	$ 98	$ 56
Income taxes	276	130

See notes to unaudited condensed combined financial statements.

HUB PARTNERSHIPS

NOTES TO UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed combined financial statements of 26 Subchapter S corporations and the Hub Group Distributions Services partnership (collectively referred to as "Hub Partnerships" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. However, the Company believes that the disclosures contained herein are adequate to make the information presented not misleading.

The financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position and results of operations.

NOTE 2. BASIS OF FINANCIAL STATEMENT PRESENTATION

The unaudited condensed combined financial statements of Hub Partnerships are presented herein to reflect the financial condition and results of operations of the Hub Partnerships as of and for the periods in which the Hub Partnerships were the predecessor to the business acquired by Hub Group, Inc on March 18, 1996, as necessary to disclose the financial statements of the business acquired by Hub Group, Inc. pursuant to the rules and regulations of the Securities and Exchange Commission.

NOTE 3. SPECIAL DISTRIBUTION

Immediately prior to March 18, 1996, the Company distributed substantially all of its equity, including retained earnings through March 17, 1996, to its shareholders in the form of cash and notes. The notes are five-year balloon notes bearing interest at an annual rate of 5.45%. Interest is compounded annually with all principal and interest due in March of 2001.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 1995
	(000's)
Land	$ 92
Building and improvements	1,376
Leasehold improvements	674
Computer equipment and software	8,562
Furniture and equipment	3,418
Transportation equipment and automobiles	2,353
	16,475
	(7,481)
Less: Accumulated depreciation and amortization	
PROPERTY AND EQUIPMENT, net	$ 8,994

HUB PARTNERSHIPS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS COMBINATIONS

On March 18, 1996, Hub Group, Inc. acquired the general partnership interest in 26 operating partnerships and an interest in the Hub Group Distribution Services partnership (collectively referred to as "Hub Partnerships"). The unaudited condensed combined financial statements of the Hub Partnerships are presented herein to reflect the financial condition and results of operations of the Hub Partnerships as of and for the periods in which the Hub Partnerships were the predecessor to the business acquired by Hub Group, Inc. on March 18, 1996.

RESULTS OF OPERATIONS AND LIQUIDITY AND CAPITAL RESOURCES

Since the acquisition of the Hub Partnerships by Hub Group, Inc. on March 18, 1996, results of operations for the Hub Partnerships have been consolidated with those of Hub Group, Inc. As no activity is reported for the Hub Partnerships for the third quarter of 1996, management feels that a discussion of period to period changes is not meaningful.

PART II. OTHER INFORMATION

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUB GROUP, INC.

DATE: November 8, 1996

/s/ William L. Crowder

William L. Crowder
Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer)

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This schedule contains summary financial information extracted from Unaudited Condensed Consolidated Statements of Operations and Unaudited Condensed Consolidated Balance Sheets and is qualified in its entirety by reference to such financial statements.

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DEC-31-1996
SEP-30-1996
17897
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110148
1152
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129128
14297
1899
179864
115479
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59
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41474
179864
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238584
0
209877
19756
197
292
3508
1403
8951
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2105
.35
0