

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 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  
(State or other jurisdiction of  
incorporation or organization)

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

377 EAST BUTTERFIELD ROAD, SUITE 700  
LOMBARD, ILLINOIS 60148  
(Address, including zip code, of principal executive offices)

(708) 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                    No    X

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On May 10, 1996, the registrant had 5,261,350 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 -----	March 31, ----- 1996 -----
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2	\$ 19,956
Accounts receivable, net		
Trade	6,197	82,394
Affiliates	2,376	-
Prepaid expenses	33	879
Other current assets	114	540
	-----	-----
TOTAL CURRENT ASSETS	8,722	103,769
PROPERTY AND EQUIPMENT, net	137	9,535
GOODWILL, net	-	17,433
DEFERRED TAX BENEFIT	-	10,277
OTHER ASSETS	224	1,057
	-----	-----
TOTAL ASSETS	\$ 9,083	\$142,071
	=====	=====
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable		
Trade	5,620	76,615
Affiliates	1,774	-
Other	89	5,632
Accrued expenses		
Payroll	286	3,299
Other	149	2,310
Current portion of long-term debt	-	585
	-----	-----
TOTAL CURRENT LIABILITIES	7,918	88,441
	-----	-----
LONG-TERM DEBT	-	14,999
DEFERRED TAXES	-	11
CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	-	789
EQUITY:		
Preferred stock	-	-
Common stock	26	59
Additional paid-in capital	18	52,924
Partnership capital	-	27
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	279
	-----	-----
TOTAL EQUITY	1,165	37,831
	-----	-----
TOTAL LIABILITIES AND EQUITY	\$ 9,083	\$142,071
	=====	=====

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 March 31,	
	1995	1996
REVENUE:		
Trade	\$16,174	\$45,338
Affiliates	2,760	3,459
	-----	-----
Total revenue	18,934	48,797
PURCHASED TRANSPORTATION	17,370	43,412
	-----	-----
Net revenue	1,564	5,385
COSTS AND EXPENSES:		
Salaries and benefits	642	2,587
Selling, general and administrative	312	1,043
	-----	-----
Total costs and expenses	954	3,630
	-----	-----
Operating income	610	1,755
OTHER INCOME (EXPENSE):		
Interest expense	-	(37)
Interest income	28	31
Other, net	5	8
	-----	-----
Total other income (expense)	33	2
INCOME BEFORE MINORITY INTEREST AND PROVISION FOR INCOME TAXES	643	1,757
	-----	-----
MINORITY INTEREST	-	687
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	643	1,070
PROVISION FOR INCOME TAXES	-	187
	-----	-----
NET INCOME	\$ 643	\$ 883
	=====	=====
PRO FORMA PROVISION FOR ADDITIONAL INCOME TAXES	257	241
	-----	-----
PRO FORMA NET INCOME	\$ 386	\$ 642
	=====	=====
PRO FORMA EARNINGS PER SHARE	\$ 0.23	\$ 0.29
	=====	=====
PRO FORMA WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,662	2,233
	=====	=====

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY  
 For the three months ended March 31, 1996  
 (in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Partnership Capital
	Shares	Amount		
BALANCE AT JANUARY 1, 1996	300	\$ 26	\$ 18	\$ -
Net income		-	-	
Distributions to shareholders		(25)	(17)	
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	58	52,923	
Acquisition of general partnership interests	-	-	-	27
	-----	-----	-----	-----
BALANCE AT MARCH 31, 1996	5,923,646	\$ 59	\$52,924	\$ 27
	=====	=====	=====	=====

	Purchase Price in Excess of Predecessor Basis	Tax Benefit of Purchase Price in Excess of Predecessor Basis	Retained Earnings	Equity
	-----	-----		
BALANCE AT JANUARY 1, 1996	\$ -	\$ -	\$ 1,121	\$ 1,165
Net income	-	-	883	883
Distributions to shareholders	-	-	(1,725)	(1,767)
Issuance of common stock in acquisitions	-	-	-	-
Retirement of shares acquired	-	-	-	-
Sale of common stock in initial public offering, net of offering costs	-	-	-	52,981
Acquisition of general partnership interests	(25,764)	10,306	-	(15,431)
	-----	-----	-----	-----
BALANCE AT MARCH 31, 1996	\$(25,764)	\$10,306	\$ 279	\$ 37,831
	=====	=====	=====	=====

See notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	1995	1996
Cash flows from operating activities:		
Net income	\$ 643	\$ 883
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9	45
Deferred taxes	-	39
Minority interest	-	687
Changes in working capital, net of effects of purchase transactions:		
Accounts receivable, net	(27)	1,755
Prepaid expenses	-	(18)
Other current assets	7	331
Accounts payable	(182)	71
Accrued expenses	(62)	74
Other assets	2	(128)
Net cash provided by operations	390	3,739
Cash flows from investing activities:		
Cash used in acquisitions, net	-	(35,544)
Purchases of property and equipment, net	(4)	(118)
Net cash used by investing activities	(4)	(35,662)
Cash flows from financing activities:		
Proceeds from sale of common stock in initial public offering, net of offering costs	-	52,981
Distributions	(992)	(1,767)
Proceeds from long-term debt	-	663
Net cash provided by (used in) financing activities	(992)	51,877
Net increase (decrease) in cash	(606)	19,954
Cash, beginning of period	2,026	2
Cash, end of period	\$1,420	\$ 19,956
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	\$ -	-
Income taxes	19	28

See notes to unaudited condensed consolidated financial statements.

HUB GROUP, INC.

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 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 a controlling 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 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 a controlling 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 \$17,449,000 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. The allocations presented 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 Hub Partnerships 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 \$43,213,000 and goodwill for financial reporting purposes of approximately \$17,449,000. 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:

	THREE MONTHS ENDED MARCH 31,	
	1995	1996
	----- (000's) -----	
Revenue as reported	\$ 18,934	\$ 48,797
Revenue of purchased business for period prior to acquisitions, net of eliminations	148,118	138,954
Pro forma revenue	\$167,052	\$187,751
Net income as reported	\$ 386	\$ 642
Net income of purchased businesses for period prior to acquisition	898	870
Adjustment for goodwill amortization	(66)	(56)
Pro forma net income	\$ 1,218	\$ 1,456
Earnings per share as reported	\$ 0.23	\$ 0.29
Effect of purchased businesses prior to acquisitions	0.01	(0.01)
Pro forma earnings per share	\$ 0.24	\$ 0.28



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

	THREE MONTHS ENDED MARCH 31, 1996 ----- (000's)
Accounts receivable	\$ 75,576
Prepaid expenses	861
Other current assets	724
Property and equipment	9,309
Goodwill	17,449
Deferred tax benefit	10,306
Other assets	704
Accounts payable	(74,693)
Accrued expenses	(5,100)
Long-term debt	(14,921)
Minority interest	(102)
Partnership capital	(27)
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	\$ 35,544 -----

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31, 1995 -----	MARCH 31, 1996 -----
	----- (000's) -----	
Land	--	92
Building and improvements	--	798
Leasehold improvements	17	415
Computer equipment and software	478	5,025
Furniture and equipment	221	2,072
Transportation equipment and automobiles	29	1,770
	----- 745	----- 10,172
Less: Accumulated depreciation	(608)	(637)
	----- 137	----- 9,535
PROPERTY AND EQUIPMENT, net	-----	-----

NOTE 5. 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 three months ended March 31, 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:

	THREE MONTHS ENDED MARCH 31,	
	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)	(22.5)
Net effective rate	0.0%	17.5%

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

	THREE MONTHS ENDED MARCH 31,	
	1995	1996
Current		
Federal	\$ --	\$ 150
State and local	--	26
	--	176
Deferred		
Federal	--	9
State and local	--	2
	--	11
Total provision	\$ --	\$ 187

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

#### NOTE 6. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Fair value approximates book value at the balance sheet date.

	March 31, 1996
	(000's)
Line of credit with no expiration date, interest payable monthly at 1/2% less than the bank's prime lending rate (7.75% at March 31, 1996), secured by certain assets.	\$ 425
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.	1,633
Unsecured balloon notes, interest compounded annually at 5.45%, interest and principal due March, 2001.	13,176
Mortgage note payable due in 1998 with monthly installments of \$2,381, including interest at 8.5%, collateralized by all property.	214
Capital lease obligations, collateralized by certain equipment.	136

Total long-term debt  
Less current portion

15,584  
(585)

-----  
14,999  
-----

NOTE 7. 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 #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 8. 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	--

  

	March 31, 1996	
	Authorized	Issued and Outstanding
Preferred stock, \$.01 par value	2,000,000	--
Class A common stock, \$.01 par value	12,337,700	5,261,350
Class B common stock, \$.01 par value	662,300	662,296

NOTE 9. SUBSEQUENT EVENT

On May 2, 1996, the Company acquired the domestic intermodal marketing business of American President Lines - Domestic Distribution Services from its parent, American President Companies, LTD. The Company paid \$2,000,000 in cash and issued notes for \$6,000,000, bearing interest which is due annually on any unpaid balances, at an annual rate of 6%. The note will be paid with three equal annual installments beginning on May 1, 1997.

## HUB GROUP, INC.

### 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 a controlling interest in the Hub Group Distribution Services partnership (collectively referred to as "Hub Partnerships") 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 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 approximately nine times that of Hub Chicago. As a result, consolidated revenues and operating expenses will increase dramatically in future quarters. Additionally, purchased transportation costs and operating costs as a percent to revenue may differ from historical trends for Hub Chicago.

#### RESULTS OF OPERATIONS

##### REVENUES

Revenues totaled \$48.8 million for the first quarter ended March 31, 1996, representing a 157.7% increase over the comparable period in 1995. Without the acquisition, company revenues totaled \$20.2 million for the first quarter of 1996 representing a 6.5% increase over the comparable period in 1995. This increase resulted principally from revenues generated from sales to the Hub Partnerships.

##### PURCHASED TRANSPORTATION

Purchased transportation decreased in the first quarter of 1996 to 89.0% of revenues from 91.7% of revenues in the comparable period in 1995. Without the acquisition, purchased transportation decreased slightly to 91.6% of revenues in the period compared to 91.7% of revenues in the comparable period in 1995. Management has been successful in controlling purchased transportation costs in a somewhat erratic transportation market exacerbated by economic uncertainty and rising fuel costs. Continued fuel price increases could adversely impact the Company's ability to maintain purchased transportation costs at current levels.

##### NET REVENUES

Net revenues increased to 11.0% of revenues in the first quarter of 1996 from 8.3% of revenues in the comparable period in 1995. Without the acquisition, net revenues increased slightly to 8.4% of revenues in the period compared to 8.3% of revenues in the first quarter of 1995.

##### SALARIES AND BENEFITS

Salaries and benefits increased to \$2.6 million or 5.3% of revenues in the first quarter of 1996 compared to \$.6 million or 3.4% of revenues in the comparable period in 1995. Without the acquisition, salaries and benefits increased to \$.7 million or 3.6% of revenues compared to \$.6 million or 3.4% of revenues in the comparable period in 1995. This increase was a result of additional staffing to implement

the Company's strategy to grow its truckload brokerage operations and additional sales personnel to expand the local revenue base.

#### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased to \$1.0 million or 2.1% of revenues in the first quarter of 1996 compared to \$.3 million or 1.6% of revenues in the comparable period in 1995. Without the acquisition, selling, general and administrative costs for the period totaled \$.2 million or 1.2% of revenues compared to \$.3 million or 1.6% of revenues in the comparable period in 1995. This decrease was the result of a reduction in the bad debt reserve of \$80,000.

#### OPERATING INCOME

Operating income increased to \$1.8 million or 3.6% of revenues in the first quarter of 1996 compared to \$.6 million or 3.2% of revenues in the comparable period in 1995. Without the acquisition, operating income increased to \$.7 million or 3.6% of revenues for the period compared to \$.6 million or 3.2% of revenues in the comparable period in 1995.

#### OTHER INCOME (EXPENSE)

All of the interest expense incurred in the first quarter of 1996 was incurred subsequent to March 17, 1996 and relates primarily to balloon notes assumed in the acquisition (see "Liquidity and Capital Resources"). Interest expense will increase significantly in the second quarter of 1996 as the balloon notes will be outstanding for the entire quarter. Additionally, the Company will be recognizing interest expense on notes issued in conjunction with an acquisition which closed in May, 1996 (see "Liquidity and Capital Resources"). The Company incurred no interest expense in the first quarter of 1995.

Interest income will increase significantly in the second quarter of 1996 from the investment of the portion of the net proceeds from the initial public offering retained by the Company. Additional interest income will be generated by the Hub Partnerships, as they will be included for the full quarter. Reported interest income was approximately \$30,000 for both of the quarters ended March 31, 1995 and 1996.

#### MINORITY INTEREST

Minority interest was \$.7 million or 1.4% of revenues in the first quarter of 1996. Without the acquisition, the company had no minority interest for the quarters ended March 31, 1996 and March 31, 1995.

#### INCOME TAXES

Income taxes were \$.2 million or .4% of revenues in the first quarter of 1996. The Company had no provision for income taxes prior to March 18, 1996, as the Company was a non-taxable subchapter S corporation.

#### NET INCOME

Net income increased to \$.9 million in the first quarter of 1996 compared to \$.6 million in the comparable period in 1995, but decreased to 1.8% of revenues in the first quarter of 1996 compared to the first quarter of 1995. Without the acquisition, net income increased to \$.7 million or 3.6% of revenues in the first quarter of 1996 compared to \$.6 million or 3.4% of revenues in the comparable period of 1995.

#### PRO FORMA PROVISION FOR ADDITIONAL INCOME TAXES

Additional pro forma income taxes of \$.2 million in the first quarter of 1996 and \$.3 million in the first quarter of 1995 were recorded to provide an assumed effective federal and state income tax provision at a rate of 40% of income before taxes for the periods prior to March 18, 1996 and March 31, 1995 respectively.

#### PRO FORMA NET INCOME

Pro forma net income increased to \$.6 million in the first quarter of 1996 compared to \$.4 million in the comparable period in 1995, but decreased to 1.3% of revenues in the first quarter of 1996 compared to 2.0% of revenues in the first quarter of 1995.

#### PRO FORMA EARNINGS PER SHARE

Pro forma earnings per share increased to \$.29 in the quarter ended March 31, 1996 compared to \$.23 for the quarter ended March 31, 1995. Without the acquisition, pro forma earnings per share increased to \$.26 in the first quarter of 1996 compared to \$.23 in the comparable period in 1995.

#### LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of 1996, the Company had two significant transactions that affected liquidity. The two transactions were the initial public offering of the Company's common stock and the subsequent acquisition of the Hub Partnerships. These two items represented a cash inflow and outflow of \$53.0 million and \$35.5 million, respectively. Related to the acquisition, the Company assumed long-term debt of \$14.9 million, the majority of which is comprised of 5-year balloon notes due in March of 2001, bearing interest at an annual rate of 5.45%. Additionally, the acquisition 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 \$17.4 million of goodwill acquired will result in an annual tax deductible expense to be recognized ratably over the next 15 years. For book purposes goodwill is being amortized over 40 years.

Immediately prior to the initial public offering and acquisition, Hub Chicago issued 5-year balloon notes, due in March 2001, to its shareholders for approximately \$663,000, bearing interest at an annual rate of 5.45%. In May of 1996, the Company closed on its acquisition of the domestic intermodal marketing business of American President Lines-Domestic Distribution Services. The Company paid \$2.0 million at closing and issued a note for \$6.0 million, bearing interest at an annual rate of 6.0%, which is due annually on any unpaid balances. The note will be paid with three equal annual installments beginning on May 1, 1997.

The Company maintains a bank line of credit totaling \$5.0 million which bears interest at the prime rate less 1/2%. As of March 31, 1996 the unused and available portion of this credit line was \$4.6 million. Although there can be no assurances, management believes it can obtain a significant additional line of credit, if necessary.

The Company does not require substantial capital expenditures. Capital expenditures are principally used to enhance or expand the Company's computer system and network capabilities. Reported consolidated capital expenditures will be significantly higher in the future due to the acquisition of the Hub Partnerships in March, 1996.

The Company believes that existing cash, cash provided by operations and cash available under lines of credit 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 long-term working capital, capital expenditure and debt repayment needs through the year 2001.

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 March 31, 1995 -----	January 1 through March 17, 1996 -----
REVENUE:		
Trade	\$ 150,879	\$142,413
Affiliate	4,793	3,992
	-----	-----
Total revenue	155,672	146,405
PURCHASED TRANSPORTATION	137,273	128,405
	-----	-----
Net revenue	18,399	18,000
COSTS AND EXPENSES:		
Salaries and benefits	9,286	9,807
Selling, general and administrative	4,220	3,946
	-----	-----
Total costs and expenses	13,506	13,753
Operating income	4,893	4,247
	-----	-----
INTEREST AND OTHER INCOME	200	159
	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	5,093	4,406
PROVISION FOR INCOME TAXES	116	126
	-----	-----
NET INCOME	\$ 4,977 =====	\$ 4,280 =====

See notes to unaudited condensed combined financial statements.

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

	Common Stock		Additional Paid-in Capital	Treasury Stock	Partnership Capital	Retained Earnings	Equity
	Shares	Amount					
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)

	THREE MONTHS ENDED MARCH 31, 1995	JANUARY 1 THROUGH MARCH 17, 1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 4,977	\$ 4,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	538	553
Loss on sale of property and equipment	12	3
Changes in working capital:		
Accounts receivable, net	1,324	604
Prepaid expenses	(198)	(29)
Other current assets	(168)	918
Accounts payable	1,011	4,783
Accrued expenses	(281)	(140)
Other assets	14	(407)
	-----	-----
Net cash provided by operations	7,229	10,565
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment, net	(1,341)	(775)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	724	13,594
Proceeds from sale of common stock	146	--
Distributions	(6,449)	(26,207)
Payments on long-term debt	(164)	(361)
	-----	-----
Net cash used in financing activities	(5,743)	(12,974)
	-----	-----
Net increase (decrease) in cash	145	(3,184)
Cash, beginning of period	14,805	10,949
	-----	-----
Cash, end of period	\$ 14,950	\$ 7,765
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	\$ 36	\$ 56
Income taxes	140	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
Less: Accumulated depreciation	(7,481)
	-----
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 a controlling interest in the Hub Group Distribution Services partnership (collectively referred to as "Hub Partnerships"). 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.

#### RESULTS OF OPERATIONS

##### REVENUES

Revenues totaled \$146.4 million for the period January 1, 1996 through March 17, 1996, representing a 6.0% decrease from the quarter ended March 31, 1995. Although truckload brokerage and logistics revenues increased significantly to approximately \$24.7 million, total revenues decreased due to the shortened period in 1996 compared to the first quarter in 1995.

##### PURCHASED TRANSPORTATION

Purchased transportation decreased in the period ended March 17, 1996 to 87.7% of revenues from 88.2% of revenues in the first quarter of 1995. The decrease is attributable to the Company's volume leverage with vendors, efficient utilization of available leased equipment and management's continued focus on controlling purchased transportation costs.

##### NET REVENUES

Net revenues increased to 12.3% of revenues in the period ended March 17, 1996 from 11.8% of revenues in the first quarter of 1995.

##### SALARIES AND BENEFITS

Salaries and benefits increased to \$9.8 million or 6.7% of revenues in the period ended March 17, 1996 compared to \$9.3 million or 6.0% of revenues in the first quarter in 1995. The majority of the increase resulted from the Company's decision to invest in additional staffing to handle new brokerage and logistics business, expansion of local and national sales forces and additional financial and administrative functions needed to continue the Company's growth. Management feels that the increased staffing provides the foundation to handle future revenue growth at reduced incremental staffing levels.

##### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative costs decreased to \$3.9 million in the period ended March 17, 1996 compared to \$4.2 million in the first quarter of 1995. The decrease in expenditures is directly attributable to the shortened period in 1996.

#### OPERATING INCOME

Operating income decreased to \$4.2 million or 2.9% of revenues in the period ended March 17, 1996 compared to \$4.9 million or 3.1% of revenues in the first quarter of 1995.

#### INTEREST AND OTHER INCOME

Interest and other income remained constant at \$.2 million and .1% of revenues in the period ended March 17, 1996 as compared to the quarter ended March 31, 1995.

#### INCOME TAXES

Provision for income taxes remained constant at \$.1 million or .1% of revenues for the period ended March 17, 1996 as compared to the quarter ended March 31, 1995. Provision for income taxes represents the provision for state and local income taxes that are assessed directly to the Hub Partnerships.

#### NET INCOME

Net income decreased to \$4.3 million or 2.9% of revenues in the period ended March 17, 1996 compared to \$5.0 million or 3.2% of revenues in the first quarter of 1995.

#### LIQUIDITY AND CAPITAL RESOURCES

The Hub Partnerships, prior to being acquired on March 18, 1996, distributed substantially all of its equity to its shareholders. This distribution was made through use of existing cash and through issuance of five-year balloon notes, bearing interest at an annual rate of 5.45%.

Since the Hub Partnerships sold all of its liabilities and substantially all of its assets, it no longer has any cash requirements related to working capital needs or debt maturities.

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: May 14, 1996

/s/ William L. Crowder

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





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

1,000

3-MOS	
DEC-31-1996	MAR-31-1996
	19956
	0
	82394
	950
	0
	103769
	10172
	637
	142071
88441	0
	59
0	0
	37772
142071	0
	48797
	0
	43412
	3630
	67
	31
	1070
	428
1755	0
	0
	0
	642
	0.29
	0