Hub Group, Inc.
Form 10-K/A
January 05, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File No. 0-27754

HUB GROUP, INC.

(Exact name of registrant as specified in its charter)

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

2000 Clearwater Drive

Oak Brook, Illinois 60523

(Address and zip code of principal executive offices)

(630) 271-3600

(Registrant's telephone number, including area code)

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

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

Class A Common Stock, $.01 par value

(Title of Class)

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

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the Registrant’s voting stock held by non-affiliates on June 30, 2016, based upon the last reported sale price on that date on the NASDAQ Global Select Market of $38.37 per share, was $1,248,870,411.

On February 16, 2017, the Registrant had 33,471,346 outstanding shares of Class A Common Stock, par value $.01 per share, and 662,296 outstanding shares of Class B Common Stock, par value $.01 per share.

Documents Incorporated by Reference

The Registrant’s definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2017 (the “Proxy Statement”) is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as a part hereof.

Explanatory Note

Hub Group, Inc. is filing this Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2016 (“Form 10-K”) to add a date to the Section 906 certification in Exhibit 32.1.

PART I

FORWARD LOOKING STATEMENTS

This annual report contains, and our officers and representatives may from time to time make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “hopes,” “believes,” “intends,” “estimates,” “anticipates,” “predicts,” “projects,” “potential,” “may,” “could,” “might,” “should,” and va words and similar expressions are intended to identify these forward-looking statements. In particular, information appearing under “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are neither historical facts nor assurance of future performance. Instead, they are based on our beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. All forward-looking statements made by us in this annual report are based upon information available to us on the date of this report and speaks only as of the date in which they are made. Except as required by law, we expressly disclaim any obligations to publicly update any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward looking statements, in addition to those described in detail under Items 1A “Risk Factors,” include the following:

- the degree and rate of market growth in the domestic intermodal, truck brokerage and logistics markets served by us;
- deterioration in our relationships with existing railroads or adverse changes to the railroads’ operating rules;
- changes in rail service conditions or adverse weather conditions;
- further consolidation of railroads;
- the impact of competitive pressures in the marketplace, including entry of new competitors, direct marketing efforts by the railroads or marketing efforts of asset-based carriers;
- changes in rail, drayage and trucking company capacity;
- railroads moving away from ownership of intermodal assets;
- equipment shortages or equipment surplus;
- changes in the cost of services from rail, drayage, trucking or other vendors;
- increases in costs related to any reclassification or change in our treatment of drivers or owner-operators due to regulatory, judicial and legal changes;
- labor unrest in the rail, drayage or trucking company communities;
- general economic and business conditions;
- inability to successfully protect our data against cyber-attacks;
- significant deterioration in our customers’ financial condition, particularly in the retail, consumer products and durable goods sectors;
- fuel shortages or fluctuations in fuel prices;
- increases in interest rates;
- acts of terrorism and military action and the resulting effects on security;
- difficulties in maintaining or enhancing our information technology systems;
- increases in costs associated with changes to or new governmental regulations;
- significant increases to employee health insurance costs;
- loss of several of our largest customers

- awards received during annual customer bids not materializing
- loss of Mode Transportation, LLC (“Mode LLC”) sales/operating agents known as Independent Business Owners (“IBOs”) and sales-only agents;

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- inability to recruit and retain key personnel and Mode LLC sales-only agents and IBOs;
- inability to recruit and maintain company drivers and owner-operators;
- changes in insurance costs and claims expense;
- union organizing efforts and changes to current laws which will aid in these efforts;
- inability to identify, close and successfully integrate any future business combinations; and
- imposition of new tariffs or trade barriers or withdrawal from or renegotiation of existing free trade agreements which could reduce international trade and economic activity

Item 1. BUSINESS

General

Hub Group, Inc. (the "Company", "we", "us" or "our") is a Delaware corporation that was incorporated on March 8, 1995. We are one of North America's leading asset-light freight transportation management companies. We offer comprehensive intermodal, truck brokerage and logistics services. Since our founding in 1971, we have grown to become one of the largest intermodal marketing companies ("IMC") in the United States and one of the largest truck brokers. Through our network, we have the ability to arrange for the movement of freight in and out of every major city in the United States, Canada and Mexico. We utilize an asset-light strategy in order to minimize our investment in equipment and facilities and reduce our capital requirements. We arrange freight movement for our customers through transportation carriers and equipment providers.

In April 2011, we acquired all of the capital stock of Exel Transportation Services, Inc. ("ETS"). ETS is now our wholly-owned subsidiary, operating independently and renamed Mode Transportation, LLC ("Mode LLC"). Mode LLC has approximately 182 agents, consisting of 102 IBOs, who sell services and operate the business throughout North America and 80 sales only agents. Mode also has a temperature protected services division operated out of our Oak Brook, IL headquarters and corporate offices in Memphis, TN and Dallas, TX.

We report two distinct business segments. The first segment is "Mode," which includes the acquired Mode LLC business only. Mode LLC markets and operates its freight transportation services primarily through its network of IBOs who enter into contracts with Mode LLC. The second segment is "Hub," which is all business other than Mode. Hub operates through a network of operating centers throughout the United States, Canada and Mexico. Hub services a large and diversified customer base in a broad range of industries, including consumer products, retail and durable goods. Both segments offer intermodal, truck brokerage and logistics services. "Hub Group" includes both segments.

Services Provided

Our transportation services for both the Hub and the Mode segments can be broadly placed into the following categories:

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

As of December 31, 2016, we owned a total of 29,378 53-foot private containers and we had exclusive access to approximately 2,581 rail-owned containers for our dedicated use on the Union Pacific ("UP") and the Norfolk Southern

(“NS”) rails. We use our network to access containers and trailers owned by leasing companies, railroads and steamship lines. We are able to track trailers and containers entering a service area and reuse that equipment to fulfill the customers’ outbound shipping requirements. This effectively allows us to “capture” containers and trailers that we do not own or have exclusive access to and keep them within our network.

During 2016, our subsidiary, Hub Group Trucking, Inc. (“Hub Group Trucking”) accounted for approximately 56% of Hub’s drayage needs by assisting us in providing reliable, cost effective intermodal services to our customers. As of December 31, 2016 Hub Group Trucking had terminals in Atlanta, Birmingham, Charlotte, Chattanooga, Chicago, Columbus (OH), Dallas, Harrisburg, Huntsville, Indianapolis, Jacksonville, Kalamazoo, Kansas City, Milwaukee, Memphis, Nashville, Newark, Philadelphia, Portland (OR), Salt Lake City, Savannah, Seattle, St. Louis, Stockton and Wilmington (IL) metro areas. As of December 31, 2016, Hub Group Trucking leased or owned 984 tractors and 436 trailers, employed 971 drivers and contracted with 1,721 owner-operators.

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

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

Hub and Mode LLC Networks

Hub's entire network is interactively connected through Hub's proprietary Network Management System and Mode LLC's network is connected through its third party transportation management system. This enables us to arrange for the movement of freight into and out of every major city in the United States, Canada and Mexico.

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

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

Marketing and Customers

As one of the world's leading transportation management companies, Hub Group is committed to providing multi-modal solutions throughout North America, including intermodal, truck brokerage and logistics services. We have transformed our organization from a traditional Intermodal Marketing Company (IMC) into a multi-modal solutions provider. This change has revolutionized our offerings and the way we service our customers. We look at our customers' entire networks to provide innovative multi-modal solutions to drive savings, improve service and offer full visibility.

After 45 years in business, we continue to live by the simple mantra that "good" isn't good enough. To ensure we grow and improve, we focus intently on our customers, listening to their needs, developing comprehensive transportation solutions and delivering superior service. We invest in our people and technology to maintain our competitive edge in order to be the best transportation partner for our customers.

We face a continued need to help our customers meet consumer demands of having products and services through any buying channel. With efficiency as our guide, we have been delivering to an already leaner supply chain, with our customers reporting an increase in speed and improved visibility. We accomplish this by investing in people, technology and equipment. Our satellite tracking equipment ensures our customers have the capacity needed; state-of-the-art technology helps to maintain our high levels of service while providing 24/7 visibility into any shipment; and our people have the skills, training and information to quickly respond to our customers' changing supply chain network. Supporting every customer is a dedicated team of professionals ready to service any and all of our customers' needs. We call this our "One Hub" experience.

The majority of our business is in the retail, consumer products, durable goods and automotive verticals. No one customer represented more than 10% of our total revenue in 2016 in either reporting segment.

The Mode LLC acquisition diversified Hub Group's customer base with more small and medium sized customers, as Hub has traditionally focused, to a significant degree, on larger national accounts. Mode IBOs and sales agents are often able to devote more attention to smaller and medium sized shippers and develop long-term relationships with them.

Management Information Systems

Our technology strategy continues to prioritize our investment into solutions that deliver value to our customers while also providing advanced capabilities to our operations teams, our drivers and our 3rd party carriers. In 2016, we moved our API based design forward allowing for the real time delivery of position information providing customers with crucial data to predict service outcomes. In addition, we introduced our first mobile app for 3rd party carriers. We will continue to advance both areas in 2017 with new mobile apps planned for delivery as well as continuing to mature our API offerings. In addition, our customers will also be able to experience new capabilities and engagement options through our customer portal. We remain laser focused on executing our cloud based approach to solutions as it is critical to dramatically changing the rate and pace at which we can deliver new and innovative solutions while lowering the total cost.

Unyson is known in the industry for managing and solving complex transportation networks with sophisticated solutions using world class processes and technology. Unyson's sophisticated solution includes creative and skilled utilization of Oracle Transportation Management (OTM). In addition, strategic investments have been made in building out an Enterprise Data Warehouse to ensure that we are able to report and provide visibility to drive continuous improvement. Unyson's customers benefit from advanced solutions that include multi-leg order optimization, SKU level shipment management, iterative consolidation, cross customer collaboration and flexible invoicing options. Our investments are yielding returns as we continue to onboard customers with complex supply chains that our previous TMS could not support. We will continue to leverage our approach to bring on new customers as well as continue to transition current customers to OTM to meet our retirement goals for legacy products.

In 2017, we will begin the implementation of OTM for Intermodal and Truck Brokerage. The powerful OTM solution will bring complete visibility across all of our services allowing us to provide robust solutions to complex customer needs. In addition, through optimized planning decisions and efficiency in daily operations we will see measurable value once we have reached full rollout. Finally, the solution allows us to scale to meet the needs of our large and complex customer base. While we will begin the work surrounding the implementation in 2017, the rollout will take place in 2018 and complete in 2019. We will leverage industry expertise as well as our close relationship to the OTM development team to increase the probability of success and reduce the risk that comes with transformation.

Mode LLC utilizes a dynamic transportation management platform that integrates best in class third party technologies to manage its business. This platform includes an execution system that provides multi-modal solutions, visibility to status of shipments, facilitation of customer billing, and a robust portal that allows exchange of information about loads, capacity, and event status information between transportation providers and our end customers. Additionally Mode LLC's platform consists of components that allow for optimization of our customer's order process, management of our diverse carrier base, and robust analytics and business intelligence solutions that allow our customers to better understand outcomes and opportunities within their supply chain. Throughout our platform we leverage flexible integrations to provide connectivity between our technology components along with available touch points across our thousands of trading partners ranging from customers to major rail carriers to numerous trucking partners. This provides a robust and scalable technological solution that can meet the needs of a growing transportation network.

Relationship with Railroads

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

We have relationships with each of the following major railroads:

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

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We also have relationships with each of the following major service providers: APL, CMA CGM (America) Inc., COSCO (China Ocean Shipping (Group) Company), Domestic Intermodal America, Evergreen Shipping Agency (America) Corp., Express System Intermodal Inc., Florens Container Services, Hamburg Sud Group, Hanjin Shipping, Hapag-Lloyd (America) Inc., Hyundai Merchant Marine, K-Line America, M+R Forwarding (HK) Limited, Maersk Sea-Land, Mediterranean Shipping Company, Mitsui O.S.K. Lines (America) Inc., NYK (Nippon Usen Kaisha) Line, OOCL (Orient Overseas Container Line), Triton Overseas Transport, Westwood Shipping Lines, Yang Ming (America) Corp., and Zim Integrated Shipping Services.

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

Relationship with Drayage Companies

Hub has a “Quality Drayage Program,” under which participants commit to provide high quality drayage service along with clean and safe equipment, maintain a defined on-time performance level and follow specified procedures designed to minimize freight loss and damage. We negotiate drayage rates for transportation between specific origin and destination points.

We also provide drayage services with our own drayage operations, which we operate through our subsidiary Hub Group Trucking. Our drayage operations employ their own drivers and also contract with owner-operators who supply their own trucks.

Relationship with Trucking Companies

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

Risk Management and Insurance

We require all drayage companies participating in Hub’s Quality Drayage Program to carry at least $1.0 million in general liability insurance, $1.0 million in truckman’s auto liability insurance and a minimum of $100,000 in cargo insurance. Railroads, which are self-insured, provide limited cargo protection, generally up to $250,000 per shipment. To cover freight loss or damage when a carrier’s liability cannot be established or a carrier’s insurance is insufficient to cover the claim, we carry our own cargo insurance with a limit of $1.0 million per container or trailer and a limit of $20.0 million in the aggregate. We also carry general liability insurance with limits of $5.0 million per occurrence with a companion $50.0 million umbrella policy on this general liability insurance.

We maintain separate insurance policies to cover potential exposure from our company-owned drayage operations. We carry commercial general liability insurance with a limit of $5.0 million per occurrence, subject to a $10.0 million policy aggregate limit, and trucker’s automobile liability insurance with a limit of $5.0 million per occurrence. Additionally, we have an umbrella excess liability policy with a limit of $45.0 million. We also maintain motor truck cargo liability insurance with a limit of $1.0 million per occurrence.

Government Regulation

The company and various subsidiaries, including Mode LLC, are licensed by the Department of Transportation as brokers in arranging for the transportation of general commodities by motor vehicle. To the extent that the Hub operating centers and Mode LLC IBOs perform truck brokerage services, they do so under these licenses. The Department of Transportation prescribes qualifications for acting in this capacity, including a $75,000 surety bond that we have posted. In addition, Hub and Mode each have customs bonds. To date, compliance with these regulations has not had a material adverse effect on our results of operations or financial condition. However, the transportation industry is subject to legislative or regulatory changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services.

Custom-Trade Partnership Against Terrorism

We achieved Custom-Trade Partnership Against Terrorism (C-TPAT) certification in 2013 and validation in 2014. C-TPAT is a voluntary supply chain security program led by U.S. Customs and Border Protection focused on improving the security of private companies' supply chains with respect to terrorism. Companies who achieve C-TPAT certification must have a documented process for determining and alleviating risks throughout their international supply chain. This certification allows us to be considered low risk, resulting in expedited processing of our customers' cargo, including fewer customs examinations.

Competition

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

General

Employees: As of December 31, 2016, Hub Group had 2,755 employees consisting of 2,628 Hub employees, or 1,657 employees excluding drivers, and 127 Mode LLC employees. We are not a party to any collective bargaining agreements and consider our relationship with our employees to be satisfactory.

As of December 31, 2016, Mode LLC had 102 IBOs and 80 sales only agents. Nearly all of the sales-only agents and IBOs are under written contracts with Mode LLC.

Other: No material portion of our operations is subject to renegotiation of profits or termination of contracts at the election of the federal government. Our business is seasonal to the extent that certain customer groups, such as retail, are seasonal.

Periodic Reports

Our annual report to the Securities and Exchange Commission ("SEC") on Form 10-K, our quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to such reports, are available free of charge on our website at www.hubgroup.com as soon as reasonably practicable after we electronically file or furnish such reports to the SEC. Information on our website does not constitute part of this annual report on Form 10-K. In addition, the SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly, and current reports, proxy and information statements, and other information we electronically file with, or furnish to, the SEC. Any materials we file with, or furnish to, the SEC may also be read and/or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. RISK FACTORS

Because we depend on railroads for our operations, our operating results and financial condition are likely to be adversely affected by any increase in rates, reduction or deterioration in rail service or change in the railroads' reliance on us to market their intermodal transportation services.

We depend on the major railroads in the United States for virtually all of the intermodal services we provide. In many markets, rail service is limited to one or a few railroads. Consequently, a reduction in, or elimination of, rail service to a particular market is likely to adversely affect our ability to provide intermodal transportation services to some of our customers. In addition, the railroads are relatively free to adjust shipping rates up or down as market conditions permit. Declines in coal, crude oil and other commodity freight volumes negatively affect the business and profitability of the major railroads, which they may try to offset in part through higher rates to other customers, including us and other IMCs. Rate increases would result in higher intermodal transportation costs, reducing the attractiveness of intermodal transportation compared to truck or other transportation modes, which could cause a decrease in demand for our services. Further, our ability to continue to expand our intermodal transportation business is dependent upon the railroads' ability to increase capacity for intermodal freight and provide consistent and reliable service. Our business could also be adversely affected by a work stoppage at one or more railroads or by adverse weather conditions or other factors that hinder the railroads' ability to provide reliable transportation services.

In the past, there have been service issues when railroads have merged. As a result, we cannot predict what effect, if any, further consolidations among railroads may have on intermodal transportation services or our results of operations.

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

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

For Hub Group's consolidated revenue, our largest 20 customers accounted for approximately 38% of our revenue in 2016, 35% in 2015 and 36% in 2014. A reduction in or termination of our services by one or more of our largest customers could have a material adverse effect on our revenue and business.

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

We derived 61% of our revenue from our intermodal services in 2016 and 62% in both 2015 and 2014. As a result, any decrease in demand for intermodal transportation services compared to other transportation services could have an adverse effect on our results of operations.

An economic downturn and cyclical fluctuations in the economy could materially adversely affect our business.

Our operations and performance depend significantly on economic conditions. Uncertainty about United States and global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news and/or declines in income or asset values, which could have a material negative effect on demand for transportation services. We are unable to predict the likely duration and severity of disruptions in the financial markets and adverse economic conditions, and if the current uncertainty continues or economic conditions further deteriorate, our business and results of operations could be materially and adversely affected. Other factors that could influence demand include fluctuations in fuel costs, labor costs, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. We have little or no control over any of these factors or their effects on the transportation industry. Increases in the operating costs of railroads, trucking companies or drayage companies can be expected to result in higher freight rates. Our operating margins could be adversely affected if we were unable to pass through to our customers the full amount of higher freight rates. Economic recession or a downturn in customers' business cycles also may have an adverse effect on our results of operations and growth by reducing demand for our services. Therefore, our results of operations, like the entire freight transportation industry, are cyclical and subject to significant period-to-period fluctuations. There could be a number of follow-on effects from a credit crisis on our business, including the insolvency of key transportation providers and the inability of our customers to obtain credit to finance development and/or manufacture products resulting in a decreased demand for transportation services. Our revenues and gross margins are dependent upon this demand, and if demand for transportation services declines, our revenues and gross margins could be adversely affected.

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

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

We use a significant number of independent contractors, such as owner operators, in our businesses. Legislative, judicial and regulatory authorities may continue to take actions or render decisions that could affect the independent contractor classification, which could have a significant impact on our gross margin and operating income.

We do business with a large number of independent contractors, such as Mode LLC IBO's and sales agents and Hub Group Trucking owner-operators, consistent with longstanding industry practices. Legislative, judicial, and regulatory (including tax) authorities have taken actions and rendered decisions that could affect the independent contractor classifications. Class action and individual lawsuits have been filed against us and others in our industries, challenging the independent contractor classifications. See Item 3 - Legal Proceedings for further discussion and see Note 15 to the consolidated financial statements under "Legal Matters" for a description of material pending litigation and regulatory matters affecting us and certain risks to our business presented by such matters. If independent contractors are determined to be employees, then we may incur legal liabilities associated with that determination, such as liability for unpaid wages, overtime, employee health insurance and taxes. If we were to change how we treat independent contractors or reclassify independent contractors to employees, then we would likely incur expenses associated with that reclassification and could incur additional ongoing expenses. The costs associated with these matters could have a material adverse effect on results of operations and our financial position.

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

Transportation costs represented 87% of our consolidated revenue in 2016, 88% in 2015 and 90% in 2014. Because transportation costs represent such a significant portion of our costs, even relatively small increases in these transportation costs, if we are unable to pass them through to our customers, are likely to have a significant effect on our gross margin and operating income. Transportation costs may increase if we are unable to sign on owner-operators or recruit employee drivers as this may increase driver costs or force us to use more expensive purchased transportation. Rail and third party carrier costs could increase and if we are unable to pass the cost increase through to our customers, the impact on our gross margin and operating income could be significant.

If we fail to maintain and enhance our information technology systems, or if we fail to successfully implement new technology or enhancements, we may be at a competitive disadvantage and lose customers.

Hub Group's information technology systems are critical to our operations and our ability to compete effectively as an IMC, truck broker and logistics provider. We expect our customers to continue to demand more sophisticated information technology applications from their suppliers and we must anticipate market trends and enhance or replace our information technology systems in response to such trends. This may involve significant research and development costs and implementation challenges. To keep pace with changing technologies and customer demands, we are in the process of implementing Oracle Transportation Management (OTM) as our primary transportation management solution. In a technology implementation of this size and scope we must mitigate risk by engaging experts to lead the implementation, hiring OTM expertise and leveraging a previously successful OTM implementation. If we fail to successfully implement OTM and other critical technology, if it does not provide the anticipated benefits or it does not meet market demands, we may be placed at a competitive disadvantage and could lose customers, negatively impacting our financial condition and results of operations.

Technology and new market entrants may also disrupt the way we and other IMCs and freight brokers operate. As technology improves and new companies enter the freight brokerage market, our customers may be able to find alternatives to our services for matching shipments with available freight hauling capacity. We must continue to develop innovative services and capabilities in order to continue to attract and maintain customer demand for our services.

Because we rely on third parties for the operation of our intermodal, truck brokerage and logistics services, our ability to expand our business or maintain our profitability may be adversely affected by a shortage of drivers and capacity.

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

We derived 20% of our revenue from our truck brokerage services in 2016 and 19% in 2015 and 2014. We depend upon various third-party trucking companies for the transportation of our customers' loads. Particularly during periods of economic expansion, trucking companies may be unable to expand their fleets due to capital constraints or chronic driver shortages, and these trucking companies also may raise their rates. If we face insufficient capacity among our third-party trucking companies, we may be unable to maintain or expand our truck brokerage business. Also, we may be unable to pass rate increases on to our customers, which could adversely affect our profitability.

We derived 19% of our revenue from our logistics services in 2016, 2015 and 2014. We depend on various less than truckload companies for the transportation of our customers' freight. As many of our logistic contracts have a gain share component, changes in less than truckload rates due to these trucking companies being unable to expand their fleets or chronic driver shortages, may affect our profitability and our ability to retain our customers. Also, we may be unable to pass rate increases on to our customers, which could adversely affect our profitability.

Insurance and claims expenses could significantly reduce our earnings.

We maintain insurance with licensed insurance companies and have recently increased the deductible amount paid by Hub Group under several of our policies. Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. If the number or severity of claims increases, our operating results could be adversely affected and the cost to renew our insurance could increase when our current coverage expires. If these expenses increase, and we are unable to offset the increase with higher freight rates to our customers, our earnings could be materially and adversely affected.

We are partially self-insured for certain losses related to employee medical coverage. Our self-insurance reserves may not be adequate to cover our medical claim liabilities.

We are partially self-insured for certain losses related to employee medical coverage, excluding employees covered by health maintenance organizations. We generally have an individual stop loss deductible per enrollee unless specific exposures are separately insured. We accrue a contingent liability based upon examination of historical trends, historical actuarial analysis, our claims experience, total plan enrollment (including employee contributions), population demographics, and other various estimates. Although we do not expect that we will ultimately pay claims significantly different from our estimates, self-insurance reserves, net income, and cash flows could be materially affected if future claims differ significantly from our historical trends and assumptions.

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

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

Losing one or more key Mode LLC IBOs or sales agents could have an adverse effect on revenue and net income.

Certain Mode LLC IBOs and sales-only agents represent a large portion of Mode's overall revenues. Traditionally, transportation agents have shifted from company to company, although most companies, including Mode LLC, attempt to address this situation contractually. If one or more large IBOs or sales-only agents were to terminate their relationship with Mode LLC, there could be an adverse effect on Mode's business and results of operations.

Our information technology systems are subject to risks and the inability to use our information technology systems could materially adversely affect our business.

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. These systems are susceptible to outages from fire, floods, power loss, telecommunications failures, break-ins and similar events. Our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Also, our current operations reside on multiple technology platforms. The size and complexity of our computer systems make them potentially vulnerable to fire, power outages, equipment failure, Internet service and telecommunications failures, breakdown, malicious intrusion and random attack. The occurrence of any of these events could disrupt or damage our information technology systems and inhibit our internal operations, our ability to provide services to our customers and the ability of our customers and vendors to access our information technology systems. This could result in a loss of customers or a reduction in demand for our services.

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

We believe that future acquisitions and/or the failure to make such acquisitions or integrate such acquired business could significantly impact financial results. We cannot guarantee that we will be able to identify suitable acquisitions or execute acquisitions on commercially acceptable terms. Financial results most likely to be impacted include, but are not limited to, revenue, gross margin, salaries and benefits, selling general and administrative expenses, depreciation and amortization, interest expense, net income and our debt level.

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

There may be labor unrest, including strikes and work stoppages, among workers at various transportation providers and in industries affecting the transportation industry, such as port workers. We could lose business due to any significant work stoppage or slowdown and, if labor unrest results in increased rates for transportation providers such as draymen, we may not be able to pass these cost increases on to our customers. Strikes among longshoreman and clerical workers at ports in the past few years have slowed down the ports for a time, creating a major impact on the transportation industry. Work stoppages occurring among owner-operators in a specific market have increased our operating costs periodically in the past. In the past several years, there have been strikes involving railroad workers. Future strikes by railroad workers in the United States, Canada or anywhere else that our customers' freight travels by railroad would impact our operations. Any significant work stoppage, slowdown or other disruption involving port workers, railroad workers, truckers or draymen could adversely affect our business and results of operations.

Breaches in data security could adversely affect our business.

Failure to prevent or mitigate data loss or system intrusions from cyber-attacks or other security breaches could expose us or our vendors or customers to a risk of loss or misuse of such information, adversely affect our operating results, result in litigation or potential liability for us and otherwise harm our business. Likewise, data privacy breaches by employees and others who access our systems may pose a risk that sensitive customer or vendor data may be exposed to unauthorized persons or to the public, adversely impacting our customer service, employee relationships and our reputation. While we believe that we have taken appropriate security measures to protect our data and information technology systems and prevent data loss, there can be no assurance that our efforts may not prevent breakdowns or breaches in our systems that could have an adverse effect on our business.

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

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

We are not able to accurately predict how new governmental laws and regulations, or changes to existing laws and regulations, will affect the transportation industry generally, or us in particular. We are also unable to predict how the change in administration will affect government regulation of the transportation industry. Although government regulation that affects us and our competitors may simply result in higher costs that can be passed along to customers, that may not be the case.

Our success depends upon our ability to recruit and retain key personnel including Mode LLC Sales Only Agents and IBOs.

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

Antidumping and Other Duties Could be Imposed on Us and Our Suppliers

We import 53-foot intermodal containers manufactured in China. A petition was filed requesting the United States Government to impose antidumping duties on these containers. Under United States law, an antidumping duty may be imposed on any imports if two conditions are met. First, the Department of Commerce must decide that the imports are being sold in the United States at less than fair value. Second, the International Trade Commission (the “ITC”) must determine that the United States industry is materially injured, threatened with material injury or materially retarded by reason of the imports. The ITC’s determination of material injury or retardation involves a two-prong inquiry: first, whether the industry is materially injured or retarded, and second, whether the

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dumping, not other factors, caused the injury or retardation. The ITC is required to analyze the volume of imports, the effect of imports on United States prices for like merchandise, and the effects the imports have on United States producers of like products, taking into account many factors, including lost sales, market share, profits, productivity, return on investment, and utilization of production capacity. In May 2015, the ITC determined that antidumping duties should not be imposed on 53-foot intermodal containers manufactured in China. If antidumping or other increased duties are imposed on these containers, this could adversely affect our results of operations.

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

From time to time, we arrange for the movement of hazardous materials at the request of our customers. As a result, we may be subject to various environmental laws and regulations relating to the handling of hazardous materials. If we are involved in a spill or other accident involving hazardous materials, or if we are found to be in violation of applicable laws or regulations, we could be subject to substantial fines or penalties and to civil and criminal liability, any of which could have an adverse effect on our business and results of operations. The Company is also subject to certain Environmental Protection Agency ("EPA") and California Air Resources Board ("CARB") regulations on emissions. We may become subject to new or more restrictive regulations, or differing interpretations of existing regulations, which may increase the cost of providing transportation services or adversely affect our results of operations. We are also unable to predict how the change in administration will affect EPA and CARB regulation and enforcement.

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

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

Any attempt by the new administration to withdraw from or materially modify NAFTA and certain other international trade arrangements could adversely affect our business, financial condition and results of operations.

We arrange for the movement of freight into and out of every major city in Mexico and Canada, and we import 53-foot intermodal containers manufactured in China. If the current administration takes action to withdraw from or materially modify the North American Free Trade Agreement ("NAFTA") or certain other international trade arrangements, our business, financial condition and results of operations could be adversely affected.

Changes in immigration laws could increase the costs of doing business or otherwise disrupt our operations.

We have hired individuals, including Information Technology ("IT") employees, from outside the United States. We have employee drivers and owner-operator drivers who are U.S. immigrants. We engage third party consultants, including for various IT projects, who may utilize personnel from outside the United States. If immigration laws are changed or if new more restrictive government regulations are enacted or increased, our access to qualified and skilled personnel may be limited, the costs of doing business may increase and our operations may be disrupted.

Our obligation to pay our carriers is not contingent upon receipt of payment from our clients and we extend credit to certain clients as part of our business model.

In most cases, we take full risk of credit loss for the transportation services we procure from carriers. Our obligation to pay our carriers is not contingent upon receipt of payment from our clients. If any of our key clients fail to pay for our services, our profitability would be negatively impacted.

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

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

Item 1B. UNRESOLVED STAFF COMMENTS
None.

Item 1C. EXECUTIVE OFFICERS OF THE REGISTRANT

In reliance on General Instruction G to Form 10-K, information on executive officers of the Registrant is included in this Part I. The table sets forth certain information as of February 1, 2017 with respect to each person who is an executive officer of the Company.

Name	Age	Position
David P. Yeager	63	Chairman of the Board of Directors and Chief Executive Officer
Donald G. Maltby	62	President, Chief Operating Officer and Director
Terri A. Pizzuto	58	Executive Vice President, Chief Financial Officer and Treasurer
David L. Marsh	49	Executive Vice President, Chief Highway Solutions Officer
Vava R. Dimond	50	Executive Vice President, Chief Information Officer
James J. Damman	59	Executive Vice President, President of Mode Transportation
John C. Vesco	54	Executive Vice President, President of Hub Group Trucking
Brian D. Alexander	37	Executive Vice President, Unyson Logistics
Vincent C. Paperiello	46	Executive Vice President, Pricing and Yield Management
Phillip D. Yeager	29	Executive Vice President, Account Management and Intermodal Operations
Douglas G. Beck	50	Executive Vice President, Secretary and General Counsel

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

Donald G. Maltby was appointed a Director of the Company in May 2016 and President and Chief Operating Officer in September 2015. Mr. Maltby served as Chief Supply Chain Officer of Hub Supply Chain Solutions from January 2011 to May 2014. From February 2004 to December 2010, Mr. Maltby served as Executive Vice President-Logistics Services. Mr. Maltby previously served as President of Hub Online, our e-commerce division, from February 2000 through January 2004. Mr. Maltby also served as President of Hub Cleveland from July 1990 through January 2000 and from April 2002 to January 2004. Prior to joining Hub Group, Mr. Maltby served as President of Lyons Transportation, a wholly owned subsidiary of Sherwin Williams Company, from 1988 to 1990. In his career at Sherwin Williams, which began in 1981 and continued until he joined us in 1990, Mr. Maltby held a variety of management positions including Vice-President of Marketing and Sales for its Transportation Division. Mr. Maltby has been in the transportation and logistics industry since 1976, holding various executive and management positions. Mr. Maltby received a Masters in Business Administration from Baldwin Wallace College in 1982 and a Bachelor of Science degree from the State University of New York in 1976.

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

David L. Marsh was named Executive Vice President in May 2016 and Chief Highway Solutions Officer in September 2015. Prior to, Mr. Marsh served as Chief Supply Chain Officer since May 2014. Previously, Mr. Marsh served as Chief Marketing Officer from

October 2007 to May 2014. Mr. Marsh was Executive Vice President-Highway from February 2004 through September 2007. Mr. Marsh previously served as President of Hub Ohio from January 2000 through January 2004. Mr. Marsh joined us in March 1991 and became General Manager with Hub Indianapolis in 1993, a position he held through December 1999. Prior to joining Hub Group, Mr. Marsh worked for Carolina Freight Corporation, a less than truckload carrier, starting in January 1990. Mr. Marsh received a Bachelor of Science degree in Marketing and Physical Distribution from Indiana University-Indianapolis in 1989. Mr. Marsh has been a member of the American Society of Transportation and Logistics, the Indianapolis Traffic Club, the Council for Logistics Management and served as an advisor to the Indiana University-Indianapolis internship program for transportation and logistics. Mr. Marsh was honored as the Indiana Transportation Person of the Year in 1999.

Vava R. Dimond was named an Executive Vice President of the Company in May 2016 and Chief Information Officer in April 2015 after serving as the Interim Chief Information Officer since September 2014. Ms. Dimond began her career with Hub Group in June 2013 as the Vice President of Business Engineering, responsible for overseeing Hub Group’s Business Intelligence, Business Engineering and Program Management projects and processes. Previously, Ms. Dimond spent 16 years with Schneider National and held several leadership positions within IT, most recently serving as Vice President of Technology Services. Ms. Dimond earned her Bachelor of Science degree in Economics from South Dakota State University in 1991.

James J. Damman was appointed Executive Vice President in May 2016 after he assumed the role of President of Mode LLC, following the acquisition of Exel Transportation Services from Deutsche Post DHL in April 2011. Prior to this transaction, Mr. Damman served as a President of Exel Transportation Services and President of Technology, Aerospace and Service Logistics Americas for DHL/Exel. Before Exel, he served as a President of Transentric LLC, a supply chain technology provider. Prior to this, Mr. Damman held senior executive roles in operations, marketing, sales and customer service with the Union Pacific Railroad. Mr. Damman has been in Transportation and Supply Chain Management since 1980, holding various executive and management positions. Mr. Damman received a Bachelor of Science degree in Business from Central Michigan University in 1980 and a Master of Business Administration from Southern Illinois University at Edwardsville in 1986.

John C. Vesco was named Executive Vice President, President of Hub Group Trucking in January 2016. Mr. Vesco has led Hub Group Trucking’s operations as its President since January 2015, after serving as Executive Vice President of Hub Group Trucking from March 2012 to December 2014. Prior to joining Hub Group, Mr. Vesco held several management positions with Schneider National, most recently as Vice President and General Manager of Schneider Logistics. Mr. Vesco earned a Bachelor of Arts degree in Finance and Business Administration from Walsh University and a Master of Business Administration degree from Silver Lake College.

Brian D. Alexander was named Executive Vice President of Unyson Logistics in September 2015. Before being named Executive Vice President, Mr. Alexander served as Vice President of Operations of Unyson Logistics from December 2010 to September 2015 and was responsible for the operational execution and excellence for Fortune 500 manufacturing, retail and consumer packaged goods clients. Prior to that, Mr. Alexander was Unyson’s Senior Director of Strategic Accounts, where he had a ten-year history of managing and directing continuous improvement initiatives for key accounts. Mr. Alexander earned a Bachelor’s degree in Business Administration from Marquette University and Master of Business Administration degree from Cardinal Stritch University.

Vincent C. Paperiello was named Executive Vice President, Pricing and Yield Management in February 2016 after serving as Vice President, Pricing and Yield Management from March 2014 to February 2016. Since joining Hub Group in 1993, Mr. Paperiello has held a variety of operational, logistics management and business intelligence positions with the Company. In his current role, he is responsible for intermodal and regional trucking pricing strategy and execution, along with rail relations. Mr. Paperiello received a Bachelor of Arts degree in History from Western Illinois University and a Master of Business Administration – Finance degree from DePaul University, graduating with honors both times.

Phillip D. Yeager was named Executive Vice President, Account Management and Intermodal Operations in January 2016 after serving as Vice President of Account Management and Business Development from February 2014 to January 2016. Mr. Yeager is responsible for managing Hub Group's overall customer experience, including customer service, intermodal operations and rail relationships. Mr. Yeager joined Hub Group in 2011 as the Director of Strategy and Acquisitions to focus on strategic initiatives and acquisitions throughout the company and lead the integration of Mode Transportation. Prior to joining Hub Group, Mr. Yeager served as Assistant Vice President of Commercial Banking at BMO Harris Bank, and as an investment banking analyst for Lazard Freres & Co. Mr. Yeager earned his Bachelor of Arts degree from Trinity College in Hartford, Connecticut, and a Master of Business Administration from the University of Chicago Booth School of Business. Mr. Yeager is the son of David P. Yeager and the brother of Matthew Yeager.

Douglas G. Beck was named Executive Vice President, Secretary and General Counsel in May 2016, after serving as Vice President, Secretary and General Counsel since July 2015, and Interim General Counsel since January 2015. In his role, Mr. Beck is responsible for managing the Legal, Human Resources and Compliance departments. Mr. Beck began his career with Hub Group in June 2011 as Assistant General Counsel. Prior to joining Hub Group, Mr. Beck was a Senior Attorney with Alberto-Culver Company from 2007 to 2011. Mr. Beck previously held counsel positions at Navistar International Corporation, Allegiance Healthcare

Corporation and Seyfarth Shaw. Mr. Beck earned a Bachelor of Arts degree from the University of Illinois in 1987 graduating summa cum laude and received his Juris Doctor from Northwestern University School of Law in 1992.

Directors of the Registrant

In addition to David P. Yeager and Donald G. Maltby, the following five individuals are also on our Board of Directors: Gary D. Eppen – currently retired and formerly the Ralph and Dorothy Keller Distinguished Service Professor of Operations Management and Deputy Dean for part-time Masters in Business Administration Programs at The University of Chicago Booth School of Business; James C. Kenny – Director of Kenny Industries, LLC, an asset holding company, and Director of Kerry Group, PLC, a company traded on the London and Dublin stock exchange; Charles R. Reaves – Chief Executive Officer of Reaves Enterprises, Inc., a real estate development company; Martin P. Slark – Chief Executive Officer of Molex Incorporated, a manufacturer of electronic, electrical and fiber optic interconnection products and systems, and Jonathan P. Ward – Operating Partner at Kohlberg & Co., a leading U.S. private equity firm.

Item 2. PROPERTIES

As of December 31, 2016, we directly, or indirectly through our subsidiaries, operated 34 offices throughout the United States, Canada and Mexico, including our headquarters in Oak Brook, Illinois and our Company-owned drayage operations located throughout the United States. Hub operates out of 33 of the 34 offices. Mode also has a temperature protected services division operated out of our Oak Brook, IL headquarters and corporate offices in Memphis, TN and Dallas, TX. All of our office space except for our corporate headquarters is leased. Most office leases have initial terms of more than one year, and many include options to renew. While some of our leases expire in the near term, we do not believe that we will have difficulty in renewing them or in finding alternative office space. We believe that our offices are adequate for the purposes for which they are currently used.

In December 2016, we paid approximately $14.9 million to acquire 11 acres of land in Oak Brook, Illinois, adjacent to our corporate campus, where we are building an addition to our corporate headquarters which we expect to be completed in 2018. The estimated cost for the building and related furniture is between $35 million and $40 million.

Item 3. LEGAL PROCEEDINGS

We are a party to litigation incident to our business, including claims for personal injury and/or property damage, bankruptcy preference claims, and claims regarding freight lost or damaged in transit, improperly shipped or improperly billed. Some of the lawsuits to which we are party are covered by insurance and are being defended by our insurance carriers. Some of the lawsuits are not covered by insurance and we defend those ourselves. We do not believe that the outcome of this litigation will have a materially adverse effect on our financial position or results of operations. See Item 1 Business—Risk Management and Insurance and see Note 15 to the consolidated financial statements under “Legal Matters” for a detailed discussion of our ongoing legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

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

Our Class A Common Stock (“Class A Common Stock”) trades on the NASDAQ Global Select Market tier of the NASDAQ Stock Market under the symbol “HUBG.” There is no established trading market for shares of our Class B Common Stock (the “Class B Common Stock” together with the Class A Common Stock, the “Common Stock”). Set forth below are the high and low closing prices for shares of the Class A Common Stock for each full quarterly period in 2016 and 2015.

	2016		2015	
	High	Low	High	Low
First Quarter	$40.96	$28.19	$41.46	$33.17
Second Quarter	$41.35	$36.69	$43.99	$36.28
Third Quarter	$43.51	$37.64	$44.00	$35.49
Fourth Quarter	$46.15	$34.35	$41.42	$30.70

On February 16, 2017, there were approximately 446 stockholders of record of the Class A Common Stock and, in addition, there were an estimated 8,174 beneficial owners of the Class A Common Stock whose shares were held by brokers and other fiduciary institutions. On February 16, 2017, there were 10 holders of record of our Class B Common Stock.

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

See Note 16 to the consolidated financial statements for information on share repurchases.

Performance Graph

The following line graph compares the Company's cumulative total stockholder return on its Class A Common Stock since December 31, 2011 with the cumulative total return of the Nasdaq Stock Market Index (NQUSBT) and the Nasdaq Trucking and Transportation Index (NQUSB27707). These comparisons assume the investment of $100 on December 31, 2011 in each index and in the Company's Class A Common Stock and the reinvestment of dividends.

Item 6. SELECTED FINANCIAL DATA
Selected Financial Data

(in thousands except per share data)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Statement of Income Data:					
Revenue	$3,572,790	$3,525,595	$3,571,126	$3,373,898	$3,124,108
Gross margin	454,785	412,695	370,435	371,023	356,066
Operating income	123,834	117,030	83,877	113,747	112,360
Income before provision for income taxes	121,421	111,582	81,867	112,555	111,257
Net income	74,805	70,949	51,558	69,110	67,953
Basic earnings per common share	$2.21	$1.98	$1.41	$1.88	$1.83
Diluted earnings per common share	$2.20	$1.97	$1.40	$1.87	$1.83

	As of December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Total assets	$1,360,259	$1,301,146	$1,212,127	$1,047,943	$919,853
Long-term debt, including capital lease	126,105	114,194	88,397	24,952	21,099
Stockholders' equity	628,179	647,840	600,784	561,527	500,897

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
EXECUTIVE SUMMARY

Hub Group, Inc. (the “Company”, “we”, “us” or “our”) reports two distinct business segments, Hub and Mode. The Mode segment includes only the business we acquired on April 1, 2011. The Hub segment includes all businesses other than Mode. Hub Group refers to the consolidated results for the company, including both the Mode and Hub segments. For the segment financial results, refer to Note 5 to the consolidated financial statements.

We are one of the largest intermodal marketing companies (“IMC”) in the United States and a full service transportation provider offering intermodal, truck brokerage and logistics services. We operate through a nationwide network of operating centers and independent business owners.

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

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

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

Hub's account management group works with pricing and operations to enhance Hub's customer margins. We are working on margin enhancement projects including using the most cost effective drayage carriers, improving utilization, improving our accessorial management, reducing empty miles and routinely reviewing and improving low margin loads.

Hub's top 50 customers represent approximately 64% of the Hub segment revenue for the year ended December 31, 2016. We use various performance indicators to manage our business. We closely monitor margin and gains and losses for our top 50 customers. We also evaluate on-time performance, cost per load and daily sales outstanding by customer account. Vendor cost changes and vendor service issues are also monitored closely.

Mode has approximately 182 agents, consisting of 102 sales/operating agents, known as Independent Business Owners ("IBOs"), who sell and operate the business throughout North America and 80 sales only agents. Mode also has a temperature protected services division operated out of our Oak Brook, IL headquarters and corporate offices in Memphis, TN and Dallas, TX. Mode's top 20 customers represent approximately 39% of the Mode segment revenue for the year ended December 31, 2016. We closely monitor revenue and margin for these customers. We believe Mode brings us highly complementary service offerings, more scale and a talented sales channel that allows us to better reach small and midsize customers.

RESULTS OF OPERATIONS

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table summarizes our revenue by segment and business line (in thousands):

	Twelve Months Ended December 31, 2016				Twelve Months Ended December 31, 2015			
	Hub	Mode	Inter-Segment Elims	Hub Group Total	Hub	Mode	Inter-Segment Elims	Hub Group Total
Intermodal	$1,785,865	$486,758	$(81,556)	$2,191,067	$1,792,046	$483,910	$(78,688)	$2,197,268
Truck brokerage	391,901	308,055	(1,456)	698,500	355,402	314,498	(1,908)	667,992
Logistics	556,775	153,922	(27,474)	683,223	531,870	130,253	(1,788)	660,335
Total revenue	$2,734,541	$948,735	$(110,486)	$3,572,790	$2,679,318	$928,661	$(82,384)	$3,525,595

Revenue

Hub Group's revenue increased 1.3% to $3.6 billion in 2016 from $3.5 billion in 2015 due primarily to higher volume across our business lines.

The Hub segment revenue increased 2.1% to $2.7 billion. Hub segment intermodal revenue was flat at $1.8 billion. Intermodal volume increased 2% and price and mix combined were also up. These increases were offset by a decline in fuel revenue. Hub segment truck brokerage revenue increased 10% to $392 million. Truck brokerage handled 14% more loads, but fuel, mix and price combined were down 4%. Hub segment logistics revenue increased 5% to $557 million related primarily to growth with new customers.

Mode’s revenue increased 2.2% to $948.7 million in 2016 from $928.7 million in 2015. Mode’s intermodal revenue increased 1% primarily due to a 2% increase in volume which was partially offset by a decline in fuel revenue. Mode’s truck brokerage revenue decreased 2% and Mode’s logistics revenue increased 18%.

The following is a summary of operating results for our business segments (in thousands):

	Twelve Months Ended December 31, 2016				Twelve Months Ended December 31, 2015			
	Hub	Mode	Inter-Segment Elims	Hub Group Total	Hub	Mode	Inter-Segment Elims	Hub Group Total
Revenue	$2,734,541	$948,735	$(110,486)	$3,572,790	$2,679,318	$928,661	$(82,384)	$3,525,595
Transportation costs	2,404,946	823,545	(110,486)	3,118,005	2,385,197	810,087	(82,384)	3,112,900
Gross margin	329,595	125,190	-	454,785	294,121	118,574	-	412,695
Costs and expenses:								
Salaries and benefits	165,136	15,323	-	180,459	143,993	14,945	-	158,938
Agent fees and commissions	66	72,830	-	72,896	56	68,668	-	68,724
General and administrative	60,811	7,819	-	68,630	53,023	6,992	-	60,015
Depreciation and amortization	7,698	1,268	-	8,966	6,688	1,300	-	7,988
Total costs and expenses	233,711	97,240	-	330,951	203,760	91,905	-	295,665
Operating income	$95,884	$27,950	$-	$123,834	$90,361	$26,669	$-	$117,030

Transportation Costs

Hub Group's transportation costs remained consistent at $3.1 billion in both 2016 and 2015. Transportation costs in 2016 consisted of purchased transportation costs of $2.8 billion and equipment and driver related costs of $360.8 million compared to 2015 which consisted of purchased transportation costs of $2.7 billion and equipment and driver related costs of $386.4 million. As a percentage of revenue, transportation costs decreased in 2016 to 87.3% from 88.3% in 2015.

The Hub segment transportation costs remained consistent at $2.4 billion in both 2016 and 2015. Hub segment transportation costs in 2016 consisted of $2.0 billion in purchased transportation costs, which was consistent with 2015. Equipment and driver related costs decreased 7% to $357.3 million in 2016 from $383.0 million in 2015 due primarily to a decrease in fuel costs and shutting down our Southern California drayage operation in the first quarter of 2016.

The Mode segment transportation costs increased 1.7% to $823.5 million in 2016 from $810.1 million in 2015. Mode segment transportation costs are primarily purchased transportation costs which increased due primarily to higher volume in intermodal and truck brokerage.

Gross Margin

Hub Group's gross margin increased 10.2% to $454.8 million in 2016 from $412.7 million in 2015. Hub Group's gross margin as a percentage of revenue increased to 12.7% in 2016 from 11.7% in 2015.

The Hub segment gross margin increased 12.1% to $329.6 million. Hub's $35.5 million gross margin increase resulted from an increase in gross margin in all three business lines. Intermodal margin increased due to price increases, a 2% increase in loads, improved accessorial management, lower dray costs and improved mix and lane balance. Rail cost increases partially offset some of this improvement. Truck brokerage margin increased as a result of growth with targeted customer accounts. Logistics margin increased due to providing additional services to existing accounts and growth with new customers. As a percentage of revenue, Hub segment gross margin increased to 12.1% in 2016 from 11.0% in 2015. Intermodal gross margin as a percentage of sales increased 90 basis points because of price increases, lower drayage costs and improved accessorial management. Truck brokerage gross margin as a percentage of sales was up 150 basis points due to more value added services and better purchasing. Logistics gross margin as a percentage of sales was up 120 basis points due to improved customer mix, operational efficiencies and more cost effective purchasing.

Mode's gross margin increased 5.6% to $125.2 million in 2016 from $118.6 million in 2015 due to growth in all three business lines. Mode's gross margin as a percentage of revenue increased to 13.2% in 2016 from 12.8% in 2015 due to a 140 basis point improvement in truck brokerage yield and a 30 basis point improvement in intermodal yield.

CONSOLIDATED OPERATING EXPENSES

The following table presents certain items in the Consolidated Statements of Income as a percentage of revenue:

	Twelve Months Ended December 31,	
	2016	2015
Revenue	100.0%	100.0%
Transportation costs	87.3	88.3
Gross margin	12.7	11.7
Costs and expenses:		
Salaries and benefits	5.1	4.5
Agent fees and commissions	2.0	2.0
General and administrative		