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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2023

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: 0-21238

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**LANDSTAR SYSTEM, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**06-1313069**  
(I.R.S. Employer  
Identification No.)

**13410 Sutton Park Drive South, Jacksonville, Florida**  
(Address of principal executive offices)

**32224**  
(Zip Code)

**(904) 398-9400**  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LSTR	NASDAQ

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit

such files): Yes  No

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

Large accelerated filer

Non-accelerated filer

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 number of shares of the registrant’s common stock, par value \$0.01 per share, outstanding as of the close of business on October 23, 2023 was 35,946,344.

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**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the thirty-nine weeks ended September 30, 2023 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 30, 2023.

These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2022 Annual Report on Form 10-K.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 439,661	\$ 339,581
Short-term investments	57,099	53,955
Trade accounts receivable, less allowance of \$12,054 and \$12,121	810,801	967,793
Other receivables, including advances to independent contractors, less allowance of \$14,405 and \$10,579	57,063	56,235
Other current assets	30,918	21,826
Total current assets	<u>1,395,542</u>	<u>1,439,390</u>
Operating property, less accumulated depreciation and amortization of \$426,984 and \$393,274	284,081	314,990
Goodwill	41,934	41,220
Other assets	130,970	136,279
Total assets	<u>\$ 1,852,527</u>	<u>\$ 1,931,879</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash overdraft	\$ 48,067	\$ 92,953
Accounts payable	464,720	527,372
Current maturities of long-term debt	29,210	36,175
Insurance claims	45,518	50,836
Dividends payable	—	71,854
Other current liabilities	82,550	98,945
Total current liabilities	<u>670,065</u>	<u>878,135</u>
Long-term debt, excluding current maturities	46,173	67,225
Insurance claims	56,776	58,268
Deferred income taxes and other noncurrent liabilities	36,359	41,030
Shareholders' Equity		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 68,497,324 and 68,382,310 shares	685	684
Additional paid-in capital	254,630	258,487
Retained earnings	2,808,919	2,635,960
Cost of 32,550,980 and 32,455,300 shares of common stock in treasury	(2,009,351)	(1,992,886)
Accumulated other comprehensive loss	(11,729)	(15,024)
Total shareholders' equity	<u>1,043,154</u>	<u>887,221</u>
Total liabilities and shareholders' equity	<u>\$ 1,852,527</u>	<u>\$ 1,931,879</u>

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Revenue	\$ 4,098,877	\$ 5,761,795	\$ 1,289,345	\$ 1,816,132
Investment income	6,874	2,023	3,022	716
Costs and expenses:				
Purchased transportation	3,141,234	4,512,341	986,743	1,416,323
Commissions to agents	363,397	465,759	115,244	154,125
Other operating costs, net of gains on asset sales/dispositions	40,998	34,878	15,158	13,356
Insurance and claims	86,971	96,265	29,540	31,445
Selling, general and administrative	159,071	165,199	50,975	53,519
Depreciation and amortization	44,498	42,627	14,359	14,582
Total costs and expenses	3,836,169	5,317,069	1,212,019	1,683,350
Operating income	269,582	446,749	80,348	133,498
Interest and debt (income) expense	(2,079)	3,275	(1,046)	1,047
Income before income taxes	271,661	443,474	81,394	132,451
Income taxes	65,254	105,862	19,741	32,233
Net income	\$ 206,407	\$ 337,612	61,653	\$ 100,218
Basic and diluted earnings per share	\$ 5.74	\$ 9.15	\$ 1.71	\$ 2.76
Average basic and diluted shares outstanding	35,958,000	36,886,000	35,951,000	36,334,000
Dividends per common share	\$ 0.93	\$ 0.80	\$ 0.33	\$ 0.30

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)  
(Unaudited)

	<b>Thirty-Nine Weeks Ended</b>		<b>Thirteen Weeks Ended</b>	
	<b>September 30, 2023</b>	<b>September 24, 2022</b>	<b>September 30, 2023</b>	<b>September 24, 2022</b>
Net income	\$ 206,407	\$ 337,612	\$ 61,653	\$ 100,218
Other comprehensive income (loss):				
Unrealized holding gains (losses) on available-for-sale investments, net of tax expense (benefit) of \$263, (\$2,461), \$49 and (\$436)	958	(8,987)	176	(1,596)
Foreign currency translation gains (losses)	2,337	(1,011)	(1,494)	(1,484)
Other comprehensive income (loss)	3,295	(9,998)	(1,318)	(3,080)
Comprehensive income	<u>\$ 209,702</u>	<u>\$ 327,614</u>	<u>\$ 60,335</u>	<u>\$ 97,138</u>

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(Unaudited)

	<b>Thirty-Nine Weeks Ended</b>	
	<b>September 30, 2023</b>	<b>September 24, 2022</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 206,407	\$ 337,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,498	42,627
Non-cash interest charges	198	290
Provisions for losses on trade and other accounts receivable	10,509	8,346
Gains on sales/disposals of operating property	(3,846)	(1,290)
Deferred income taxes, net	(5,595)	(2,597)
Stock-based compensation	4,270	9,409
Changes in operating assets and liabilities:		
Decrease in trade and other accounts receivable	145,655	26,170
Increase in other assets	(13,115)	(17,669)
(Decrease) increase in accounts payable	(62,652)	39,924
Decrease in other liabilities	(15,734)	(23,932)
(Decrease) increase in insurance claims	(6,810)	17,491
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>303,785</b>	<b>436,381</b>
<b>INVESTING ACTIVITIES</b>		
Sales and maturities of investments	93,326	27,568
Purchases of investments	(86,115)	(30,490)
Purchases of operating property	(15,394)	(21,096)
Proceeds from sales of operating property	6,631	2,669
Purchase of non-marketable securities	—	(4,999)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,552)</b>	<b>(26,348)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in cash overdraft	(44,886)	(18,792)
Dividends paid	(105,302)	(104,893)
Payment for debt issue costs	—	(1,080)
Proceeds from exercises of stock options	28	56
Taxes paid in lieu of shares issued related to stock-based compensation plans	(9,186)	(10,427)
Purchases of common stock	(15,433)	(285,983)
Principal payments on finance lease obligations	(28,017)	(29,075)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(202,796)</b>	<b>(450,194)</b>
Effect of exchange rate changes on cash and cash equivalents	643	(1,614)
Increase (decrease) in cash, cash equivalents and restricted cash	100,080	(41,775)
Cash, cash equivalents and restricted cash at beginning of period	339,581	219,571
Cash and cash equivalents at end of period	<u>\$ 439,661</u>	<u>\$ 177,796</u>

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
Thirty-Nine and Thirteen Weeks Ended September 30, 2023 and September 24, 2022  
(Dollars in thousands)  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount			Shares	Amount		
Balance December 31, 2022	68,382,310	\$ 684	\$258,487	\$2,635,960	32,455,300	\$(1,992,886)	\$ (15,024)	\$ 887,221
Net income				78,195				78,195
Dividends (\$0.30 per share)				(10,806)				(10,806)
Purchases of common stock					89,661	(15,433)		(15,433)
Issuance of stock related to stock-based compensation plans	101,653	1	(7,201)		5,891	(1,008)		(8,208)
Stock-based compensation			1,852					1,852
Other comprehensive income							2,831	2,831
Balance April 1, 2023	<u>68,483,963</u>	<u>\$ 685</u>	<u>\$253,138</u>	<u>\$2,703,349</u>	<u>32,550,852</u>	<u>\$(2,009,327)</u>	<u>\$ (12,193)</u>	<u>\$ 935,652</u>
Net income				66,559				66,559
Dividends (\$0.30 per share)				(10,780)				(10,780)
Issuance of stock related to stock-based compensation plans	13,361		(926)					(926)
Stock-based compensation			1,274					1,274
Other comprehensive income							1,782	1,782
Balance July 1, 2023	<u>68,497,324</u>	<u>\$ 685</u>	<u>\$253,486</u>	<u>\$2,759,128</u>	<u>32,550,852</u>	<u>\$(2,009,327)</u>	<u>\$ (10,411)</u>	<u>\$ 993,561</u>
Net income				61,653				61,653
Dividends (\$0.33 per share)				(11,862)				(11,862)
Issuance of stock related to stock-based compensation plans					128	(24)		(24)
Stock-based compensation			1,144					1,144
Other comprehensive loss							(1,318)	(1,318)
Balance September 30, 2023	<u>68,497,324</u>	<u>\$ 685</u>	<u>\$254,630</u>	<u>\$2,808,919</u>	<u>32,550,980</u>	<u>\$(2,009,351)</u>	<u>\$ (11,729)</u>	<u>\$1,043,154</u>

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	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance December 25, 2021	68,232,975	\$ 682	\$255,148	\$2,317,184	30,539,235	\$(1,705,601)	\$ (5,403)	\$ 862,010
Net income				124,839				124,839
Dividends (\$0.25 per share)				(9,324)				(9,324)
Purchases of common stock					693,550	(109,332)		(109,332)
Issuance of stock related to stock-based compensation plans	137,176	2	(8,913)		10,033	(1,216)		(10,127)
Stock-based compensation			1,995					1,995
Other comprehensive loss							(3,912)	(3,912)
Balance March 26, 2022	<u>68,370,151</u>	<u>\$ 684</u>	<u>\$248,230</u>	<u>\$2,432,699</u>	<u>31,242,818</u>	<u>\$(1,816,149)</u>	<u>\$ (9,315)</u>	<u>\$ 856,149</u>
Net income				112,555				112,555
Dividends (\$0.25 per share)				(9,257)				(9,257)
Purchases of common stock					703,211	(103,300)		(103,300)
Issuance of stock related to stock-based compensation plans	6,783	—	—		587	(86)		(86)
Stock-based compensation			3,815					3,815
Other comprehensive loss							(3,006)	(3,006)
Balance June 25, 2022	<u>68,376,934</u>	<u>\$ 684</u>	<u>\$252,045</u>	<u>\$2,535,997</u>	<u>31,946,616</u>	<u>\$(1,919,535)</u>	<u>\$ (12,321)</u>	<u>\$ 856,870</u>
Net income				100,218				100,218
Dividends (\$0.30 per share)				(10,925)				(10,925)
Purchases of common stock					504,065	(73,351)		(73,351)
Issuance of stock related to stock-based compensation plans	3,631	—	(158)		4,619	—		(158)
Stock-based compensation			3,599					3,599
Other comprehensive loss							(3,080)	(3,080)
Balance September 24, 2022	<u>68,380,565</u>	<u>\$ 684</u>	<u>\$255,486</u>	<u>\$2,625,290</u>	<u>32,455,300</u>	<u>\$(1,992,886)</u>	<u>\$ (15,401)</u>	<u>\$ 873,173</u>

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc., and reflect all adjustments (all of a normal, recurring nature) which are, in the opinion of management, necessary for a fair statement of the results for the periods presented. The preparation of the consolidated financial statements requires the use of management’s estimates. Actual results could differ from those estimates. Landstar System, Inc. and its subsidiary are herein referred to as “Landstar” or the “Company.” Significant intercompany accounts have been eliminated in consolidation.

**(1) Significant Accounting Policies**

***Revenue from Contracts with Customers – Disaggregation of Revenue***

The following table summarizes (i) the percentage of consolidated revenue generated by mode of transportation and (ii) the total amount of truck transportation revenue hauled by BCO Independent Contractors and Truck Brokerage Carriers generated by equipment type during the thirty-nine-week and thirteen-week periods ended September 30, 2023 and September 24, 2022 (dollars in thousands):

Mode	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Truck – BCO Independent Contractors	38%	35%	39%	35%
Truck – Truck Brokerage Carriers	54%	53%	52%	53%
Rail intermodal	2%	2%	2%	2%
Ocean and air cargo carriers	5%	8%	5%	9%
<b>Truck Equipment Type</b>				
Van equipment	\$ 2,123,693	\$ 3,022,297	\$ 665,569	\$ 914,154
Unsided/platform equipment	\$ 1,150,483	\$ 1,336,956	\$ 378,147	\$ 453,924
Less-than-truckload	\$ 90,770	\$ 105,994	\$ 28,097	\$ 35,343
Other truck transportation (1)	\$ 379,471	\$ 632,001	\$ 101,951	\$ 195,345

- (1) Includes power-only, expedited, straight truck, cargo van, and miscellaneous other truck transportation revenue generated by the transportation logistics segment. Power-only refers to shipments where the Company furnishes a power unit and an operator but not trailing equipment, which is typically provided by the shipper or consignee.

**(2) Share-based Payment Arrangements**

As of September 30, 2023, the Company has an employee equity incentive plan, the 2011 equity incentive plan (the “2011 EIP”). The Company also has a stock compensation plan for members of its Board of Directors, the 2022 Directors Stock Compensation Plan (the “2022 DSCP”), which replaced the Amended and Restated 2013 Directors Stock Compensation Plan (as amended and restated, the “2013 DSCP”). The provisions of the 2022 DSCP are substantially similar to the provisions of the 2013 DSCP. 6,000,000 shares of the Company’s common stock were authorized for issuance under the 2011 EIP and 200,000 shares of the Company’s common stock were authorized for issuance under the 2022 DSCP. The 2011 EIP, 2013 DSCP and 2022 DSCP are each referred to herein as a “Plan,” and, collectively, as the “Plans.” Amounts recognized in the financial statements with respect to these Plans are as follows (in thousands):

	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Total cost of the Plans during the period	\$ 4,270	\$ 9,409	\$ 1,144	\$ 3,599
Amount of related income tax benefit recognized during the period	(3,878)	(5,219)	(286)	(949)
Net cost of the Plans during the period	<u>\$ 392</u>	<u>\$ 4,190</u>	<u>\$ 858</u>	<u>\$ 2,650</u>

Included in income tax benefits recognized in the thirty-nine-week periods ended September 30, 2023 and September 24, 2022 were excess tax benefits from stock-based awards of \$2,830,000 and \$2,910,000, respectively.

As of September 30, 2023, there were 187,260 shares of the Company’s common stock reserved for issuance under the 2022 DSCP and 3,014,492 shares of the Company’s common stock reserved for issuance under the 2011 EIP.

**Restricted Stock Units**

The following table summarizes information regarding the Company’s outstanding restricted stock unit (“RSU”) awards with either a performance condition or a market condition under the Plans:

	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	151,780	\$ 115.80
Granted	41,460	\$ 165.04
Shares earned in excess of target <sup>(1)</sup>	79,176	\$ 98.39
Vested shares, including shares earned in excess of target	(137,861)	\$ 97.97
Forfeited	<u>(2,011)</u>	\$ 142.67
Outstanding at September 30, 2023	<u>132,544</u>	\$ 138.94

<sup>(1)</sup> Represents additional shares earned under the February 1, 2019 and January 31, 2020 RSU awards as fiscal year 2022 financial results exceeded target performance level and under the April 24, 2018 and July 1, 2019 RSU awards as total shareholder return during the applicable performance period exceeded target performance level under each of those awards.

During the thirty-nine-week period ended September 30, 2023, the Company granted RSUs with a performance condition. Outstanding RSUs at both December 31, 2022 and September 30, 2023 include RSUs with a performance condition and RSUs with a market condition, as further described below and in the Company’s 2022 Annual Report on Form 10-K.

RSUs with a performance condition granted on February 3, 2023 may vest on January 31 of 2026, 2027 and 2028 based on growth in operating income and pre-tax income per diluted share from continuing operations as compared to the results from the 2022 fiscal year.

The Company recognized approximately \$1,503,000 and \$7,035,000 of share-based compensation expense related to RSU awards in the thirty-nine-week periods ended September 30, 2023 and September 24, 2022, respectively. As of September 30, 2023, there was a maximum of \$29.2 million of total unrecognized compensation cost related to RSU awards granted under the Plans with an expected average remaining life of approximately 3.5 years. With respect to RSU awards with a performance condition, the amount of future compensation expense to be recognized will be determined based on future operating results.

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### Non-vested Restricted Stock and Deferred Stock Units

The following table summarizes information regarding the Company's outstanding shares of non-vested restricted stock and Deferred Stock Units (defined below) under the Plans:

	Number of Shares and Deferred Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2022	47,795	\$ 138.30
Granted	22,714	\$ 179.32
Vested	(24,161)	\$ 138.35
Non-vested at September 30, 2023	<u>46,348</u>	\$ 158.38

The fair value of each share of non-vested restricted stock issued and Deferred Stock Unit granted under the Plans is based on the fair value of a share of the Company's common stock on the date of grant. Shares of non-vested restricted stock are generally subject to vesting in three equal annual installments either on the first, second and third anniversary of the date of the grant or the third, fourth and fifth anniversary of the date of the grant, or 100% on the first, third or fifth anniversary of the date of the grant. For restricted stock awards granted under the 2022 DSCP, each recipient may elect to defer receipt of shares and instead receive restricted stock units ("Deferred Stock Units"), which represent contingent rights to receive shares of the Company's common stock on the date of recipient separation from service from the Board of Directors, or, if earlier, upon a change in control event of the Company. Deferred Stock Units become vested 100% on the first anniversary of the date of the grant. Deferred Stock Units do not represent actual ownership in shares of the Company's common stock and the recipient does not have voting rights or other incidents of ownership until the shares are issued. However, Deferred Stock Units do contain the right to receive dividend equivalent payments prior to settlement into shares.

As of September 30, 2023, there was \$4,756,000 of total unrecognized compensation cost related to non-vested shares of restricted stock and Deferred Stock Units granted under the Plans. The unrecognized compensation cost related to these non-vested shares of restricted stock and Deferred Stock Units is expected to be recognized over a weighted average period of 2.0 years.

### Stock Options

All 1,900 stock options outstanding and exercisable at December 31, 2022 were exercised at an exercise price of \$56.40 as of January 31, 2023, following which the Company had no remaining issued and outstanding vested or unvested stock options.

The total intrinsic value of stock options exercised during the thirty-nine-week periods ended September 30, 2023 and September 24, 2022 was \$218,000 and \$429,000, respectively.

As of September 30, 2023, there was no unrecognized compensation cost related to non-vested stock options granted under the Plans.

### **(3) Income Taxes**

The provisions for income taxes for the 2023 and 2022 thirty-nine-week periods were based on estimated annual effective income tax rates of 24.4% and 24.5%, respectively, adjusted for discrete events, such as benefits resulting from stock-based awards. The effective income tax rate for the 2023 thirty-nine-week period was 24.0%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2023 period primarily attributable to state taxes. The effective income tax rate for the 2022 thirty-nine-week period was 23.9%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2022 period primarily attributable to state taxes.

### **(4) Earnings Per Share**

Basic earnings per common share are based on the weighted average number of common shares outstanding, which includes outstanding non-vested restricted stock and outstanding Deferred Stock Units. Diluted earnings per share are based on the weighted average number of common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of all dilutive stock options. For each of the thirty-nine-week periods ended September 30, 2023 and September 24, 2022, the weighted-average number of common shares outstanding is the same for purposes of the calculations of both basic and diluted earnings per share, as

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the impact on earnings per share of future compensation expense related to outstanding, unvested time-based awards is greater than the incremental impact of outstanding dilutive stock options in each period, and would therefore have an anti-dilutive effect on earnings per share if included in the calculation of earnings per share. Accordingly, the Company had no reconciling items between the average number of common shares outstanding used to calculate basic earnings per common share and the average number of common shares and common share equivalents outstanding used to calculate diluted earnings per share during the 2023 and 2022 thirty-nine-week and thirteen-week periods.

For each of the thirty-nine-week periods ended September 30, 2023 and September 24, 2022, no options outstanding to purchase shares of common stock were antidilutive. Outstanding RSUs were excluded from the calculation of diluted earnings per share for all periods because the performance metric requirements or market condition for vesting had not been satisfied.

### (5) Additional Cash Flow Information

During the 2023 thirty-nine-week period, Landstar paid income taxes and interest of \$68,136,000 and \$2,814,000, respectively. During the 2022 thirty-nine-week period, Landstar paid income taxes and interest of \$125,690,000 and \$3,101,000, respectively. Landstar did not acquire any operating property by entering into finance leases in the 2023 thirty-nine-week period. Landstar acquired operating property by entering into finance leases in the amount of \$26,741,000 in the 2022 thirty-nine-week period.

### (6) Segment Information

The following table summarizes information about the Company's reportable business segments as of and for the thirty-nine-week and thirteen-week periods ended September 30, 2023 and September 24, 2022 (in thousands):

	Thirty-Nine Weeks Ended					
	September 30, 2023			September 24, 2022		
	Transportation Logistics	Insurance	Total	Transportation Logistics	Insurance	Total
External revenue	\$ 4,043,824	\$ 55,053	\$ 4,098,877	\$ 5,702,959	\$ 58,836	\$ 5,761,795
Internal revenue		64,138	64,138		65,753	65,753
Investment income		6,874	6,874		2,023	2,023
Operating income	222,827	46,755	269,582	412,054	34,695	446,749
Expenditures on long-lived assets	15,394		15,394	21,096		21,096
Goodwill	41,934		41,934	41,004		41,004

  

	Thirteen Weeks Ended					
	September 30, 2023			September 24, 2022		
	Transportation Logistics	Insurance	Total	Transportation Logistics	Insurance	Total
External revenue	\$ 1,271,385	\$ 17,960	\$ 1,289,345	\$ 1,796,401	\$ 19,731	\$ 1,816,132
Internal revenue		11,960	11,960		12,883	12,883
Investment income		3,022	3,022		716	716
Operating income	63,974	16,374	80,348	120,164	13,334	133,498
Expenditures on long-lived assets	2,763		2,763	13,629		13,629

In the thirty-nine-week periods ended September 30, 2023 and September 24, 2022, no single customer accounted for more than 10% of the Company's consolidated revenue.

### (7) Other Comprehensive Income

The following table presents the components of and changes in accumulated other comprehensive (loss) income, net of related income taxes, as of and for the thirty-nine-week period ended September 30, 2023 (in thousands):

	Unrealized Holding (Losses) Gains on Available-for-Sale Securities	Foreign Currency Translation	Total
Balance as of December 31, 2022	\$ (8,449)	\$ (6,575)	\$(15,024)
Other comprehensive income	958	2,337	3,295
Balance as of September 30, 2023	<u>\$ (7,491)</u>	<u>\$ (4,238)</u>	<u>\$(11,729)</u>

Amounts reclassified from accumulated other comprehensive income to investment income due to the realization of previously unrealized gains and losses in the accompanying consolidated statements of income were not significant for the thirty-nine-week period ended September 30, 2023.

### (8) Investments

Investments include primarily investment-grade corporate bonds, U.S. treasury obligations and asset-backed securities having maturities of up to five years (the “bond portfolio”) and money market investments. Investments in the bond portfolio are reported as available-for-sale and are carried at fair value. Investments maturing less than one year from the balance sheet date are included in short-term investments and investments maturing more than one year from the balance sheet date are included in other assets in the consolidated balance sheets. Management performs an analysis of the nature of the unrealized losses on available-for-sale investments to determine whether an allowance for credit loss is necessary. Unrealized losses, representing the excess of the purchase price of an investment over its fair value as of the end of a period, considered to be a result of credit-related factors, are to be included as a charge in the statement of income, while unrealized losses considered to be a result of non-credit-related factors are to be included as a component of shareholders’ equity. Investments whose values are based on quoted market prices in active markets are classified within Level 1. Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, are classified within Level 2. As Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Any transfers between levels are recognized as of the beginning of any reporting period. Fair value of the bond portfolio was determined using Level 1 inputs related to U.S. Treasury obligations and money market investments and Level 2 inputs related to investment-grade corporate bonds, asset-backed securities and direct obligations of government agencies. Unrealized losses, net of unrealized gains, on the investments in the bond portfolio were \$9,542,000 and \$10,763,000 at September 30, 2023 and December 31, 2022, respectively.

The amortized cost and fair values of available-for-sale investments are as follows at September 30, 2023 and December 31, 2022 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2023</b>				
Money market investments	\$ 16,032	\$ —	\$ —	\$ 16,032
Asset-backed securities	17,044	—	2,708	14,336
Corporate bonds and direct obligations of government agencies	119,632	—	6,758	112,874
U.S. Treasury obligations	9,203	—	76	9,127
Total	<u>\$ 161,911</u>	<u>\$ —</u>	<u>\$ 9,542</u>	<u>\$ 152,369</u>
<b>December 31, 2022</b>				
Money market investments	\$ 21,910	\$ —	\$ —	\$ 21,910
Asset-backed securities	18,905	—	2,889	16,016
Corporate bonds and direct obligations of government agencies	126,134	1	7,775	118,360
U.S. Treasury obligations	2,344	—	100	2,244
Total	<u>\$ 169,293</u>	<u>\$ 1</u>	<u>\$ 10,764</u>	<u>\$ 158,530</u>

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For those available-for-sale investments with unrealized losses at September 30, 2023 and December 31, 2022, the following table summarizes the duration of the unrealized loss (in thousands):

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>September 30, 2023</b>						
Asset-backed securities	\$ —	\$ —	\$ 14,336	\$ 2,708	\$ 14,336	\$ 2,708
Corporate bonds and direct obligations of government agencies	20,707	507	92,167	6,251	112,874	6,758
U.S. Treasury obligations	6,849	8	2,278	68	9,127	76
Total	<u>\$27,556</u>	<u>\$ 515</u>	<u>\$108,781</u>	<u>\$ 9,027</u>	<u>\$136,337</u>	<u>\$ 9,542</u>
<b>December 31, 2022</b>						
Asset-backed securities	\$ —	\$ —	\$ 16,016	\$ 2,889	\$ 16,016	\$ 2,889
Corporate bonds and direct obligations of government agencies	54,031	1,516	62,390	6,259	116,421	7,775
U.S. Treasury obligations	2,244	100	—	—	2,244	100
Total	<u>\$56,275</u>	<u>\$ 1,616</u>	<u>\$ 78,406</u>	<u>\$ 9,148</u>	<u>\$134,681</u>	<u>\$ 10,764</u>

The Company believes unrealized losses on investments were primarily caused by rising interest rates rather than changes in credit quality. The Company expects to recover, through collection of all of the contractual cash flows of each security, the amortized cost basis of these securities as it does not intend to sell, and does not anticipate being required to sell, these securities before recovery of the cost basis. For these reasons, no losses have been recognized in the Company's consolidated statements of income.

### (9) Leases

Landstar's noncancelable leases are primarily comprised of finance leases for the acquisition of new trailing equipment. Each finance lease for the acquisition of trailing equipment is a five year lease with a \$1 purchase option for the applicable equipment at lease expiration. Substantially all of Landstar's operating lease right-of-use assets and operating lease liabilities represent leases for facilities maintained in support of the Company's network of BCO Independent Contractors and office space used to conduct Landstar's business. These leases do not have significant rent escalation holidays, concessions, leasehold improvement incentives or other build-out clauses. Further, the leases do not contain contingent rent provisions. Landstar also rents certain trailing equipment to supplement the Company-owned trailer fleet under "month-to-month" lease terms, which are not required to be recorded on the balance sheet due to the less than twelve month lease term exemption. Sublease income is primarily comprised of weekly trailing equipment rentals to BCO Independent Contractors.

Most of Landstar's operating leases include one or more options to renew. The exercise of lease renewal options is typically at Landstar's sole discretion, and, as such, the majority of renewals to extend the lease terms are not included in the right-of-use assets and lease liabilities as they are not reasonably certain of exercise. Landstar regularly evaluates the renewal options, and when they are reasonably certain of exercise, Landstar includes the renewal period in the lease term.

As most of Landstar's operating leases do not provide an implicit rate, Landstar utilized its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. Landstar has a centrally managed treasury function; therefore, based on the applicable lease terms and the current economic environment, the Company applies a portfolio approach for determining the incremental borrowing rate.

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The components of lease cost for finance leases and operating leases for the thirty-nine weeks ended September 30, 2023 were (in thousands):

Finance leases:	
Amortization of right-of-use assets	\$15,634
Interest on lease liability	<u>2,060</u>
Total finance lease cost	17,694
Operating leases:	
Lease cost	2,640
Variable lease cost	—
Sublease income	<u>(3,963)</u>
Total net operating lease income	<u>(1,323)</u>
Total net lease cost	<u>\$16,371</u>

A summary of the lease classification on our consolidated balance sheet as of September 30, 2023 is as follows (in thousands):

Assets:

Operating lease right-of-use assets	Other assets	\$ 1,801
Finance lease assets	Operating property, less accumulated depreciation and amortization	<u>112,558</u>
Total lease assets		<u>\$ 114,359</u>

Liabilities:

The following table reconciles the undiscounted cash flows for the finance and operating leases to the finance and operating lease liabilities recorded on the balance sheet at September 30, 2023 (in thousands):

	Finance Leases	Operating Leases
2023 Remainder	\$ 8,736	\$ 226
2024	28,843	821
2025	22,658	508
2026	14,530	190
2027	4,115	169
Thereafter	<u>—</u>	<u>49</u>
Total future minimum lease payments	78,882	1,963
Less amount representing interest (1.6% to 6.0%)	<u>3,499</u>	<u>162</u>
Present value of minimum lease payments	<u>\$75,383</u>	<u>\$ 1,801</u>
Current maturities of long-term debt	29,210	
Long-term debt, excluding current maturities	46,173	
Other current liabilities		844
Deferred income taxes and other noncurrent liabilities		957

The weighted average remaining lease term and the weighted average discount rate for finance and operating leases as of September 30, 2023 were:

	Finance Leases	Operating Leases
Weighted average remaining lease term (years)	2.9	2.9
Weighted average discount rate	3.0%	6.0%

## **(10) Debt**

Other than the finance lease obligations as presented on the consolidated balance sheets, the Company had no outstanding debt as of September 30, 2023 and December 31, 2022.

On July 1, 2022, Landstar entered into a second amended and restated credit agreement with a bank syndicate led by JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement, which matures July 1, 2027, provides for borrowing capacity in the form of a revolving credit facility of \$300,000,000, \$45,000,000 of which may be utilized in the form of letters of credit. The Credit Agreement also includes an "accordion" feature providing for a possible increase of up to an aggregate amount of borrowing capacity of \$600,000,000. As of September 30, 2023, the Company had no borrowings outstanding under the Credit Agreement.

The revolving credit loans under the Credit Agreement, at the option of Landstar, bear interest at (i) a forward-looking term rate based on the secured overnight financing rate plus 0.10% and an applicable margin ranging from 1.25% to 2.00%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.00%, in each case with the applicable margin determined based upon the Company's Leverage Ratio, as defined in the Credit Agreement, at the end of the most recent applicable fiscal quarter for which financial statements have been delivered. The revolving credit facility bears a commitment fee, payable quarterly in arrears, of 0.20% to 0.30%, based on the Company's Leverage Ratio at the end of the most recent applicable fiscal quarter for which financial statements have been delivered.

The Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness. The Company is required to, among other things, maintain a minimum fixed charge coverage ratio, as described in the Credit Agreement, and maintain a Leverage Ratio, as defined in the Credit Agreement, below a specified maximum. The Credit Agreement provides for a restriction on cash dividends and other distributions to stockholders on the Company's capital stock to the extent there is a default under the Credit Agreement. In addition, the Credit Agreement under certain circumstances limits the amount of such cash dividends and other distributions to stockholders to the extent that, after giving effect to any payment made to effect such cash dividend or other distribution, the Leverage Ratio would exceed 2.5 to 1 on a pro forma basis as of the end of the Company's most recently completed fiscal quarter. The Credit Agreement provides for an event of default in the event that, among other things, a person or group acquires 35% or more of the outstanding capital stock of the Company or obtains power to elect a majority of the Company's directors or the directors cease to consist of a majority of Continuing Directors, as defined in the Credit Agreement. None of these covenants are presently considered by management to be materially restrictive to the Company's operations, capital resources or liquidity. The Company is currently in compliance with all of the debt covenants under the Credit Agreement.

The interest rates on borrowings under the revolving credit facility are typically tied to short-term interest rates and, as such, carrying value approximates fair value. Interest rates on borrowings under finance leases approximate the interest rates that would currently be available to the Company under similar terms and, as such, carrying value approximates fair value.

## **(11) Commitments and Contingencies**

Short-term investments include \$57,099,000 in current maturities of investments held by the Company's insurance segment at September 30, 2023. The non-current portion of the bond portfolio of \$95,270,000 is included in other assets. The short-term investments, together with \$28,516,000 of non-current investments, provide collateral for the \$77,054,000 of letters of credit issued to guarantee payment of insurance claims. As of September 30, 2023, Landstar also had \$33,492,000 of additional letters of credit outstanding under the Company's Credit Agreement.

The Company is involved in certain claims and pending litigation arising from the normal conduct of business. Many of these claims are covered in whole or in part by insurance. Based on knowledge of the facts and, in certain cases, opinions of outside counsel, management believes that adequate provisions have been made for probable losses with respect to the resolution of all such claims and pending litigation and that the ultimate outcome, after provisions therefor, will not have a material adverse effect on the financial condition of the Company, but could have a material effect on the results of operations in a given quarter or year.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the interim consolidated financial statements and notes thereto included herein, and with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 2022 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2022 Annual Report on Form 10-K.

## FORWARD-LOOKING STATEMENTS

The following is a “safe harbor” statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are “forward-looking statements.” This Management’s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q contain forward-looking statements, such as statements which relate to Landstar’s business objectives, plans, strategies and expectations. Terms such as “anticipates,” “believes,” “estimates,” “intention,” “expects,” “plans,” “predicts,” “may,” “should,” “could,” “will,” the negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to: the impact of the Russian conflict with Ukraine on the operations of certain independent commission sales agents, including the Company’s largest such agent by revenue in the 2022 fiscal year; the impact of the coronavirus (COVID-19) pandemic; an increase in the frequency or severity of accidents or other claims; unfavorable development of existing accident claims; dependence on third party insurance companies; dependence on independent commission sales agents; dependence on third party capacity providers; decreased demand for transportation services; U.S. trade relationships; substantial industry competition; disruptions or failures in the Company’s computer systems; cyber and other information security incidents; dependence on key vendors; potential changes in taxes; status of independent contractors; regulatory and legislative changes; regulations focused on diesel emissions and other air quality matters; intellectual property; and other operational, financial or legal risks or uncertainties detailed in Landstar’s Form 10-K for the 2022 fiscal year, described in Item 1A “Risk Factors”, in Landstar’s Form 10-Q for the quarterly period ended April 1, 2023, described in Part II, Item 1A “Risk Factors”, and in this report or in Landstar’s other Securities and Exchange Commission filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

## Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. (collectively referred to herein with their subsidiaries and other affiliated companies as “Landstar” or the “Company”), is a technology-enabled, asset-light provider of integrated transportation management solutions delivering safe, specialized transportation services to a broad range of customers utilizing a network of agents, third party capacity providers and employees. The Company offers services to its customers across multiple transportation modes, with the ability to arrange for individual shipments of freight to comprehensive third party logistics solutions to meet all of a customer’s transportation needs. Landstar provides services principally throughout the United States and to a lesser extent in Canada and Mexico, and between the United States and Canada, Mexico and other countries around the world. The Company’s services emphasize safety, information coordination and customer service and are delivered through a network of approximately 1,100 independent commission sales agents and over 89,000 third party capacity providers, primarily truck capacity providers, linked together by a series of digital technologies which are provided and coordinated by the Company. The nature of the Company’s business is such that a significant portion of its operating costs varies directly with revenue.

Landstar markets its integrated transportation management solutions primarily through independent commission sales agents and exclusively utilizes third party capacity providers to transport customers’ freight. Landstar’s independent commission sales agents enter into contractual arrangements with the Company and are responsible for locating freight, making that freight available to Landstar’s capacity providers and coordinating the transportation of the freight with customers and capacity providers. The Company’s third party capacity providers consist of independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the “BCO Independent Contractors”), unrelated trucking companies who provide truck capacity to the Company under non-exclusive contractual arrangements (the “Truck Brokerage Carriers”), air cargo carriers, ocean cargo carriers and railroads. Through this network of agents and capacity providers linked together by Landstar’s ecosystem of digital technologies, Landstar operates an integrated transportation management solutions business primarily throughout North America with revenue of \$7.4 billion during the most recently completed fiscal year. The Company reports the results of two operating segments: the transportation logistics segment and the insurance segment.

The transportation logistics segment provides a wide range of integrated transportation management solutions. Transportation services are provided by Landstar’s “Operating Subsidiaries”: Landstar Ranger, Inc., Landstar Inway, Inc., Landstar Ligon, Inc., Landstar Gemini, Inc., Landstar Transportation Logistics, Inc., Landstar Global Logistics, Inc., Landstar Express America, Inc., Landstar Canada, Inc., Landstar Metro, S.A.P.I. de C.V., and as further described below, Landstar Blue, LLC (“Landstar Blue”). Transportation services offered by the Company include truckload, less-than-truckload transportation and other truck transportation, rail intermodal, air cargo, ocean cargo, expedited ground and air delivery of time-critical freight, heavy-haul/specialized, U.S.-Canada and U.S.-Mexico cross-border, intra-Mexico, intra-Canada, project cargo and customs brokerage. Examples of the industries serviced by the transportation logistics segment include automotive parts and assemblies, consumer durables, building products, metals, chemicals, foodstuffs, heavy machinery, retail,

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electronics and military equipment. In addition, the transportation logistics segment provides transportation services to other transportation companies, including third party logistics and less-than-truckload service providers. The independent commission sales agents market services provided by the transportation logistics segment. Billings for freight transportation services are typically charged to customers on a per shipment basis for the physical transportation of freight and are referred to as transportation revenue. During the thirty-nine-week period ended September 30, 2023, revenue generated by BCO Independent Contractors, Truck Brokerage Carriers and railroads represented approximately 38%, 54% and 2%, respectively, of the Company's consolidated revenue. Collectively, revenue generated by air and ocean cargo carriers represented approximately 5% of the Company's consolidated revenue in the thirty-nine-week period ended September 30, 2023.

Landstar Blue arranges truckload brokerage services with a focus on the contract services market. Landstar Blue also helps the Company to develop and test digital technologies and processes for the benefit of all Landstar independent commission sales agents. The results of operations from Landstar Blue are presented as part of the Company's transportation logistics segment. Revenue from Landstar Blue represented approximately 1% of the Company's transportation logistics segment revenue in the thirty-nine-week period ended September 30, 2023.

The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly owned offshore insurance subsidiary, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to certain of Landstar's operating subsidiaries. In addition, it reinsures certain risks of the Company's BCO Independent Contractors and provides certain property and casualty insurance directly to certain of Landstar's operating subsidiaries. Revenue at the insurance segment represents reinsurance premiums from third party insurance companies that provide insurance programs to BCO Independent Contractors where all or a portion of the risk is ultimately borne by Signature. Revenue at the insurance segment represented approximately 1% of the Company's consolidated revenue for the thirty-nine-week period ended September 30, 2023.

### **Changes in Financial Condition and Results of Operations**

Management believes the Company's success principally depends on its ability to generate freight revenue through its network of independent commission sales agents and to deliver freight safely and efficiently utilizing third party capacity providers. Management believes the most significant factors to the Company's success include increasing revenue, sourcing capacity, empowering its network through technology-based tools and controlling costs, including insurance and claims.

### **Revenue**

While customer demand, which is subject to overall economic conditions, ultimately drives increases or decreases in revenue, the Company primarily relies on its independent commission sales agents to establish customer relationships and generate revenue opportunities. Management's emphasis with respect to revenue growth is on revenue generated by independent commission sales agents who on an annual basis generate \$1 million or more of Landstar revenue ("Million Dollar Agents"). Management believes future revenue growth is primarily dependent on its ability to increase both the revenue generated by Million Dollar Agents and the number of Million Dollar Agents through a combination of recruiting new agents, increasing the revenue opportunities generated by existing independent commission sales agents and providing its independent commission sales agents with digital technologies they may use to grow revenue and increase efficiencies at their businesses. During the 2022 fiscal year, 625 independent commission sales agents generated \$1 million or more of Landstar revenue and thus qualified as Million Dollar Agents. During the 2022 fiscal year, the average revenue generated by a Million Dollar Agent was \$11,499,000 and revenue generated by Million Dollar Agents in the aggregate represented 97% of consolidated revenue.

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Management monitors business activity by tracking the number of loads (volume) and revenue per load by mode of transportation. Revenue per load can be influenced by many factors other than a change in price. Those factors include the average length of haul, freight type, special handling and equipment requirements, fuel costs and delivery time requirements. For shipments involving two or more modes of transportation, revenue is generally classified by the mode of transportation having the highest cost for the load. The following table summarizes this information by trailer type for truck transportation and by mode for all others:

	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
<b>Revenue generated through (in thousands):</b>				
Truck transportation				
Truckload:				
Van equipment	\$ 2,123,693	\$ 3,022,297	\$ 665,569	\$ 914,154
Unsided/platform equipment	1,150,483	1,336,956	378,147	453,924
Less-than-truckload	90,770	105,994	28,097	35,343
Other truck transportation <sup>(1)</sup>	379,471	632,001	101,951	195,345
Total truck transportation	3,744,417	5,097,248	1,173,764	1,598,766
Rail intermodal	73,953	113,762	23,064	27,652
Ocean and air cargo carriers	202,358	475,156	65,824	164,252
Other <sup>(2)</sup>	78,149	75,629	26,693	25,462
	<u>\$ 4,098,877</u>	<u>\$ 5,761,795</u>	<u>\$ 1,289,345</u>	<u>\$ 1,816,132</u>
Revenue on loads hauled via BCO Independent Contractors included in total truck transportation	\$ 1,543,634	\$ 2,043,772	\$ 508,753	\$ 627,809
<b>Number of loads:</b>				
Truck transportation				
Truckload:				
Van equipment	966,867	1,130,263	311,831	366,513
Unsided/platform equipment	389,471	420,436	126,286	141,091
Less-than-truckload	134,580	142,740	41,514	45,912
Other truck transportation <sup>(1)</sup>	157,112	243,341	46,739	76,594
Total truck transportation	1,648,030	1,936,780	526,370	630,110
Rail intermodal	22,150	31,940	6,760	7,720
Ocean and air cargo carriers	25,380	34,410	8,630	11,520
	<u>1,695,560</u>	<u>2,003,130</u>	<u>541,760</u>	<u>649,350</u>
Loads hauled via BCO Independent Contractors included in total truck transportation	689,260	777,250	225,350	249,420
<b>Revenue per load:</b>				
Truck transportation				
Truckload:				
Van equipment	\$ 2,196	\$ 2,674	\$ 2,134	\$ 2,494
Unsided/platform equipment	2,954	3,180	2,994	3,217
Less-than-truckload	674	743	677	770
Other truck transportation <sup>(1)</sup>	2,415	2,597	2,181	2,550
Total truck transportation	2,272	2,632	2,230	2,537
Rail intermodal	3,339	3,562	3,412	3,582
Ocean and air cargo carriers	7,973	13,809	7,627	14,258
Revenue per load on loads hauled via BCO Independent Contractors	\$ 2,240	\$ 2,629	\$ 2,258	\$ 2,517
<b>Revenue by capacity type (as a % of total revenue):</b>				
Truck capacity providers:				
BCO Independent Contractors	38%	35%	39%	35%
Truck Brokerage Carriers	54%	53%	52%	53%
Rail intermodal	2%	2%	2%	2%
Ocean and air cargo carriers	5%	8%	5%	9%
Other	2%	1%	2%	1%

<sup>(1)</sup> Includes power-only, expedited, straight truck, cargo van, and miscellaneous other truck transportation revenue generated by the transportation logistics segment. Power-only refers to shipments where the Company furnishes a power unit and an operator but not trailing equipment, which is typically provided by the shipper or consignee.

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- (2) Includes primarily reinsurance premium revenue generated by the insurance segment and intra-Mexico transportation services revenue generated by Landstar Metro.

### Expenses

#### *Purchased transportation*

Also critical to the Company's success is its ability to secure capacity, particularly truck capacity, at rates that allow the Company to profitably transport customers' freight. The following table summarizes the number of available truck capacity providers on the dates indicated:

	<u>September 30, 2023</u>	<u>September 24, 2022</u>
BCO Independent Contractors	9,455	10,742
Truck Brokerage Carriers:		
Approved and active <sup>(1)</sup>	51,717	71,207
Other approved	27,925	30,222
	<u>79,642</u>	<u>101,429</u>
Total available truck capacity providers	<u>89,097</u>	<u>112,171</u>
Trucks provided by BCO Independent Contractors	10,253	11,644

- (1) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter end.

Purchased transportation represents the amount a BCO Independent Contractor or other third party capacity provider is paid to haul freight. The amount of purchased transportation paid to a BCO Independent Contractor is primarily based on a contractually agreed-upon percentage of revenue generated by loads hauled by the BCO Independent Contractor. Purchased transportation paid to a Truck Brokerage Carrier is based on either a negotiated rate for each load hauled or, to a lesser extent, a contractually agreed-upon fixed rate per load. Purchased transportation paid to railroads and ocean cargo carriers is based on either a negotiated rate for each load hauled or a contractually agreed-upon fixed rate per load. Purchased transportation paid to air cargo carriers is generally based on a negotiated rate for each load hauled. Purchased transportation as a percentage of revenue for truck brokerage, rail intermodal and ocean cargo services is normally higher than that of BCO Independent Contractor and air cargo services. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases as a percentage of consolidated revenue in proportion to changes in the percentage of consolidated revenue generated through BCO Independent Contractors and other third party capacity providers and external revenue from the insurance segment, consisting of reinsurance premiums. Purchased transportation as a percent of revenue also increases or decreases in relation to the availability of truck brokerage capacity and with changes in the price of fuel on revenue generated from shipments hauled by Truck Brokerage Carriers. The Company passes 100% of fuel surcharges billed to customers for freight hauled by BCO Independent Contractors to its BCO Independent Contractors. These fuel surcharges are excluded from revenue and the cost of purchased transportation. Purchased transportation costs are recognized over the freight transit period as the performance obligation to the customer is completed.

#### *Commissions to agents*

Commissions to agents are based on contractually agreed-upon percentages of (i) revenue, (ii) revenue less the cost of purchased transportation, or (iii) revenue less a contractually agreed upon percentage of revenue retained by Landstar and the cost of purchased transportation (the "retention contracts"). Commissions to agents as a percentage of consolidated revenue vary directly with fluctuations in the percentage of consolidated revenue generated by the various modes of transportation and reinsurance premiums and, in general, vary inversely with changes in the amount of purchased transportation as a percentage of revenue on services provided by Truck Brokerage Carriers, railroads, air cargo carriers and ocean cargo carriers. Commissions to agents are recognized over the freight transit period as the performance obligation to the customer is completed.

#### *Other operating costs, net of gains on asset sales/dispositions*

Maintenance costs for Company-provided trailing equipment, the provision for uncollectible advances and other receivables due from BCO Independent Contractors and independent commission sales agents and BCO Independent Contractor recruiting and qualification costs are the largest components of other operating costs. Also included in other operating costs are trailer rental costs and gains/losses, if any, on sales of Company-owned trailing equipment.

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### *Insurance and claims*

With respect to insurance and claims cost, potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable.

Landstar retains liability through a self-insured retention for commercial trucking claims up to \$5 million per occurrence. Effective May 1, 2019, the Company entered into a three year commercial auto liability insurance arrangement for losses incurred between \$5 million and \$10 million (the “2019 Initial Excess Policy”) with a third party insurance company. The Company subsequently extended the 2019 Initial Excess Policy for one additional policy year, from May 1, 2022 through April 30, 2023. For commercial trucking claims incurred on or after May 1, 2022 through April 30, 2023, the extended 2019 Initial Excess Policy provides for a limit for a single loss of \$5 million, with an aggregate limit of \$10 million for the policy period ended April 30, 2023. Effective May 1, 2023, the Company entered into a new three year commercial auto liability insurance arrangement for losses incurred between \$5 million and \$10 million (the “2023 Initial Excess Policy”) with a third party insurance company. For commercial trucking claims incurred on or after May 1, 2023 through April 30, 2026, the 2023 Initial Excess Policy provides for an aggregate deductible of \$18 million over the thirty-six month term ending April 30, 2026. After payment of the deductible, the 2023 Initial Excess Policy provides for a limit for a single loss of \$5 million, with an aggregate limit of \$15 million for the thirty-six month term ending April 30, 2026.

The Company also maintains third party insurance arrangements providing excess coverage for commercial trucking liabilities in excess of \$10 million. These third party arrangements provide coverage on a per occurrence or aggregated basis. In recent years, there has been a significant increase in the occurrence of trials in courts throughout the United States involving catastrophic injury and fatality claims against commercial motor carriers that have resulted in verdicts in excess of \$10 million. Within the transportation logistics industry, these verdicts are often referred to as “Nuclear Verdicts.” The increase in Nuclear Verdicts has had a significant impact on the cost of commercial auto liability claims throughout the United States. Due to the increasing cost of commercial auto liability claims, the availability of excess coverage has significantly decreased, and the pricing associated with such excess coverage, to the extent available, has significantly increased. Since the annual policy year ended April 30, 2020, as compared to the annual policy year ending April 30, 2024, the Company experienced an increase of approximately \$21 million, or over 380%, in the premiums charged by third party insurance companies to the Company for excess coverage for commercial trucking liabilities in excess of \$10 million.

Moreover, in recent years the Company has increased the level of its financial exposure to commercial trucking claims in excess of \$10 million, including through the use of additional self-insurance, deductibles, aggregate loss limits, quota shares and other arrangements with third party insurance companies, based on the availability of coverage within certain excess insurance coverage layers and estimated cost differentials between proposed premiums from third party insurance companies and historical and actuarially projected losses experienced by the Company at various levels of excess insurance coverage. For example, with respect to a single hypothetical claim in the amount of \$60 million incurred during the annual policy year ending April 30, 2024, the Company would have an aggregate financial exposure of approximately \$25 million. Furthermore, the Company’s third party insurance arrangements provide excess coverage up to an uppermost coverage layer, in excess of which the Company retains additional financial exposure. No assurances can be given that the availability of excess coverage for commercial trucking claims will not continue to deteriorate, that the pricing associated with such excess coverage, to the extent available, will not continue to increase, nor that insurance coverage from third party insurers for excess coverage of commercial trucking claims will even be available on commercially reasonable terms at certain levels. Moreover, the occurrence of a Nuclear Verdict, or the settlement of a catastrophic injury and/or fatality claim that could have otherwise resulted in a Nuclear Verdict, could have a material adverse effect on Landstar’s cost of insurance and claims and its results of operations.

Further, the Company retains liability of up to \$2,000,000 for each general liability claim, \$250,000 for each workers’ compensation claim and up to \$250,000 for each cargo claim. In addition, under reinsurance arrangements by Signature of certain risks of the Company’s BCO Independent Contractors, the Company retains liability of up to \$500,000, \$1,000,000 or \$2,000,000 with respect to certain occupational accident claims and up to \$750,000 with respect to certain workers’ compensation claims. The Company’s exposure to liability associated with accidents incurred by Truck Brokerage Carriers, railroads and air and ocean cargo carriers who transport freight on behalf of the Company is reduced by various factors including the extent to which such carriers maintain their own insurance coverage. A material increase in the frequency or severity of accidents, cargo claims or workers’ compensation claims or the material unfavorable development of existing claims could have a material adverse effect on Landstar’s cost of insurance and claims and its results of operations.

### *Selling, general and administrative*

During the thirty-nine-week period ended September 30, 2023, employee compensation and benefits accounted for approximately 60% of the Company’s selling, general and administrative costs. Employee compensation and benefits include wages and employee benefit costs as well as incentive compensation and stock-based compensation expense. Incentive compensation and stock-based compensation expense is highly variable in nature in comparison to wages and employee benefit costs.

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### *Depreciation and amortization*

Depreciation and amortization primarily relate to depreciation of trailing equipment and information technology hardware and software.

### *Costs of revenue*

The Company incurs costs of revenue related to the transportation of freight and, to a much lesser extent, to reinsurance premiums received by Signature. Costs of revenue include variable costs of revenue and other costs of revenue. Variable costs of revenue include purchased transportation and commissions to agents, as these costs are entirely variable on a shipment-by-shipment basis. Other costs of revenue include fixed costs of revenue and semi-variable costs of revenue, where such costs may vary over time based on certain economic factors or operational metrics such as the number of Company-controlled trailers, the number of BCO Independent Contractors, the frequency and severity of insurance claims, the number of miles traveled by BCO Independent Contractors, or the number and/or scale of information technology projects in process or in-service to support revenue generating activities, rather than on a shipment-by-shipment basis. Other costs of revenue associated with the transportation of freight include: (i) other operating costs, primarily consisting of trailer maintenance, the provision for uncollectible advances and other receivables due from BCO Independent Contractors and independent commission sales agents and BCO Independent Contractor recruiting and qualification costs, as reported in the Company's Consolidated Statements of Income, (ii) transportation-related insurance premiums paid and claim costs incurred, included as a portion of insurance and claims in the Company's Consolidated Statements of Income, (iii) costs incurred related to internally developed software including ASC 350-40 amortization, implementation costs, hosting costs and other support costs utilized to support the Company's independent commission sales agents, third party capacity providers, and customers, included as a portion of depreciation and amortization and of selling, general and administrative in the Company's Consolidated Statements of Income; and (iv) depreciation on Company-owned trailing equipment, included as a portion of depreciation and amortization in the Company's Consolidated Statements of Income. Other costs of revenue associated with reinsurance premiums received by Signature are comprised of broker commissions and other fees paid related to the administration of insurance programs to BCO Independent Contractors and are included in selling, general and administrative in the Company's Consolidated Statements of Income. In addition to costs of revenue, the Company incurs various other costs relating to its business, including most selling, general and administrative costs and portions of costs attributable to insurance and claims and depreciation and amortization. Management continually monitors all components of the costs incurred by the Company and establishes annual cost budgets that, in general, are used to benchmark costs incurred on a monthly basis.

### **Gross Profit, Variable Contribution, Gross Profit Margin and Variable Contribution Margin**

The following table sets forth calculations of gross profit, defined as revenue less costs of revenue, and gross profit margin, defined as gross profit divided by revenue, for the periods indicated. The Company refers to revenue less variable costs of revenue as "variable contribution" and variable contribution divided by revenue as "variable contribution margin". Variable contribution and variable contribution margin are each non-GAAP financial measures. The closest comparable GAAP financial measures to variable contribution and variable contribution margin are, respectively, gross profit and gross profit margin. The Company believes variable contribution and variable contribution margin are useful measures of the variable costs that we incur at a shipment-by-shipment level attributable to our transportation network of third-party capacity providers and independent commission sales agents in order to provide services to our customers. The Company believes variable contribution and variable contribution margin are important performance measurements and management considers variable contribution and variable contribution margin in evaluating the Company's financial performance and in its decision-making, such as budgeting for infrastructure, trailing equipment and selling, general and administrative costs.

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The reconciliations of gross profit to variable contribution and gross profit margin to variable contribution margin are each presented below:

	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Revenue	\$ 4,098,877	\$ 5,761,795	\$ 1,289,345	\$ 1,816,132
Costs of revenue:				
Purchased transportation	3,141,234	4,512,341	986,743	1,416,323
Commissions to agents	363,397	465,759	115,244	154,125
Variable costs of revenue	3,504,631	4,978,100	1,101,987	1,570,448
Trailing equipment depreciation	24,240	27,760	7,721	9,397
Information technology costs	19,791	13,868	6,298	4,829
Insurance-related costs (1)	88,484	98,821	30,102	32,380
Other operating costs	40,998	34,878	15,158	13,356
Other costs of revenue	173,513	175,327	59,279	59,962
Total costs of revenue	3,678,144	5,153,427	1,161,266	1,630,410
Gross profit	\$ 420,733	\$ 608,368	\$ 128,079	\$ 185,722
Gross profit margin	10.3%	10.6%	9.9%	10.2%
Plus: other costs of revenue	173,513	175,327	59,279	59,962
Variable contribution	\$ 594,246	\$ 783,695	\$ 187,358	\$ 245,684
Variable contribution margin	14.5%	13.6%	14.5%	13.5%

- (1) Insurance-related costs in the table above include (i) other costs of revenue related to the transportation of freight that are included as a portion of insurance and claims in the Company's Consolidated Statements of Income and (ii) certain other costs of revenue related to reinsurance premiums received by Signature that are included as a portion of selling, general and administrative in the Company's Consolidated Statements of Income. Insurance and claims costs included in other costs of revenue relating to the transportation of freight primarily consist of insurance premiums paid for commercial auto liability, general liability, cargo and other lines of coverage related to the transportation of freight and the related cost of claims incurred under those programs, and, to a lesser extent, the cost of claims incurred under insurance programs available to BCO Independent Contractors that are reinsured by Signature. Other insurance and claims costs included in costs of revenue that are included in selling, general and administrative in the Company's Consolidated Statements of Income consist of brokerage commissions and other fees incurred by Signature relating to the administration of insurance programs available to BCO Independent Contractors that are reinsured by Signature.

In general, variable contribution margin on revenue generated by BCO Independent Contractors represents a fixed percentage due to the nature of the contracts that pay a fixed percentage of revenue to both the BCO Independent Contractors and independent commission sales agents. For revenue generated by Truck Brokerage Carriers, variable contribution margin may be either a fixed or variable percentage, depending on the contract with each individual independent commission sales agent. Variable contribution margin on revenue generated from shipments hauled by railroads, air cargo carriers, ocean cargo carriers and Truck Brokerage Carriers, other than those under retention contracts, is variable in nature, as the Company's contracts with independent commission sales agents provide commissions to agents at a contractually agreed upon percentage of the amount represented by revenue less purchased transportation for these types of shipments. Approximately 43% of the Company's consolidated revenue in the thirty-nine-week period ended September 30, 2023 was generated under transactions that pay a fixed percentage of revenue to the third party capacity provider and/or agents while 57% was generated under transactions that pay a variable percentage of revenue to the third party capacity provider and/or agents.

### Operating income as a percentage of gross profit and operating income as a percentage of variable contribution

The following table presents operating income as a percentage of gross profit and operating income as a percentage of variable contribution. The Company's operating income as a percentage of variable contribution is a non-GAAP financial measure calculated as operating income divided by variable contribution. The Company believes that operating income as a percentage of variable contribution is useful and meaningful to investors for the following principal reasons: (i) the variable costs of revenue for a significant portion of the business are highly influenced by short-term market-based trends in the freight transportation industry, whereas other costs, including other

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costs of revenue, are much less impacted by short-term freight market trends; (ii) disclosure of this measure allows investors to better understand the underlying trends in the Company's results of operations; (iii) this measure is meaningful to investors' evaluations of the Company's management of costs attributable to operations other than the purely variable costs associated with purchased transportation and commissions to agents that the Company incurs to provide services to our customers; and (iv) management considers this financial information in its decision-making, such as budgeting for infrastructure, trailing equipment and selling, general and administrative costs.

	Thirty-Nine Weeks Ended		Thirteen Weeks Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Gross profit	\$ 420,733	\$ 608,368	\$ 128,079	\$ 185,722
Operating income	\$ 269,582	\$ 446,749	\$ 80,348	\$ 133,498
<b>Operating income as % of gross profit</b>	<b>64.1%</b>	<b>73.4%</b>	<b>62.7%</b>	<b>71.9%</b>
Variable contribution	\$ 594,246	\$ 783,695	\$ 187,358	\$ 245,684
Operating income	\$ 269,582	\$ 446,749	\$ 80,348	\$ 133,498
<b>Operating income as % of variable contribution</b>	<b>45.4%</b>	<b>57.0%</b>	<b>42.9%</b>	<b>54.3%</b>

The decrease in operating income as a percentage of gross profit from both the 2022 thirty-nine-week period to the 2023 thirty-nine-week period and from the 2022 thirteen-week period to the 2023 thirteen-week period primarily resulted from the effect of decreased gross profit on the Company's fixed cost infrastructure, primarily certain components of selling, general and administrative costs.

The decrease in operating income as a percentage of variable contribution from both the 2022 thirty-nine-week period to the 2023 thirty-nine-week period and from the 2022 thirteen-week period to the 2023 thirteen-week period primarily resulted from the effect of decreased variable contribution on the Company's fixed cost infrastructure, primarily certain components of selling, general and administrative costs, partially offset by the impact of decreased incentive and equity compensation costs under the Company's variable compensation programs and decreased insurance and claims costs.

Also, as previously mentioned, the Company reports two operating segments: the transportation logistics segment and the insurance segment. External revenue at the insurance segment, representing reinsurance premiums, has historically been relatively consistent on an annual basis at 2% or less of consolidated revenue and generally corresponds directly with the number of trucks provided by BCO Independent Contractors. The discussion of cost line items in Management's Discussion and Analysis of Financial Condition and Results of Operations considers the Company's costs on a consolidated basis rather than on a segment basis. Management believes this presentation format is the most appropriate to assist users of the financial statements in understanding the Company's business for the following reasons: (1) the insurance segment has no other operating costs; (2) discussion of insurance and claims at either segment without reference to the other may create confusion amongst investors and potential investors due to intercompany arrangements and specific deductible programs that affect comparability of financial results by segment between various fiscal periods but that have no effect on the Company from a consolidated reporting perspective; (3) selling, general and administrative costs of the insurance segment comprise less than 10% of consolidated selling, general and administrative costs and have historically been relatively consistent on a year-over-year basis; and (4) the insurance segment has no depreciation and amortization.

### THIRTY-NINE WEEKS ENDED SEPTEMBER 30, 2023 COMPARED TO THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2022

Revenue for the 2023 thirty-nine-week period was \$4,098,877,000, a decrease of \$1,662,918,000, or 29%, compared to the 2022 thirty-nine-week period. Transportation revenue decreased \$1,659,135,000, or 29%. The decrease in transportation revenue was attributable to decreased revenue per load of approximately 16% and a decreased number of loads hauled of approximately 15% compared to the 2022 thirty-nine-week period. Reinsurance premiums were \$55,053,000 and \$58,836,000 for the 2023 and 2022 thirty-nine-week periods, respectively. The decrease in revenue from reinsurance premiums was primarily attributable to a decrease in the average number of trucks provided by BCO Independent Contractors in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period, partially offset by an increase in the aggregate value of equipment insured by BCO Independent Contractors under a physical damage program reinsured by Signature in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period.

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Truck transportation revenue generated by BCO Independent Contractors and Truck Brokerage Carriers (together, the “third party truck capacity providers”) for the 2023 thirty-nine-week period was \$3,744,417,000, representing 91% of total revenue, a decrease of \$1,352,831,000, or 27%, compared to the 2022 thirty-nine-week period. The number of loads hauled by third party truck capacity providers decreased approximately 15% compared to the 2022 thirty-nine-week period, and revenue per load on loads hauled by third party truck capacity providers decreased approximately 14% in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period.

The decrease in the number of loads hauled via truck compared to the 2022 thirty-nine-week period was primarily due to a decrease in demand from the record high levels experienced in the 2022 thirty-nine-week period for the Company’s van services and power-only services included in other truck transportation services, which tend to be more correlated with U.S. consumer demand. Loads hauled via other truck transportation services decreased 35%, loads hauled via van equipment decreased 14%, loads hauled via unsided/platform equipment decreased 7% and less-than-truckload loadings decreased 6% as compared to the 2022 thirty-nine-week period.

The decrease in revenue per load on loads hauled via truck was primarily due to pricing pressure throughout the 2023 thirty-nine-week period as industry-wide truck capacity was significantly more readily available as compared to the 2022 thirty-nine-week period, particularly during the 2022 first quarter during which pandemic-related supply chain disruption was at a high point. Revenue per load on loads hauled via van equipment decreased 18%, on less-than-truckload loadings decreased 9%, on loads hauled via unsided/platform equipment decreased 7% and on loads hauled by other truck transportation services decreased 7% as compared to the 2022 thirty-nine-week period.

Fuel surcharges billed to customers on revenue generated by BCO Independent Contractors are excluded from revenue. Fuel surcharges on Truck Brokerage Carrier revenue identified separately in billings to customers and included as a component of Truck Brokerage Carrier revenue were \$112,879,000 and \$153,195,000 in the 2023 and 2022 thirty-nine-week periods, respectively. It should be noted that billings to many customers of the Company’s truck brokerage services include a single all-in rate and do not separately identify fuel surcharges on loads hauled via Truck Brokerage Carriers. Accordingly, the overall impact of changes in fuel prices on revenue and revenue per load on loads hauled via truck is likely to be greater than that indicated.

Transportation revenue generated by rail intermodal, air cargo and ocean cargo carriers (collectively, the “multimode capacity providers”) for the 2023 thirty-nine-week period was \$276,311,000, or 7% of total revenue, a decrease of \$312,607,000, or 53%, compared to the 2022 thirty-nine-week period. Revenue per load on revenue generated by multimode capacity providers decreased approximately 35% in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period, and the number of loads hauled by multimode capacity providers decreased approximately 28% over the same period. Revenue per load on loads hauled via ocean, air and rail intermodal decreased 45%, 23% and 6%, respectively, during the 2023 thirty-nine-week period as compared to the 2022 thirty-nine-week period. The decrease in revenue per load on loads hauled by ocean cargo carriers was primarily related to the impact of global supply chain disruptions during the 2022 thirty-nine-week period, which were particularly acute with respect to international ocean freight. Revenue per load on revenue generated by multimode capacity providers is influenced by many factors, including revenue mix among the various modes of transportation used, length of haul, complexity of freight, density of freight lanes, fuel costs and availability of capacity. The decrease in the number of loads hauled by multimode capacity providers was due to a 31% decrease in rail loadings, a 30% decrease in ocean loadings and a 15% decrease in air loadings. The 31% decrease in rail loadings and the 30% decrease in ocean loadings were both broad-based across several customers, while the 15% decrease in air loadings was primarily attributable to decreased loadings at one specific customer.

Purchased transportation was 76.6% and 78.3% of revenue in the 2023 and 2022 thirty-nine-week periods, respectively. The decrease in purchased transportation as a percentage of revenue was primarily due to (i) a decreased rate of purchased transportation on revenue generated by Truck Brokerage Carriers and (ii) a decreased percentage of revenue generated by multimode capacity providers, which typically has a higher rate of purchased transportation than third party truck capacity providers. Commissions to agents were 8.9% and 8.1% of revenue in the 2023 and 2022 thirty-nine-week periods, respectively. The increase in commissions to agents as a percentage of revenue was primarily attributable to a decreased cost of purchased transportation as a percentage of revenue on revenue generated by Truck Brokerage Carriers.

Investment income was \$6,874,000 and \$2,023,000 in the 2023 and 2022 thirty-nine-week periods, respectively. The increase in investment income was attributable to higher average rates of return on investments and a higher average investment balance held by the insurance segment during the 2023 thirty-nine-week period.

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Other operating costs increased \$6,120,000 in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period. The increase in other operating costs compared to the prior year was primarily due to (i) increased trailing equipment maintenance costs as a result of the higher average age of the Company-owned trailer fleet and increased labor and parts costs charged by the Company's network of third party trailer maintenance facilities and (ii) an increased provision for contractor bad debt, partially offset by increased gains on sales of operating property.

Insurance and claims decreased \$9,294,000 in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period. The decrease in insurance and claims expense compared to the prior year was primarily due to decreased severity of current year trucking claims during the 2023 thirty-nine-week period, decreased net unfavorable development of prior years' claims in the 2023 thirty-nine-week period and a decrease in BCO miles traveled in the 2023 thirty-nine-week period, partially offset by increased insurance premiums, primarily for commercial auto and excess liability coverage. During the 2023 and 2022 thirty-nine-week periods, insurance and claims costs included \$5,154,000 and \$7,505,000 of net unfavorable adjustments to prior years' claims estimates, respectively.

Selling, general and administrative costs decreased \$6,128,000 in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period. The decrease in selling, general and administrative costs compared to prior year was primarily attributable to a decreased provision for incentive compensation, decreased stock-based compensation expense and a decreased provision for customer bad debt, partially offset by increased information technology costs and increased wages. Included in selling, general and administrative costs was incentive compensation expense of \$483,000 and \$14,185,000 for the 2023 and 2022 thirty-nine-week periods, respectively, and stock-based compensation expense of \$4,270,000 and \$9,409,000 for the 2023 and 2022 thirty-nine-week periods, respectively.

Depreciation and amortization increased \$1,871,000 in the 2023 thirty-nine-week period compared to the 2022 thirty-nine-week period. The increase in depreciation and amortization expense was primarily due to increased depreciation on new and updated digital tools deployed for use by the Company's network of agents, capacity providers and employees, partially offset by decreased trailing equipment depreciation.

The year-over-prior-year change in interest and debt (income) expense was \$5,354,000, with net interest income of \$2,079,000 in the 2023 thirty-nine-week period compared to net interest and debt expense of \$3,275,000 in the 2022 thirty-nine-week period. The increase in interest and debt (income) expense was primarily attributable to increased interest income earned on cash balances held by the transportation logistics segment and decreased average borrowings on the Company's revolving credit facility, as the Company had no borrowings during the 2023 period.

The provisions for income taxes for the 2023 and 2022 thirty-nine-week periods were based on estimated annual effective income tax rates of 24.4% and 24.5%, respectively, adjusted for discrete events, such as benefits resulting from stock-based awards. The effective income tax rate for the 2023 thirty-nine-week period was 24.0%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2023 period primarily attributable to state taxes. The effective income tax rate for the 2022 thirty-nine-week period was 23.9%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2022 period primarily attributable to state taxes.

Net income was \$206,407,000, or \$5.74 per basic and diluted share, in the 2023 thirty-nine-week period. Net income was \$337,612,000, or \$9.15 per basic and diluted share, in the 2022 thirty-nine-week period.

### THIRTEEN WEEKS ENDED SEPTEMBER 30, 2023 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 24, 2022

Revenue for the 2023 thirteen-week period was \$1,289,345,000, a decrease of \$526,787,000, or 29%, compared to the 2022 thirteen-week period. Transportation revenue decreased \$525,016,000, or 29%. The decrease in transportation revenue was attributable to a decreased number of loads hauled of approximately 17% and decreased revenue per load of approximately 15% compared to the 2022 thirteen-week period. Reinsurance premiums were \$17,960,000 and \$19,731,000 for the 2023 and 2022 thirteen-week periods, respectively. The decrease in revenue from reinsurance premiums was primarily attributable to a decrease in the average number of trucks provided by BCO Independent Contractors in the 2023 thirteen-week period compared to the 2022 thirteen-week period, partially offset by an increase in the aggregate value of equipment insured by BCO Independent Contractors under a physical damage program reinsured by Signature in the 2023 thirteen-week period compared to the 2022 thirteen-week period.

Truck transportation revenue generated by third party truck capacity providers for the 2023 thirteen-week period was \$1,173,764,000, representing 91% of total revenue, a decrease of \$425,002,000, or 27%, compared to the 2022 thirteen-week period. The number of loads hauled by third party truck capacity providers decreased approximately 16% compared to the 2022 thirteen-week period, and revenue per load on loads hauled by third party truck capacity providers decreased approximately 12% in the 2023 thirteen-week period compared to the 2022 thirteen-week period.

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The decrease in the number of loads hauled via truck compared to the 2022 thirteen-week period was primarily due to a decrease in demand from the 2022 thirteen-week period for the Company's van services and power-only services included in other truck transportation services, which tend to be more correlated with U.S. consumer demand. Loads hauled via other truck transportation services decreased 39%, loads hauled via van equipment decreased 15%, loads hauled via unsided/platform equipment decreased 10% and less-than-truckload loadings decreased 10% as compared to the 2022 thirteen-week period.

The decrease in revenue per load on loads hauled via truck was primarily due to pricing pressure throughout the 2023 thirteen-week period as industry-wide truck capacity was significantly more readily available as compared to the 2022 thirteen-week period, partially offset by an increased average length of haul during the 2023 thirteen-week period. Revenue per load on loads hauled by other truck transportation services decreased 14%, on loads hauled via van equipment decreased 14%, on less-than-truckload loadings decreased 12% and on loads hauled via unsided/platform equipment decreased 7% as compared to the 2022 thirteen-week period.

Fuel surcharges billed to customers on revenue generated by BCO Independent Contractors are excluded from revenue. Fuel surcharges on Truck Brokerage Carrier revenue identified separately in billings to customers and included as a component of Truck Brokerage Carrier revenue were \$33,584,000 and \$58,658,000 in the 2023 and 2022 thirteen-week periods, respectively.

Transportation revenue generated by multimode capacity providers for the 2023 thirteen-week period was \$88,888,000, or 7% of total revenue, a decrease of \$103,016,000, or 54%, compared to the 2022 thirteen-week period. Revenue per load on revenue generated by multimode capacity providers decreased approximately 42% in the 2023 thirteen-week period compared to the 2022 thirteen-week period, and the number of loads hauled by multimode capacity providers decreased approximately 20% over the same period. Revenue per load on loads hauled via ocean, air and rail intermodal decreased 49%, 29% and 5%, respectively, during the 2023 thirteen-week period as compared to the 2022 thirteen-week period. The decrease in revenue per load on loads hauled by ocean and air cargo carriers was primarily related to the impact of global supply chain disruptions during the 2022 thirteen-week period, which were particularly acute with respect to international ocean and air freight. The decrease in the number of loads hauled by multimode capacity providers was due to a 27% decrease in ocean loadings, a 20% decrease in air loadings and a 12% decrease in rail intermodal loadings. The 27% decrease in ocean loadings was due to a broad-based decrease in demand across many customers for the Company's ocean services, the 20% decrease in air loadings was primarily attributable to decreased loadings at one specific customer and the 12% decrease in rail loadings was broad-based across several customers.

Purchased transportation was 76.5% and 78.0% of revenue in the 2023 and 2022 thirteen-week periods, respectively. The decrease in purchased transportation as a percentage of revenue was primarily due to (i) a decreased percentage of revenue generated by Truck Brokerage Carriers and multimode capacity providers, which typically have a higher rate of purchased transportation than that of BCO Independent Contractors, and (ii) a decreased rate of purchased transportation on revenue generated by Truck Brokerage Carriers. Commissions to agents were 8.9% and 8.5% of revenue in the 2023 and 2022 thirteen-week periods, respectively. The increase in commissions to agents as a percentage of revenue was primarily attributable to a decreased cost of purchased transportation as a percentage of revenue on revenue generated by Truck Brokerage Carriers.

Investment income was \$3,022,000 and \$716,000 in the 2023 and 2022 thirteen-week periods, respectively. The increase in investment income was primarily attributable to higher average rates of return on investments and a higher average investment balance held by the insurance segment during the 2023 thirteen-week period.

Other operating costs increased \$1,802,000 in the 2023 thirteen-week period compared to the 2022 thirteen-week period. The increase in other operating costs compared to the prior year was primarily due to (i) increased trailing equipment maintenance costs as a result of the higher average age of the Company-owned trailer fleet and increased labor and parts costs charged by the Company's network of third party trailer maintenance facilities and (ii) an increased provision for contractor bad debt, partially offset by increased gains on sales of operating property.

Insurance and claims decreased \$1,905,000 in the 2023 thirteen-week period compared to the 2022 thirteen-week period. The decrease in insurance and claims expense compared to the prior year was primarily due to decreased severity of current year trucking claims during the 2023 thirteen-week period and a decrease in BCO miles traveled in the 2023 thirteen-week period, partially offset by increased severity of current year cargo claims.

Selling, general and administrative costs decreased \$2,544,000 in the 2023 thirteen-week period compared to the 2022 thirteen-week period. The decrease in selling, general and administrative costs compared to prior year was primarily attributable to a decreased provision for incentive compensation and decreased stock-based compensation expense, partially offset by increased information technology costs and increased employee benefit costs. Included in selling, general and administrative costs for the 2023 thirteen-week period was incentive compensation expense of \$160,000 and \$4,462,000 for the 2023 and 2022 thirteen-week periods, respectively. Stock-based compensation expense of \$1,144,000 and \$3,599,000 was included in selling, general and administrative costs for the 2023 and 2022 thirteen-week periods, respectively.

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Depreciation and amortization decreased \$223,000 in the 2023 thirteen-week period compared to the 2022 thirteen-week period. The decrease in depreciation and amortization expense was primarily due to decreased trailing equipment depreciation, partially offset by increased depreciation on new and updated digital tools deployed for use by the Company's network of agents, capacity providers and employees.

The quarter-over-prior-year-quarter change in interest and debt (income) expense was \$2,093,000, with net interest income of \$1,046,000 in the 2023 thirteen-week period compared to net interest and debt expense of \$1,047,000 in the 2022 thirteen-week period. The increase in interest and debt (income) expense was primarily attributable to increased interest income earned on cash balances held by the transportation logistics segment and decreased interest expense related to finance lease obligations.

The provisions for income taxes for the 2023 and 2022 thirteen-week periods were based on estimated annual effective income tax rates of 24.4% and 24.5%, respectively, adjusted for discrete events, such as benefits resulting from stock-based awards. The effective income tax rate for the 2023 thirteen-week period was 24.3%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2023 period primarily attributable to state taxes. The effective income tax rate for the 2022 thirteen-week period was 24.3%. The effective income tax rate was higher than the statutory federal income tax rate of 21% in the 2022 period primarily attributable to state taxes.

Net income was \$61,653,000, or \$1.71 per basic and diluted share, in the 2023 thirteen-week period. Net income was \$100,218,000, or \$2.76 per basic and diluted share, in the 2022 thirteen-week period.

## CAPITAL RESOURCES AND LIQUIDITY

Working capital and the ratio of current assets to current liabilities were \$725,477,000 and 2.1 to 1, respectively, at September 30, 2023, compared with \$561,255,000 and 1.6 to 1, respectively, at December 31, 2022. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was \$303,785,000 in the 2023 thirty-nine-week period compared with \$436,381,000 in the 2022 thirty-nine-week period. The decrease in cash flow provided by operating activities was primarily attributable to decreased net income, partially offset by favorable working capital impacts in connection with the decreased net receivables, defined as accounts receivable less accounts payable.

The Company declared and paid \$0.93 per share, or \$33,448,000 in the aggregate, in cash dividends during the thirty-nine-week period ended September 30, 2023 and, during such period, also paid \$71,854,000 of dividends payable which were declared in December 2022 and included in current liabilities in the consolidated balance sheet at December 31, 2022. The Company declared and paid \$0.80 per share, or \$29,506,000 in the aggregate, in cash dividends during the thirty-nine-week period ended September 24, 2022 and, during such period, also paid \$75,387,000 of dividends payable which were declared in December 2021 and included in current liabilities in the consolidated balance sheet at December 25, 2021. During the thirty-nine-week period ended September 30, 2023, the Company purchased 89,661 shares of its common stock at a total cost of \$15,433,000. During the thirty-nine-week period ended September 24, 2022, the Company purchased 1,900,826 shares of its common stock at a total cost of \$285,983,000. As of September 30, 2023, the Company may purchase in the aggregate up to 2,910,339 shares of its common stock under its authorized stock purchase programs. Long-term debt, including current maturities, was \$75,383,000 at September 30, 2023, \$28,017,000 lower than at December 31, 2022.

Shareholders' equity was \$1,043,154,000, or 93% of total capitalization (defined as long-term debt including current maturities plus equity), at September 30, 2023, compared to \$887,221,000, or 90% of total capitalization, at December 31, 2022. The increase in shareholders' equity was primarily the result of net income, partially offset by dividends declared by the Company and purchases of shares of the Company's common stock in the 2023 thirty-nine-week period.

On July 1, 2022, Landstar entered into a second amended and restated credit agreement with a bank syndicate led by JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement, which matures July 1, 2027, provides for borrowing capacity in the form of a revolving credit facility of \$300,000,000, \$45,000,000 of which may be utilized in the form of letters of credit. The Credit Agreement also includes an "accordion" feature providing for a possible increase of up to an aggregate amount of borrowing capacity of \$600,000,000.

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The Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness. The Company is required to, among other things, maintain a minimum fixed charge coverage ratio, as described in the Credit Agreement, and maintain a Leverage Ratio, as defined in the Credit Agreement, below a specified maximum. The Credit Agreement provides for a restriction on cash dividends and other distributions to stockholders on the Company's capital stock to the extent there is a default under the Credit Agreement. In addition, the Credit Agreement under certain circumstances limits the amount of such cash dividends and other distributions to stockholders to the extent that, after giving effect to any payment made to effect such cash dividend or other distribution, the Leverage Ratio would exceed 2.5 to 1 on a pro forma basis as of the end of the Company's most recently completed fiscal quarter. The Credit Agreement provides for an event of default in the event that, among other things, a person or group acquires 35% or more of the outstanding capital stock of the Company or obtains power to elect a majority of the Company's directors or the directors cease to consist of a majority of Continuing Directors, as defined in the Credit Agreement. None of these covenants are presently considered by management to be materially restrictive to the Company's operations, capital resources or liquidity. The Company is currently in compliance with all of the debt covenants under the Credit Agreement.

At September 30, 2023, the Company had no borrowings outstanding and \$33,492,000 of letters of credit outstanding under the Credit Agreement. At September 30, 2023, there was \$266,508,000 available for future borrowings under the Credit Agreement and access to an additional \$300,000,000 under the Credit Agreement's "accordion" feature. In addition, the Company has \$77,054,000 in letters of credit outstanding as collateral for insurance claims that are secured by investments totaling \$85,615,000 at September 30, 2023. Investments, all of which are carried at fair value, include primarily investment-grade bonds, asset-backed securities and U.S. Treasury obligations having maturities of up to five years. Fair value of investments is based primarily on quoted market prices. See "Notes to Consolidated Financial Statements" included herein for further discussion on measurement of fair value of investments.

Historically, the Company has generated sufficient operating cash flow to meet its debt service requirements, fund continued growth, both organic and through acquisitions, complete or execute share purchases of its common stock under authorized share purchase programs, pay dividends and meet working capital needs. As an asset-light provider of integrated transportation management solutions, the Company's annual capital requirements for operating property are generally for trailing equipment and information technology hardware and software. In addition, a significant portion of the trailing equipment available to the Company is provided by third party capacity providers, thereby reducing the Company's capital requirements. During the 2023 thirty-nine-week period, the Company purchased \$15,394,000 of operating property. Landstar anticipates acquiring either by purchase or lease financing during the remainder of fiscal year 2023 approximately \$18,000,000 in operating property, consisting primarily of new trailing equipment to replace older trailing equipment and information technology equipment.

Management believes that cash flow from operations combined with the Company's borrowing capacity under the Credit Agreement will be adequate to meet Landstar's debt service requirements, fund continued growth, both internal and through acquisitions, pay dividends, complete the authorized share purchase programs and meet working capital needs.

## LEGAL MATTERS

The Company is involved in certain claims and pending litigation arising from the normal conduct of business. Many of these claims are covered in whole or in part by insurance. Based on knowledge of the facts and, in certain cases, opinions of outside counsel, management believes that adequate provisions have been made for probable losses with respect to the resolution of all such claims and pending litigation and that the ultimate outcome, after provisions therefor, will not have a material adverse effect on the financial condition of the Company, but could have a material effect on the results of operations in a given quarter or year.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Landstar provides for the estimated costs of self-insured claims primarily on an actuarial basis. The amount recorded for the estimated liability for claims incurred is based upon the facts and circumstances known on the applicable balance sheet date. The ultimate resolution of these claims may be for an amount greater or less than the amount estimated by management. The Company continually revises its existing claim estimates as new or revised information becomes available on the status of each claim. Historically, the Company has experienced both favorable and unfavorable development of prior years' claims estimates within its various programs. During the 2023 and 2022 thirty-nine-week periods, insurance and claims costs included \$5,154,000 and \$7,505,000 of net unfavorable adjustments to prior years' claims estimates, respectively. It is reasonably likely that the ultimate outcome of settling all outstanding claims will be more or less than the estimated claims liability at September 30, 2023, primarily due to the inherent difficulty in estimating the severity of commercial trucking claims and the potential judgment or settlement amount that may be incurred in connection with the resolution of such claims.

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Significant variances from management's estimates for the ultimate resolution of self-insured claims could be expected to positively or negatively affect Landstar's earnings in a given quarter or year. However, management believes that the ultimate resolution of these items, given a range of reasonably likely outcomes, will not significantly affect the long-term financial condition of Landstar or its ability to fund its continuing operations.

### SEASONALITY

Landstar's operations are subject to seasonal trends common to the trucking industry. Historically, truckload shipments for the quarter ending in March are typically lower than for the quarters ending June, September and December. The COVID-19 global pandemic and related supply chain issues significantly disrupted these typical seasonal patterns. In particular, the Company's 2022 fiscal year results did not reflect normal seasonal patterns. Moreover, the thirty-nine week period ended September 30, 2023 also did not reflect normal seasonal patterns. No assurances can be given regarding the extent to which or when trends common to the trucking industry and Landstar's operations, in particular, will return to more typical, pre-pandemic, seasonal patterns.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to changes in interest rates as a result of its financing activities, primarily its borrowings on its revolving credit facility, if any, and investing activities with respect to investments held by the insurance segment.

On July 1, 2022, Landstar entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") with a bank syndicate led by JPMorgan Chase Bank, N.A., as administrative agent. The Credit Agreement, which matures July 1, 2027, provides for borrowing capacity in the form of a revolving credit facility of \$300,000,000, \$45,000,000 of which may be utilized in the form of letters of credit. The Credit Agreement also includes an "accordion" feature providing for a possible increase of up to an aggregate amount of borrowing capacity of \$600,000,000.

The revolving credit loans under the Credit Agreement as of September 30, 2023, at the option of Landstar, bear interest at (i) a forward-looking term rate based on the secured overnight financing rate plus 0.10% and an applicable margin ranging from 1.25% to 2.00%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.00%, in each case with the applicable margin determined based upon the Company's Leverage Ratio, as defined in the Credit Agreement, at the end of the most recent applicable fiscal quarter for which financial statements have been delivered. The revolving credit facility bears a commitment fee, payable in arrears, of 0.20% to 0.30%, based on the Company's Leverage Ratio at the end of the most recent applicable fiscal quarter for which financial statements have been delivered. During the entire third quarter of 2023 and as of September 30, 2023 and December 31, 2022, the Company had no borrowings outstanding under the Credit Agreement.

Long-term investments, all of which are available-for-sale and are carried at fair value, include primarily investment-grade bonds and asset-backed securities having maturities of up to five years. Assuming that the long-term portion of investments remains at \$95,270,000, the balance at September 30, 2023, a hypothetical increase or decrease in interest rates of 100 basis points would not have a material impact on future earnings on an annualized basis. Short-term investments consist of short-term investment-grade instruments and the current maturities of investment-grade corporate bonds and asset-backed securities. Accordingly, any future interest rate risk on these short-term investments would not be material to the Company's operating results.

Assets and liabilities of the Company's Canadian and Mexican operations are translated from their functional currency to U.S. dollars using exchange rates in effect at the balance sheet date and revenue and expense accounts are translated at average monthly exchange rates during the period. Adjustments resulting from the translation process are included in accumulated other comprehensive income. Transactional gains and losses arising from receivable and payable balances, including intercompany balances, in the normal course of business that are denominated in a currency other than the functional currency of the operation are recorded in the statements of income when they occur. The assets held at the Company's Canadian and Mexican subsidiaries at September 30, 2023 were collectively, as translated to U.S. dollars, less than 3% of total consolidated assets. Accordingly, translation gains or losses of approximately 30% related to the Canadian and Mexican operations would not be material.

### Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, an evaluation was carried out, under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the CEO and CFO concluded that the Company's disclosure

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controls and procedures were effective as of September 30, 2023 to provide reasonable assurance that information required to be disclosed by the Company in reports that it filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in the Company's internal control over financial reporting during the third quarter of 2023, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In designing and evaluating disclosure controls and procedures, Company management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitation in any control system, no evaluation or implementation of a control system can provide complete assurance that all control issues and all possible instances of fraud have been or will be detected.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

See Part I, Item 2, "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Legal Matters*"

### Item 1A. Risk Factors

For a discussion identifying risk factors and other important factors that could cause actual results to differ materially from those anticipated, see the discussions under Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, under Part II, Item 1A, "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2023, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements" in this Quarterly Report on Form 10-Q.

Except as set forth under Part II, Item 1A, "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2023, and as set forth below, there have been no material changes to the Risk Factors described in Part I "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 as filed with the SEC.

*Regulations requiring the purchase and use of zero-emission vehicles ("ZEVs").* Currently, the long-haul trucking industry in North America is diesel fuel-based, and long-haul trucking operations powered by electricity, natural gas, or hydrogen-based powertrains rather than diesel are not commercially feasible at scale in North America. Significant challenges remain with respect to the economic feasibility of these trucks and further development of this technology is necessary considering power, torque, range, efficiency and other performance requirements of long-haul trucking operations. Moreover, the extensive nationwide charging/fueling infrastructure and maintenance network that would be necessary to support such operations does not exist. Nevertheless, federal, state and local governmental agencies may engage in efforts to support legislation and regulations mandating the transition of diesel fuel-based commercial motor vehicles, such as Class 8 tractors operated by the Company's BCO Independent Contractors and Truck Brokerage Carriers, to ZEVs. For example, the California Air Resources Board ("CARB") has adopted two new regulations, the Advanced Clean Trucks ("ACT") regulation and the Advanced Clean Fleets ("ACF") regulation, that would mandate the transition of commercial trucking operations in California to ZEVs over time.

CARB's ACT regulation, as enacted, is intended to accelerate a large-scale transition of medium-and heavy-duty ZEVs. The regulation includes a manufacturer sales requirement and a reporting requirement that applies to large employers including retailers, manufacturers, brokers and others, as well as fleet owners with 50 or more trucks operating in California. The following states have also adopted the ACT regulation: Colorado, Massachusetts, New Jersey, New York, Oregon, Vermont and Washington.

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CARB's ACF regulation is intended to work in conjunction with the ACT regulation to require the deployment of medium- and heavy-duty ZEVs in California. Components of the ACF regulation, as adopted by CARB, include the following:

- **Manufacturer sales mandate.** Manufacturers would be required to sell only zero-emission medium- and heavy-duty vehicles in California starting in 2036.
- **Drayage fleets.** Beginning January 1, 2024, trucks would be required to be registered in the CARB Online System to conduct drayage activities in California. Any truck that is to conduct drayage activities in California and is added to the California fleet on or after January 1, 2024, will be required to be a ZEV.
- **High priority fleets.** High priority fleets (defined by the regulation to include an entity that owns, operates or directs vehicles in California and has \$50 million or more in total gross revenue or a fleet that owns, operates, or directs 50 or more vehicles in its California fleet) would be required to either (i) purchase only ZEVs beginning 2024 and, starting January 1, 2025, remove internal combustion engine vehicles at the end of their minimum useful life as specified in the regulation or (ii) use the ZEV Milestones Option to phase-in ZEVs into their fleets to meet ZEV targets as a percentage of their total California fleet according to the following schedule:

Table A: ZEV Fleet Milestones by Milestone Group and Year

<u>Percentage of vehicles that must be ZEVs</u>	<u>10%</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>
Milestone Group 1: Box trucks, vans, buses with two axles, yard tractors, light -duty package delivery vehicles	2025	2028	2031	2033	2035 and beyond
Milestone Group 2: Work trucks, day cab tractors, buses with three axles	2027	2030	2033	2036	2039 and beyond
Milestone Group 3: Sleeper cab tractors and specialty vehicles	2030	2033	2036	2039	2042 and beyond

On October 16, 2023, the California Trucking Association (the "CTA") filed a lawsuit in the Eastern District of California challenging the ACF regulation as, among several alternative theories, preempted by federal law under the Federal Clean Air Act and the Federal Aviation Administration Authorization Act of 1994. The CTA seeks declaratory relief that the ACF regulation is invalid and unenforceable as well as preliminary and permanent injunctive relief barring the implementation and enforcement of the ACF regulation. No assurances can be provided regarding the CTA's litigation challenging the ACF regulation, including the timing of any proceedings relating to the litigation.

To the extent that the ACF regulation becomes effective, no assurances can be given with respect to the extent BCO Independent Contractors will choose to become CARB-compliant by purchasing a ZEV. Accordingly, many of the Company's BCO Independent Contractors may not be permitted to haul loads that would require travel within California, which could negatively affect the ability of the Company to service customer freight needs for freight originating from, delivering to or traveling through California. Furthermore, mandates requiring the transition to ZEVs would create substantial costs for the Company's third party capacity providers and, in turn, increase the cost of purchased transportation to the Company. An increase in the costs to purchase, lease or maintain tractor equipment or in purchased transportation cost caused by existing or new regulations without a corresponding increase in price to the customer could adversely affect Landstar, including its results of operations and financial condition.

Moreover, irrespective of the enactment of these regulations, no assurances can be provided that the technology advancements that will need to occur to make ZEVs commercially viable for long-haul trucking or the extensive nationwide charging/fueling infrastructure and maintenance network that would be necessary to support such operations will develop in the time frame that would be necessary to enable efforts to comply with legislative or regulatory mandates requiring the transition of diesel fuel-based vehicles to ZEVs. It is not expected that long-haul trucking operations powered by electricity, natural gas, or hydrogen-based powertrains rather than diesel will become commercially viable at scale throughout North America in the next five years. However, as various technology alternatives continue to

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develop and mature and investment in infrastructure continues, local or regional service in certain geographic areas utilizing Class 8 tractors powered by electricity, natural gas, or hydrogen-based powertrains may become commercially viable in such time frame. Landstar intends to continue to actively monitor developments in the trucking industry related to the design, manufacture, operation, and support of heavy-duty trucks powered by electricity, natural gas, or hydrogen-based powertrains in order to consider the implementation of initiatives involving those technologies, as those technologies and the related infrastructure needed to support them may mature in the future. An increase in costs to implement these initiatives without a corresponding increase in price to the customer could adversely affect Landstar, including its results of operations and financial condition.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Purchases of Equity Securities by the Company.

The Company did not purchase any shares of its common stock during the period from July 2, 2023 to September 30, 2023, the Company's third fiscal quarter.

On December 7, 2021, the Landstar System, Inc. Board of Directors authorized the Company to purchase up to 1,912,824 shares of the Company's common stock from time to time in the open market and in privately negotiated transactions. On December 6, 2022, the Landstar System, Inc. Board of Directors authorized the Company to purchase up to 1,900,826 additional shares of the Company's common stock from time to time in the open market and in privately negotiated transactions. As of September 30, 2023, the Company had authorization to purchase in the aggregate up to 2,910,339 shares of its common stock under these programs. No specific expiration date has been assigned to the December 7, 2021 or December 6, 2022 authorizations.

#### Dividends

Landstar entered into the Second Amended and Restated Credit Agreement, dated July 1, 2022, with a bank syndicate led by JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement provides for a restriction on cash dividends and other distributions to stockholders on the Company's capital stock in the event there is a default under the Credit Agreement. In addition, the Credit Agreement, under certain circumstances, limits the amount of such cash dividends and other distributions to stockholders to the extent that, after giving effect to any payment made to effect such cash dividend or other distribution, the Leverage Ratio, as defined in the Credit Agreement, would exceed 2.5 to 1 on a pro forma basis as of the end of the Company's most recently completed fiscal quarter.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### (a) *Second Amended and Restated Bylaws*

On November 2, 2023, the Board of Directors (the "Board") of Landstar System, Inc. adopted the Second Amended and Restated Bylaws of Landstar System, Inc. (as amended and restated, the "Bylaws"), effective on such date. The changes to the Bylaws include the following:

- *Article I, Section 1.04* (Meetings of Stockholders – Notice of Meetings; Waiver of Notice). Revised to reflect (1) amended Section 222(a) of the General Corporation Law of the State of Delaware (the "DGCL"), which sets out requirements for the content of the notice of a stockholder meeting and (2) amended Section 213(a), which clarifies the date of determination of stockholders of record for an adjourned stockholder meeting.
- *Article I, Section 1.09* (Meetings of Stockholders – Adjournment). Revised to reflect amended Section 222(c) of the DGCL, which clarifies the circumstances under which a meeting of stockholders may be adjourned and the circumstances under which an adjourned meeting can be reconvened without requiring a new notice of meeting.

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- *Article I, Section 1.12* (Meetings of Stockholders – Stockholder Meetings – Nominations and Other Proposals). Updated to (1) clarify the time periods during which a stockholder may make additional or substitute nominations or proposals, (2) establish the number of persons a stockholder may nominate for election to the Board, (3) address compliance by stockholders with Rule 14a-19 promulgated under the Securities Exchange Act of 1934, commonly referred to as the “universal proxy rule”, (4) expand the scope of disclosures required by a stockholder seeking to nominate persons to be elected to the Board or submit proposals regarding other business at a meeting of stockholders to include information regarding the stockholder, the beneficial owner, if any, on whose behalf the nomination or proposal is made, or any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, and any director nominee, as applicable, (5) require proposed director nominees to complete and submit a questionnaire requested by the Company, (6) enhance and clarify the procedural mechanics in connection with stockholder nominations and proposals and (7) reflect that any stockholder not acting on behalf of the Board by soliciting proxies from other stockholders must use a proxy card color other than white, which is reserved for the exclusive use by the Board.

In addition, certain non-substantive language and conforming changes, other technical edits and updates consistent with the DGCL were made to the Bylaws. The foregoing summary of the changes effectuated by the amendment and restatement of the Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Bylaws, a copy of which is included as Exhibit 3.1 hereto and incorporated herein by reference.

### *Amended 2011 Equity Incentive Plan*

On November 2, 2023, the Compensation Committee of the Board of Landstar System, Inc. approved an amendment to the Landstar System, Inc. 2011 Equity Incentive Plan (the “Amended 2011 EIP”) in connection with the Company’s adoption of a new Clawback Policy (as defined in the Amended 2011 EIP). The foregoing summary of the Amended 2011 EIP does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended 2011 EIP, a copy of which is included as Exhibit 10.1 hereto and incorporated herein by reference.

(c) During the thirteen-week period ended September 30, 2023, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Landstar’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

### Item 6. Exhibits

The exhibits listed on the Exhibit Index are furnished as part of this quarterly report on Form 10-Q.

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

<u>Exhibit No.</u>	<u>Description</u>
(3)	
3.1 *	<a href="#">The Company's Second Amended and Restated Bylaws, as adopted as of November 2, 2023.</a>
(10)	
10.1 *	<a href="#">Landstar System, Inc. 2011 Equity Incentive Plan, as amended through November 2, 2023.</a>
(31)	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.1 *	<a href="#">Chief Executive Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 *	<a href="#">Chief Financial Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
(32)	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1 **	<a href="#">Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 **	<a href="#">Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
+	Management contract or compensatory plan or arrangement
*	Filed herewith
**	Furnished herewith

SIGNATURES

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

Date: November 3, 2023

LANDSTAR SYSTEM, INC.

/s/ James B. Gattoni

James B. Gattoni

President and Chief Executive Officer

Date: November 3, 2023

/s/ James P. Todd

James P. Todd

Vice President, Chief Financial Officer and Assistant Secretary

**LANDSTAR SYSTEM, INC.**

**SECOND AMENDED & RESTATED BYLAWS**

As Adopted on November 2, 2023

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LANDSTAR SYSTEM, INC.  
SECOND AMENDED & RESTATED BYLAWS

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**LANDSTAR SYSTEM, INC.**  
**SECOND AMENDED & RESTATED BYLAWS**

**ARTICLE I**

**MEETINGS OF STOCKHOLDERS**

Section 1.01. Annual Meetings. An annual meeting of the stockholders of the corporation for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held each year either within or without the State of Delaware on such date and at such place and time as are designated by resolution of the corporation's board of directors (the "Board").

Section 1.02. Special Meetings. A special meeting of the stockholders for any purpose may be called at any time by the Chairman or the President (or, in the event of his or her absence or disability, by any Vice President designated by the President) or by the Secretary pursuant to a resolution of the Board, to be held either within or without the State of Delaware on such date and at such time and place as are designated by such officer or in such resolution. The stockholders of the corporation do not have the power to call a special meeting.

Section 1.03. Participation in Meetings by Remote Communication. The Board, acting in its sole discretion, may establish guidelines and procedures in accordance with applicable provisions of the General Corporation Law of the State of Delaware as amended from time to time (the "DGCL") and any other applicable law for the participation by stockholders and proxyholders in a meeting of stockholders by means of remote communications, and may determine that any meeting of stockholders will not be held at any place but will be held solely by means of remote communication. Stockholders and proxyholders complying with such procedures and guidelines and otherwise entitled to vote at a meeting of stockholders shall be deemed present in person and entitled to vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication.

Section 1.04. Notice of Meetings; Waiver of Notice.

(a) The Secretary or any Assistant Secretary shall cause notice of each meeting of stockholders to be given in a manner permitted by the DGCL not less than 10 days nor more than 60 days prior to the meeting to each stockholder of record entitled to vote at such meeting, subject to such exclusions as are then permitted by the DGCL. The notice shall specify (i) the place, if any, date and time of such meeting, (ii) the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, (iii) the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), (iv) in the case of a special meeting, the purpose or purposes for which such meeting is called, and (v) such other information as may be required by law or as may be deemed appropriate by the President, the Vice President calling the meeting, or the Board. If the stockholder list referred to in Section 1.06 of these bylaws is made accessible on an electronic network, the notice of meeting must indicate how the stockholder list can be accessed. If notice of a meeting is

transmitted electronically, the notice shall be deemed given when directed to the stockholder's electronic mail address as supplied by the stockholder to the Secretary of the corporation or as otherwise directed pursuant to the stockholder's authorization or instructions. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment or recess of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned or recessed meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned or recessed meeting the same date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned or recessed meeting.

(b) A written waiver of notice of meeting signed by a stockholder or a waiver by electronic transmission by a stockholder, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Attendance of a stockholder at a meeting is a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 1.05. Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy.

(b) A stockholder may authorize a valid proxy by providing a written instrument signed by such stockholder, or by causing his or her signature to be affixed to such writing by any reasonable means, including but not limited to by facsimile signature, or by transmitting or authorizing an electronic transmission (as defined in Section 8.08 of these bylaws) setting forth an authorization to act as proxy to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. Proxies by electronic transmission must either set forth, or be submitted with, information from which it can be determined that the electronic transmission was authorized by the stockholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used if such copy, facsimile telecommunication or other reproduction is a complete reproduction of the entire original writing or transmission.

(c) No proxy may be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy is revocable at the pleasure of the stockholder providing it unless the proxy states that it is irrevocable and applicable law makes it irrevocable. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary.

Section 1.06. Voting Lists. The officer of the corporation who has charge of the stock ledger of the corporation shall prepare, at least 10 days before every meeting of the stockholders (and before any adjournment thereof for which a new record date has been set), a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. This list shall be open to the examination of any stockholder for a period of ten (10) calendar days ending on the day before the meeting date for any purpose germane to the meeting as required by the DGCL or other applicable law. The stock ledger shall be the only evidence as to who are the stockholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of stockholders.

Section 1.07. Quorum. Except as otherwise required by law or by the certificate of incorporation, the presence in person or by proxy of the holders of record of a majority of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting. Shares held by brokers that such brokers are prohibited by law, regulation or rule of any stock exchange from voting (pursuant to their discretionary authority on behalf of beneficial owners of such shares who have not submitted a proxy with respect to such shares) on some or all of the matters before the stockholders, but which shares would otherwise be entitled to vote at the meeting ("Broker Non-Votes") shall be counted as present for the purpose of determining the presence or absence of a quorum. A quorum, once established, is not broken by the withdrawal of enough votes to leave less than a quorum.

Section 1.08. Voting. Every holder of record of shares entitled to vote at a meeting of stockholders is entitled to one vote for each share outstanding in his or her name on the books of the corporation (a) at the close of business on the record date for such meeting, or (b) if no record date has been fixed, at the close of business on the day next preceding the day on which notice of the meeting is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. At all meetings of stockholders for the election of directors at which a quorum is present, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election, provided that if, as of the tenth (10th) day preceding the date the corporation first mails its notice of meeting for such meeting to the stockholders of the corporation, the number of nominees for election as director exceeds the number of directors to be elected, the directors shall be elected by a plurality of the votes cast. All other matters at any meeting at which a quorum is present shall be decided by the affirmative vote of a majority of votes cast, unless otherwise expressly provided by express provision of law or the certificate of incorporation. The stockholders do not have the right to cumulate their votes for the election of directors. For the avoidance of doubt, abstentions and Broker Non-Votes will not be counted as votes cast.

Section 1.09. Adjournment. Any meeting of stockholders may be adjourned, for any reason, or without reason, whether or not a quorum is present, from time to time (including to address a technical failure to convene or continue a meeting using remote communication), by the chairperson of the meeting or by the vote of a majority of the shares of stock present in person or represented by proxy at the meeting, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the place, if any, and date and time thereof (and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting) are (a) announced at the meeting at which the adjournment is taken, (b) displayed, during the time scheduled for the meeting, on the same electronic network, if any, used to enable stockholders and proxy holders to participate in the meeting by means of remote communication or (c) set forth in the notice of

the meeting given in accordance with Section 1.04 of these bylaws, unless the adjournment is for more than 30 days or a new record date is fixed for the adjourned meeting after the adjournment, in which case notice of the adjourned meeting in accordance with Section 1.04 of these bylaws shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting.

Section 1.10. Organization; Procedure.

(a) The President shall preside over each meeting of stockholders. If the President is absent or disabled, the presiding officer shall be selected by the Board or, failing action by the Board, by a majority of the stockholders present in person or represented by proxy. The Secretary, or in the event of his or her absence or disability, an appointee of the presiding officer, shall act as secretary of the meeting. The Board may make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to any such rules and regulations, the presiding officer of any meeting shall have the right and authority to prescribe rules, regulations and procedures for such meeting and to take all such actions as in the judgment of the presiding officer are appropriate for the proper conduct of such meeting.

(b) Preceding any meeting of the stockholders, the Board may, and when required by law shall, appoint one or more persons to act as inspectors of elections, and may designate one or more alternate inspectors. If no inspector or alternate so appointed by the Board is able to act, or if no inspector or alternate has been appointed and the appointment of an inspector is required by law, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of the duties of an inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall discharge their duties in accordance with the requirements of applicable law.

Section 1.11. No Stockholder Action by Written Consent. Any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of the stockholders of the corporation, and the ability of the stockholders to consent in writing to the taking of any action is specifically denied.

Section 1.12. Stockholder Meetings — Nominations and Other Proposals.

(a) Annual Meetings.

(i) Nominations of persons for election to the Board and proposals of business to be considered by the stockholders at an annual meeting of stockholders may be made only (x) as specified in the corporation's notice of meeting (or any notice supplemental thereto), (y) by or at the direction of the Board, or a committee appointed by the Board for such purpose, or (z) by any stockholder of the corporation who or which (1) is entitled to vote at the meeting, (2) complies in a timely manner with all notice procedures set forth in this Section 1.12, and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting. A stockholder proposal must

constitute a proper matter for corporate action under the DGCL. In no event shall a stockholder of record be entitled to make additional or substitute nominations or proposals following the expiration of the time periods set forth in this Section 1.12. The number of nominees a stockholder of record may nominate for election at the annual meeting (or in the case of one or more stockholders of record giving the notice on behalf of a beneficial owner, the number of nominees such stockholders of record may collectively nominate for election at the annual meeting on behalf of such beneficial owner) shall not exceed the number of directors to be elected at such annual meeting.

(ii) Notice in writing of a stockholder nomination or stockholder proposal must be delivered to the attention of the Secretary at the principal place of business of the corporation by the close of business not less than 90 days nor more than 120 days prior to the first anniversary of the date of the corporation's proxy statement for the preceding year's annual meeting or, if there was no proxy statement issued for the prior year, by the close of business on the 10th day following the day on which public announcement of the date of the current year's annual meeting is first made. If the number of directors to be elected to the Board at an annual meeting is increased, and if the corporation does not make a public announcement naming all of the nominees for director or specifying the size of the increased Board at least 70 days prior to the first anniversary of the date of the corporation's proxy statement for the preceding year's annual meeting (or, if there was no proxy statement issued for the prior year, does not make such public announcement concurrently with or prior to the day on which public announcement of the date of the current year's annual meeting is first made), then any stockholder nomination in respect of the increased number of positions shall be considered timely if delivered not later than the close of business on the 10th day following the day on which a public announcement naming all nominees or specifying the size of the increased Board is first made by the corporation.

(iii) Notice of a stockholder nomination shall include, as to each person whom the stockholder of record proposes to nominate for election or reelection as a director, (w) all information relating to such person required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (x) a written representation that such person will comply with all requirements of Rule 14a-19 promulgated under the Exchange Act and all applicable policies of the corporation, (y) a questionnaire completed and signed by such person (in the form to be provided by the Secretary upon written request of any stockholder of record within ten (10) days of such request) with respect to the background, experience, qualification, securities ownership and independence of such proposed nominee, including but not limited to (1) the background of any other person or entity on whose behalf the nomination is being made, (2) a written representation and agreement that such person consents to being named in the proxy statement and accompanying proxy card as a nominee and currently intends to serve as a director for the full term for which such person has been nominated for election, (3) a written representation that such person is not, and such person will not become, party to any voting commitment with any person or entity or any agreements or arrangements with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or

indemnification in connection with services as a director or nominee that has not been disclosed to the corporation, (4) a written representation that such person has obtained all required third-party consents to serve on the Board if elected, including from any other public company board of directors on which such person serves, if applicable, (5) a description of any pending or threatened legal proceeding in which such person is a party or participant involving the corporation or any of its officers or directors, or any affiliate of the corporation, (6) a description of any interest in the securities of the corporation held by a general or limited partnership or similar entity in which such person is a general partner or beneficially owns an interest in a general partner of such partnership or is the manager, managing member or beneficially owns an interest in the manager or managing member of a similar entity and (7) any other information requested by the corporation relating to laws, rules and regulations applicable to the corporation, and (z) all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder of record making the nomination or proposal and the beneficial owner, if any, on whose behalf the nomination is made, or any proponent person were the "registrant" and the nominee were a director of such registrant. Notice of a stockholder proposal shall include a brief description of the business desired to be brought before the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and if such business includes proposed amendments to the certificate of incorporation and/or bylaws of the corporation, the text of the proposed amendments), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made.

(iv) Notice of a stockholder nomination or proposal shall also set forth, as to the stockholder of record giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (v) the name and address of such stockholder of record, as they appear on the corporation's books and records, and of such beneficial owner, (w) the class or series and number of shares of capital stock of the corporation which are owned beneficially and of record by such beneficial owner and such stockholder of record, (x) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (y) a representation as to whether the stockholder of record or the beneficial owner, if any, intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee or to approve or adopt the proposal and/or (2) otherwise to solicit proxies from stockholders in support of such nomination or proposal, and in the case of any nomination, solicit proxies in support of any proposed nominee in accordance with Rule 14a-19 promulgated under the Exchange Act, and (z) all information that would be required to be set forth in a Schedule 13D filed pursuant to Rule 13d-1(a) or an amendment pursuant to Rule 13d-2(a) if such statement were required to be filed under the Exchange Act and the rules and regulations promulgated thereunder by such stockholder of record, such beneficial owner or any other persons acting in concert therewith. The foregoing notice requirements shall be deemed satisfied by a stockholder of record if the stockholder of record has notified the corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder of record's proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting.

(v) A stockholder of record providing notice of a proposed nomination for election to the Board or other business proposed to be brought before a meeting pursuant to this Section 1.12 of these bylaws shall update and supplement the information provided to the extent necessary so that the information provided therein is true and correct as of any record date for the meeting (such update and supplement to be delivered to the Secretary at the principal place of business of the corporation not later than five (5) days after any record date for the meeting) and as of the date that is ten (10) days prior to the date of the meeting (such update and supplement to be delivered to the Secretary at the principal place of business of the corporation not later than five (5) days prior to the date of such meeting), after it becomes aware of an inaccuracy or change in the information provided or required to be provided in such notice pursuant to this Section 1.12.

(b) Special Meetings.

(i) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting pursuant to Section 1.04 of these bylaws. Nominations of persons for election to the Board at a special meeting of stockholders may be made only (x) as specified in the corporation's notice of meeting (or any supplement thereto), (y) by or at the direction of the Board, or a committee appointed by the Board for such purpose, if the corporation's notice of meeting indicated that the purposes of meeting included the election of directors and specified the number of directors to be elected, or (z) subject to the provisions of these bylaws, by any stockholder of the corporation. A stockholder may nominate persons for election to the board (a "stockholder nomination") at a special meeting only if the stockholder (1) is entitled to vote at the meeting, (2) complies in a timely manner with the notice procedures set forth in paragraph (ii) of this Section 1.12(b), and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting.

(ii) Notice in writing of a stockholder nomination must be delivered to the attention of the Secretary at the principal place of business of the corporation not later than the later of the 60th day prior to the date of the meeting and the close of business on the 10th day following the last to occur of the public announcement by the corporation of the date of such meeting and the public announcement by the corporation of the nominees proposed by the Board to be elected at such meeting, and must comply with the provisions of Sections 1.12(a)(iii) and (iv) of these bylaws.

(c) General.

(i) Except as otherwise provided by law, the certificate of incorporation or these bylaws, the presiding officer of a meeting of stockholders (and, in advance of any meeting of stockholders, the Board) shall have the power and duty (x) to make all necessary determinations relating to nominations of persons for election to the Board of

the corporation and the proposal of other business to be considered by the stockholders, including whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.12, and (y) if any proposed nomination or business is not in compliance with this Section 1.12, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation.

(ii) The corporation may require any proposed stockholder nominee for director to furnish, including by way of interview, within ten (10) days of a request therefor, such other information as the corporation may reasonably require, including among other things, to determine the eligibility of such proposed nominee to serve as a director of the corporation and to determine the independence of such proposed nominee under the Exchange Act and rules and regulations thereunder and applicable stock exchange rules. In addition, a stockholder of record seeking to bring an item of business before the annual meeting shall promptly provide any other information reasonably requested by the corporation. If the stockholder of record (or a qualified representative of the stockholder of record) making a nomination or proposal under this Section 1.12 does not appear at a meeting of stockholders to present such nomination or proposal, the nomination shall be disregarded and/or the proposed business shall not be transacted, as the case may be, notwithstanding that proxies in favor thereof may have been received by the corporation. Notwithstanding anything to the contrary in these bylaws, unless otherwise required by law, if any stockholder of record provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act with respect to any proposed nominee and subsequently fails to comply with the requirements of Rule 14a-19(a)(2) or Rule 14a-19(a)(3) promulgated under the Exchange Act (or fails to timely provide reasonable evidence sufficient to satisfy the Board that such stockholder of record has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act as required under this Section 1.12(c)(ii)), then such stockholder of record's nomination of each such proposed nominee shall be disregarded, notwithstanding that proxies or votes in respect of the election of such proposed nominees of such stockholder of record may have been received by the corporation. A stockholder of record, beneficial owner, or proponent person must notify the corporation if it no longer intends to solicit proxies in accordance with the representations it has made to the corporation regarding proxy solicitation and compliance with Rule 14a-19 or otherwise fails to timely satisfy the requirements of Rule 14a-19. A stockholder of record may not present a nomination (and any nominee shall be disqualified from standing for election as a nominee of such stockholder of record and such defective nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the corporation) if such stockholder of record, the beneficial owner on whose behalf such stockholder of record gave notice, or any proponent person or nominee breaches a representation required by these bylaws or fails to comply with the requirements set forth in this Section 1.12 or applicable law or provides incomplete, false or misleading information to the corporation. Upon request by the corporation, if any stockholder of record provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such stockholder of record shall deliver to the corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act. Any stockholder of record directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for exclusive use by the Board.

(iii) For purposes of this Section 1.12, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iv) Notwithstanding the foregoing provisions of this Section 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.12. Nothing in this Section 1.12 shall be deemed to affect any rights of (x) stockholders to request inclusion of proposals other than nominations in the corporation’s proxy statement pursuant to the mandatory provisions of the Exchange Act and the rules or regulations thereunder or (y) the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the certificate of incorporation or of the relevant preferred stock certificate or designation.

(v) The announcement of an adjournment or postponement of an annual or special meeting does not commence a new time period (and does not extend any time period) for the giving of notice of a stockholder nomination or a stockholder proposal.

## **ARTICLE II**

### **BOARD OF DIRECTORS**

Section 2.01. General Powers. Except as may otherwise be provided by law or by the certificate of incorporation, the affairs and business of the corporation shall be managed by or under the direction of the Board. The directors shall act only as a Board, and the individual directors shall have no power as such.

Section 2.02. Number and Term of Office; Election of Directors.

(a) The number of directors that constitutes the whole Board shall not be less than seven, nor more than 10, the exact number within said limits to be fixed from time to time by resolution of the Board. Prior to the 2023 annual meeting of stockholders, the Board shall be divided into three classes, designated Classes I, II and III, which shall be as nearly equal in number as possible, and with each class of directors being elected to hold office for a three (3)-year term (such directors and any director appointed to fill a vacancy caused by the death, resignation, removal or otherwise of such director, a “Continuing Classified Director”). Commencing with the 2023 annual meeting of stockholders, each class of directors whose term shall then expire shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders.

(b) In case of any increase in the number of directors in advance of an annual meeting of stockholders, each additional director shall be elected by the directors then in office, although less than a quorum, to hold office until the next annual meeting and until such director's successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 2.03. Regular Meetings. Regular meetings of the Board shall be held on such dates, and at such times and places, as are determined from time to time by resolution of the Board.

Section 2.04. Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman or the President or, in the event of his or her absence or disability, by any Vice President designated by the President, or by a majority of the directors then in office, at such place, date and time as may be specified in the respective notices or waivers of notice of such meetings. Any business may be conducted at a special meeting.

Section 2.05. Notice of Meetings; Waiver of Notice.

(a) Notices of special meetings shall be given to each director, and notice of each resolution or other action affecting the date, time or place of one or more regular meetings shall be given to each director not present at the meeting adopting such resolution or other action, subject to Section 2.08 of these bylaws. Notices shall be given personally, by telephone, by mail or by electronic transmission or in any other form or manner permitted under the DGCL, directed to each director at the address from time to time designated by such director to the Secretary. Each such notice and confirmation must be given (received in the case of personal service, or delivery of written confirmation) at least 24 hours prior to the time of a special meeting, and at least five days prior to the initial regular meeting affected by such resolution or other action, as the case may be.

(b) A written waiver of notice of meeting of the Board signed by a director or a waiver by electronic transmission by a director, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Attendance of a director at a meeting is a waiver of notice of such meeting, except when the director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 2.06. Quorum; Voting. At all meetings of the Board, the presence of a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. Except as otherwise required by law, the certificate of incorporation or these bylaws, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board.

Section 2.07. Action by Communications Equipment. Members of the Board may participate in a meeting of the Board by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 2.08. Adjournment. A majority of the directors present may adjourn any meeting of the Board to another date, time or place, whether or not a quorum is present. No notice need be given of any adjourned meeting unless (a) the date, time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these bylaws applicable to special meetings shall be given to each director, or (b) the meeting is adjourned for more than 24 hours, in which case the notice referred to in clause (a) shall be given to those directors not present at the announcement of the date, time and place of the adjourned meeting.

Section 2.09. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission and any consent may be documented, signed and delivered in any manner permitted by Section 116 of the DGCL. After an action is taken, the consent or consents relating thereto shall be filed with the minutes of proceedings of the Board in the same paper or electronic form as the minutes are maintained.

Section 2.10. Regulations. To the extent consistent with applicable law, the certificate of incorporation and these bylaws, the Board may adopt such rules and regulations for the conduct of meetings of the Board and for the management of the affairs and business of the corporation as the Board may deem appropriate. The Board may elect from among its members a chairperson and one or more vice-chairpersons to preside over meetings and to perform such other duties as may be designated by the Board.

Section 2.11. Resignations of Directors. Any director may resign at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such director, to the President or the Secretary. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of a specified event. A resignation conditioned upon the director's failure to obtain a specified vote for re-election as director is irrevocable.

Section 2.12. Removal of Directors. Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, any director or the entire Board may be removed with or without cause by the holders of a majority of the shares then entitled to vote at an election of directors, except that any Continuing Classified Director may be removed only for cause by the holders of a majority of the shares then entitled to vote at an election of directors.

Section 2.13. Vacancies and Newly Created Directorships.

(a) Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, any vacancy in the Board caused by any removal of one or more directors pursuant to Section 2.12 of these bylaws may be filled at the stockholder meeting at which such removal is effected by the stockholders entitled to vote for the election of the director so removed. If the stockholders do not so fill such vacancy, it may be filled in the manner provided in Section 2.13(b) of these bylaws.

(b) Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, and except as provided in Section 2.13(a) of these bylaws, if any vacancies shall occur in the Board, by reason of death,

resignation, removal or otherwise, or if the authorized number of directors shall be increased, the directors then in office shall continue to act. Any such vacancies or newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If a director resigns effective at a future date, he or she may participate in the election of replacement directors provided for in the preceding sentence, with the election to take effect at the effective date of such resignation. A director elected to fill a vacancy or a newly created directorship shall hold office until his or her successor has been elected and qualified.

Section 2.14. Compensation. The Board may by resolution determine the compensation of directors for their services and the expenses in the performance of such services for which a director is entitled to reimbursement.

Section 2.15. Reliance on Accounts and Reports, etc. A director, as such or as a member of any committee designated by the Board, shall in the performance of his or her duties be fully protected in relying in good faith upon the records of the corporation and upon information, opinions, reports or statements presented to the corporation by any of the corporation's officers or employees, or committees designated by the Board, or by any other person as to the matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the corporation.

### **ARTICLE III COMMITTEES**

Section 3.01. Designation of Committees. The Board shall designate such committees as may be required by applicable laws, regulations or stock exchange rules, and may designate such additional committees as it deems necessary or appropriate. Each committee shall consist of such number of directors, with such qualifications, as may be required by applicable laws, regulations or stock exchange rules, or as from time to time may be fixed by a majority of the total number of directors which the corporation would have if there were no vacancies on the Board (the "whole Board"), and shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the corporation to the extent delegated to such committee by resolution of a majority of the whole Board, which delegation shall include all such powers and authority as may be required by applicable laws, regulations or stock exchange rules. No committee shall have any power or authority as to (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (b) adopting, amending or repealing any of these bylaws or (c) as may otherwise be excluded by law or by the certificate of incorporation, and no committee may delegate any of its power or authority to a subcommittee unless so authorized by a majority of the whole Board.

Section 3.02. Members and Alternate Members. The members of each committee and any alternate members shall be selected by a majority of the whole Board, and shall serve at the pleasure of the Board or, if a majority of the whole Board shall so determine, for a stated term. An alternate member may replace any absent or disqualified member at any meeting of the

committee. An alternate member shall be given all notices of committee meetings and may attend any meeting of the committee, but may count towards a quorum and vote only if a member for whom such person is an alternate is absent or disqualified. Each member (and each alternate member) of any committee shall hold office only until the end of such term, if any, as may have been fixed for such person by a majority of the whole Board, the time he or she shall cease to be a director, or his or her earlier death, resignation or removal.

Section 3.03. Committee Procedures. A quorum for each committee shall be a majority of its members, unless the committee has only one or two members, in which case a quorum shall be one member, or unless a greater quorum is established by a majority of the whole Board. The vote of a majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall keep regular minutes of its meetings and report to the Board when required. A majority of the whole Board shall adopt a charter for each committee for which a charter is required by applicable laws, regulations or stock exchange rules, may adopt a charter for any other committee, and may adopt other rules and regulations for the government of any committee not inconsistent with the provisions of these bylaws or any such charter, and each committee may adopt its own rules and regulations of government, to the extent not inconsistent with these bylaws or any charter or other rules and regulations adopted by a majority of the whole Board.

Section 3.04. Meetings and Actions of Committees. Except to the extent that the same may be inconsistent with the terms of any committee charter required by applicable laws, regulations or stock exchange rules, meetings and actions of each committee shall be governed by, and held and taken in accordance with, the provisions of the following sections of these bylaws, with such bylaws being deemed to refer to the committee and its members in lieu of the Board and its members:

- (a) Section 2.03 (to the extent relating to place and time of regular meetings);
- (b) Section 2.04 (relating to special meetings);
- (c) Section 2.05 (relating to notice and waiver of notice);
- (d) Sections 2.07 and 2.09 (relating to telephonic communication and action without a meeting); and
- (e) Section 2.08 (relating to adjournment and notice of adjournment).

Special meetings of committees may also be called by resolution of the Board.

Section 3.05. Resignations and Removals. Any member (and any alternate member) of any committee may resign from such position at any time by delivering a written notice of resignation, signed by such member, to the President or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any member (and any alternate member) of any committee may be removed from such position at any time, either for or without cause, by resolution adopted by a majority of the whole Board.

Section 3.06. Vacancies. If a vacancy occurs in any committee for any reason the remaining members (and any alternate members) may continue to act if a quorum is present. A committee vacancy may only be filled by a majority of the whole Board.

## ARTICLE IV

### OFFICERS

Section 4.01. Officers. The corporation shall have such officers as are from time to time determined by resolution of the Board, including a President, who shall be the chief executive officer of the corporation and who may be designated "Chief Executive Officer," one or more Vice Presidents, a Treasurer and a Secretary, and such other officers as may be appointed pursuant to Section 4.02(b) of these bylaws. The Board shall from time to time designate a Vice President to perform the duties and exercise the powers of the President in the event of the President's absence or disability. Any number of offices may be held by the same person. An officer of the corporation may be, but need not be, a director of the corporation, and the chairperson of the Board may but need not be the President of the corporation.

#### Section 4.02. Appointment of Officers.

(a) The Board shall elect the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 4.02(b) of these bylaws.

(b) The Board from time to time may by resolution also empower the President (and one or more Vice Presidents) to appoint and remove subordinate officers and to prescribe their respective rights, terms of office, authorities and duties to the extent not prescribed by the Board.

(c) An officer shall have such authority and shall exercise such powers and perform such duties (i) as may be required by law, (ii) to the extent not inconsistent with law, as are specified in these bylaws, (iii) to the extent not inconsistent with law or these bylaws, as may be specified by resolution of the Board and (iv) to the extent not inconsistent with any of the foregoing, as may be specified by the appointing officer with respect to a subordinate officer appointed pursuant to delegated authority under Section 4.02(b). Any action by an appointing officer may be superseded by action by the Board.

(d) Unless otherwise determined by the Board, the officers of the corporation need not be elected for a specified term but shall serve at the pleasure of the board or the appointing officer or for such terms as may be agreed in the individual case by each officer and the corporation. Each officer, whether elected by the Board or appointed by an officer in accordance with Section 4.02(b) of these bylaws, shall hold office until his or her successor has been elected or appointed and has qualified, or until his or her earlier death, resignation or removal. A failure to elect officers shall not dissolve or otherwise affect the corporation.

Section 4.03. Removal and Resignation of Officers. Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer appointed by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any officer may resign at any time by giving written notice to the corporation, either in writing signed by such

officer or by electronic transmission. Unless otherwise specified therein, such resignation shall take effect upon delivery. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. The removal or resignation of an officer does not affect the rights of the corporation or such officer under his or her contract of employment, if any.

Section 4.04. Vacancies in Office. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise, may be filled by the Board or, if the vacant office was held by an officer appointed by another officer, by the appointing officer.

Section 4.05. Compensation. The salaries and all other compensation of the officers and other agents of the corporation shall be fixed by the Board or in the manner established by the Board.

Section 4.06. Security. The Board may require any officer, agent or employee of the corporation to provide security for the faithful performance of his or her duties, in such amount and of such character as may be determined from time to time by the Board.

## **ARTICLE V CAPITAL STOCK**

Section 5.01. Certificates of Stock, Uncertificated Shares. The shares of the corporation shall be represented by certificates, except to the extent that the Board has provided by resolution that some or all of any or all classes or series of the stock of the corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock in the corporation represented by certificates shall be entitled to have, and the Board may in its sole discretion permit a holder of uncertificated shares to receive upon request, a certificate, signed by the appropriate officers of the corporation, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board may determine, to the extent consistent with applicable law, the certificate of incorporation and these bylaws.

Section 5.02. Signatures; Facsimile. All signatures on the certificates referred to in Section 5.01 of these bylaws may be in facsimile form, to the extent permitted by law. If any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 5.03. Lost, Stolen or Destroyed Certificates. A new certificate (or uncertificated shares, if authorized as contemplated by Section 5.01) may be issued in place of any certificate theretofore issued by the corporation alleged to have been lost, stolen or destroyed only upon delivery to the corporation of an affidavit of the owner or owners (or their legal representatives) of such certificate, setting forth such allegation, and a bond or other undertaking as may be satisfactory to a financial officer of the corporation designated by the Board to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares.

Section 5.04. Transfer of Stock.

(a) Transfers of certificated shares shall be made on the books of the corporation upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer and otherwise in compliance with applicable law. Transfers of uncertificated shares shall be made on the books of the corporation as provided by applicable law. Within a reasonable time after the transfer of uncertificated shares, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL. Subject to applicable law, the provisions of the certificate of incorporation and these bylaws, the Board may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the corporation.

(b) The corporation may enter into agreements with stockholders to restrict the transfer of stock of the corporation in any manner not prohibited by the DGCL.

Section 5.05. Registered Stockholders. Except as otherwise required by applicable law and prior to due surrender of a certificate for registration of transfer, or due delivery of instructions for the registration of transfer of uncertificated shares, the corporation may treat the registered owner of any of its shares as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice, participate in meetings and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the corporation shall not be bound to recognize any equitable, beneficial or legal claim to or interest in such shares on the part of any other person, whether or not the corporation shall have notice of such claim or interests. If a transfer of shares is made for collateral security, and not absolutely, this fact shall be so expressed in the entry of the transfer if, when the certificates are presented to the corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the corporation to do so.

Section 5.06. Transfer Agent and Registrar. The Board may appoint one or more transfer agents and one or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

**ARTICLE VI**  
**INDEMNIFICATION**

Section 6.01. Indemnification.

(a) In General. The corporation shall indemnify, to the full extent permitted by the DGCL and other applicable law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (each, a “proceeding”) by reason of the fact that (x) such person is or was serving or has agreed to serve as a director or officer of the corporation or (y) such

person, while serving as a director or officer of the corporation, is or was serving or has agreed to serve at the request of the corporation as a director, officer, employee, manager or agent of another corporation, partnership, joint venture, trust or other enterprise or (z) such person is or was serving or has agreed to serve at the request of the corporation as a director, officer or manager of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted by such person in such capacity, and who satisfies the applicable standard of conduct set forth in the DGCL or other applicable law:

(i) in a proceeding other than a proceeding by or in the right of the corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person's behalf in connection with such proceeding and any appeal therefrom, or

(ii) in a proceeding by or in the right of the corporation to procure a judgment in its favor, against expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection with the defense or settlement of such proceeding and any appeal therefrom.

(b) Indemnification in Respect of Successful Defense. To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any proceeding referred to in Section 6.01(a) or in defense of any claim, issue or matter therein, such person shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(c) Indemnification in Respect of Proceedings Instituted by Indemnitee. Section 6.01(a) does not require the corporation to indemnify a present or former director or officer of the corporation in respect of a proceeding (or part thereof) instituted by such person on his or her own behalf, unless such proceeding (or part thereof) has been authorized by the Board or the indemnification requested is pursuant to the last sentence of Section 6.03 of these bylaws.

Section 6.02. Advance of Expenses. The corporation shall advance all expenses (including reasonable attorneys' fees) incurred by a present or former director or officer in defending any proceeding prior to the final disposition of such proceeding upon written request of such person and delivery of an undertaking (which may be unsecured) by such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation. The corporation may authorize any counsel for the corporation to represent (subject to applicable conflict of interest considerations) such present or former director or officer in any proceeding, whether or not the corporation is a party to such proceeding.

Section 6.03. Procedure for Indemnification. Any indemnification under Section 6.01 of these bylaws or any advance of expenses under Section 6.02 of these bylaws shall be made only against a written request therefor (together with supporting documentation) submitted by or on behalf of the person seeking indemnification or advance. Indemnification may be sought by a person under Section 6.01 of these bylaws in respect of a proceeding only to the extent that both the liabilities for which indemnification is sought and all portions of the proceeding relevant to the determination of whether the person has satisfied any appropriate standard of conduct have become final. A person seeking indemnification or advance of expenses may seek to enforce

such person's rights to indemnification or advance of expenses (as the case may be) in the Delaware Court of Chancery to the extent all or any portion of a requested indemnification has not been granted within 60 days of, or to the extent all or any portion of a requested advance of expenses has not been granted within 20 days of, the submission of such request. All expenses (including reasonable attorneys' fees) incurred by such person in connection with successfully establishing such person's right to indemnification or advancement of expenses under this Article, in whole or in part, shall also be indemnified by the corporation.

Section 6.04. Burden of Proof.

(a) In any proceeding brought to enforce the right of a person to receive indemnification to which such person is entitled under Section 6.01 of these bylaws, the corporation has the burden of demonstrating that the standard of conduct applicable under the DGCL or other applicable law was not met. A prior determination by the corporation (including its Board or any committee thereof, its independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct does not itself constitute evidence that the claimant has not met the applicable standard of conduct.

(b) In any proceeding brought to enforce a claim for advances to which a person is entitled under Section 6.02 of these bylaws, the person seeking an advance need only show that he or she has satisfied the requirements expressly set forth in Section 6.02 of these bylaws.

Section 6.05. Contract Right; Non-Exclusivity; Survival.

(a) The rights to indemnification and advancement of expenses provided by this Article shall be deemed to be separate contract rights between the corporation and each director and officer who serves in any such capacity at any time while these provisions as well as the relevant provisions of the DGCL are in effect, and no repeal or modification of any of these provisions or any relevant provisions of the DGCL shall adversely affect any right or obligation of such director or officer existing at the time of such repeal or modification with respect to any state of facts then or previously existing or any proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such "contract rights" may not be modified retroactively as to any present or former director or officer without the consent of such director or officer.

(b) The rights to indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other indemnification or advancement of expenses to which a present or former director or officer of the corporation seeking indemnification or advancement of expenses may be entitled by any agreement, vote of stockholders or disinterested directors, or otherwise.

(c) The rights to indemnification and advancement of expenses provided by this Article to any present or former director or officer of the corporation shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.06. Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 6.07. Employees and Agents. The Board, or any officer authorized by the Board generally or in the specific case to make indemnification decisions, may cause the corporation to indemnify any present or former employee or agent of the corporation in such manner and for such liabilities as the Board may determine, up to the fullest extent permitted by the DGCL and other applicable law.

Section 6.08. Interpretation; Severability. Terms defined in Sections 145(h) or (i) of the DGCL have the meanings set forth in such sections when used in this Article. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VII

### OFFICES

Section 7.01. Registered Office. The registered office of the corporation in the State of Delaware shall be located at the location provided in the corporation's certificate of incorporation.

Section 7.02. Other Offices. The corporation may maintain offices or places of business at such other locations within or without the State of Delaware as the Board may from time to time determine or as the business of the corporation may require.

## ARTICLE VIII

### GENERAL PROVISIONS

Section 8.01. Dividends.

(a) Subject to any applicable provisions of law and the certificate of incorporation, dividends upon the shares of the corporation may be declared by the Board at any regular or special meeting of the Board and any such dividend may be paid in cash, property, or shares of the corporation's stock.

(b) A member of the Board, or a member of any committee designated by the Board shall be fully protected in relying in good faith upon the records of the corporation and upon such information, opinions, reports or statements presented to the corporation by any of its officers or employees, or committees of the Board, or by any other person as to matters the director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the corporation, as to the value and amount of the assets, liabilities and/or net profits of the corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid.

Section 8.02. Reserves. There may be set apart out of any funds of the corporation available for dividends such sum or sums as the Board from time to time may determine proper as a reserve or reserves for meeting contingencies, equalizing dividends, repairing or maintaining any property of the corporation or for such other purpose or purposes as the Board may determine conducive to the interest of the corporation, and the Board may similarly modify or abolish any such reserve.

Section 8.03. Execution of Instruments. Except as otherwise required by law or the certificate of incorporation, the Board or any officer of the corporation authorized by the Board may authorize any other officer or agent of the corporation to enter into any contract or deliver, transmit and execute any instrument in the name and on behalf of the corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.

Section 8.04. Voting as Stockholder. Unless otherwise determined by resolution of the Board, the President or any Vice President shall have full power and authority on behalf of the corporation to attend any meeting of stockholders of any corporation in which the corporation may hold stock, and to act, vote (or execute proxies to vote) and exercise in person or by proxy all other rights, powers and privileges incident to the ownership of such stock at any such meeting, or through action without a meeting. The Board may by resolution from time to time confer such power and authority (in general or confined to specific instances) upon any other person or persons.

Section 8.05. Fiscal Year. The fiscal year of the corporation shall be the 52 or 53 week period ending the last Saturday in each December or such other annual period as shall be fixed from time to time by the Board.

Section 8.06. Seal. The seal of the corporation shall be circular in form and shall contain the name of the corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The form of such seal shall be subject to alteration by the Board. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 8.07. Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board.

Section 8.08. Electronic Transmission. "Electronic transmission", as used in these bylaws, means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Section 8.09. Exclusive Forum. Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or by-laws, or (d) any other action asserting a claim governed by the internal affairs doctrine.

## ARTICLE IX

### AMENDMENT OF BYLAWS

Section 9.01. Amendment. In furtherance and not in limitation of the powers conferred upon it by law, the Board is expressly authorized to adopt, repeal, alter or amend the bylaws of the corporation by the vote of a majority of the entire Board. In addition to any requirements of law and any provision of the Restated Certificate of Incorporation, the stockholders of the corporation may adopt, repeal, alter or amend any provision of the Bylaws upon the affirmative vote of the holders of 75% or more of the combined voting power of the then outstanding stock of the corporation entitled to vote generally in the election of directors.

## ARTICLE X

### CONSTRUCTION

Section 10.01. Construction. In the event of any conflict between the provisions of these bylaws as in effect from time to time and the provisions of the certificate of incorporation of the corporation as in effect from time to time, the provisions of such certificate of incorporation shall be controlling.

**LANDSTAR SYSTEM, INC.**  
**2011 EQUITY INCENTIVE PLAN**  
**As amended through November 2, 2023**

SECTION 1.  
PURPOSE

The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) motivating superior performance by means of performance-related incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees, and (c) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

SECTION 2.  
DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

- (a) “**Act**” means the Securities Exchange Act of 1934, as amended.
- (b) “**Award**” means any grant or award pursuant to Sections 6 through 10 of the Plan.
- (c) “**Award Agreement**” means an agreement between the Company and a Participant, setting forth the terms and conditions relating to an Award granted under the Plan.
- (d) “**Board**” means the Board of Directors of the Company.
- (e) “**Cause**” means (i) the willful failure by the Participant to perform substantially his duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant’s engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant’s having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony or (iv) the breach by the Participant of any material written policy of the Company or any Subsidiary, or any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(f) “**Change in Control**” means the occurrence of any of the following events:

(i) any “person” including a “group” (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries) is or becomes the “beneficial owner” (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company’s then outstanding securities; or

(ii) the consummation of a (a) merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the stockholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) sale or other disposition in a transaction or a series of related transactions of all or substantially all of the assets of the Company; provided that if a Participant’s employment with the Company is terminated between the date the stockholders of the Company approve a transaction described in the preceding clauses (a) or (b) and the date of the consummation of such transaction, such Participant shall be entitled to the provisions of Section 11 as if such Participant had remained continuously employed through the date of such consummation; or

(iii) the purchase of Stock pursuant to any tender or exchange offer made by any “person,” including a “group” (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, an employee benefit plan of the Company or any of its Subsidiaries, for 35% or more of the Stock of the Company.

(g) “**Change in Control Price**” means the price per share of Stock paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash) provided, however that to the extent necessary to comply with Section 409A of the Code, the Change in Control Price should not exceed the fair market value of the Stock.

(h) “**Code**” means the Internal Revenue Code of 1986, as amended.

(i) “**Committee**” means the Compensation Committee of the Board, which is expected to consist of two or more “outside directors” within the meaning of Section 1-162-27(e) of the Treasury Regulations issued pursuant to Section 162(m) of the Code, each of whom is “independent” under the NASDAQ/NMS requirements.

(j) “**Company**” means Landstar System, Inc., a Delaware corporation, and any successor thereto.

(k) “**Disability**” means total disability as determined in accordance with the terms of the long-term disability plan of the Company or any of its Subsidiaries in which the Participant is eligible to participate, provided, that in the case of any Award subject to Section 409A of the Code, Disability shall have the meaning set forth in Section 409A of the Code.

(l) “**Effective Date**” means the date, following adoption of this Plan by the Board, on which this Plan is approved by a majority of the votes cast at a duly constituted meeting of the shareholders of the Company.

(m) “**Employee**” means any officer or other key executive and management employee of the Company or any of its Subsidiaries.

(n) “**Fair Market Value**” means, on any date, the average of the high sales price and the low sales price of a share of Stock as reported on the National Association of Securities Dealers Automated Quotation/National Market System (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on NASDAQ/NMS (or such other system) on such date, Fair Market Value shall mean the closing price on the immediately preceding date on which Stock transactions were so reported.

(o) “**Net Exercise**” means the exercise of an Option or any portion thereof by the delivery of the greatest number of whole shares of Stock having a Fair Market Value on the date of exercise not in excess of the difference between the aggregate Fair Market Value of the shares of Stock subject to the Option (or the portion of such Option then being exercised) and the aggregate exercise price for all such shares of Stock under the Option (or the portion thereof then being exercised), with any fractional share that would result from such equation to be payable in cash.

(p) “**Option**” means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an “**Incentive Stock Option**” within the meaning of Section 422 of the Code or (ii) a “**Nonstatutory Stock Option.**”

(q) “**Participant**” means any Employee designated by the Committee to receive an Award under the Plan.

(r) “**Performance Criteria**” means the objectives established by the Committee pursuant to Section 9 of the Plan for the purpose of determining the extent to which a Performance Related Award has been earned or vested.

(s) "**Performance Related Award**" means Performance Related Cash Awards or Performance Related Stock Awards that vest (in whole or in part) upon the achievement of specified Performance Criteria.

(t) "**Plan**" means the Landstar System, Inc. 2011 Equity Incentive Plan, as in effect from time to time.

(u) "**Restricted Stock**" means shares of Stock contingently granted to a Participant under Section 8 of the Plan.

(v) "**Restriction Period**" means the period of time selected by the Committee during which a grant of Restricted Stock is subject to forfeiture and/or restrictions on transfer pursuant to the terms of the Plan.

(w) "**Retirement**" means termination of a Participant's employment on or after the date the Participant attains age 62.

(x) "**Stock**" means the common stock of the Company, par value \$0.01 per share.

(y) "**Stock Appreciation Right**" or "**SAR**" means the right to receive a payment from the Company in cash and/or shares of Stock equal to the product of (i) the excess, if any, of the Fair Market Value of one share of Stock on the exercise date over a specified price fixed by the Committee on the grant date, multiplied by (ii) a stated number of shares of Stock. The number of shares to be issued shall be calculated on the basis of the Fair Market Value of the shares at the time of exercise. Notwithstanding the foregoing, the Committee may elect, at any time and from time to time, in lieu of issuing all or any portion of the shares of Stock otherwise issuable upon any exercise of any such SAR, to pay the grantee an amount in cash or other marketable property of a value equivalent to the aggregate Fair Market Value at the time of exercise to the number of shares of Stock that the Committee is electing to settle in cash or other marketable property.

(z) "**Stock Based Award**" means an Award described in Section 10 of the Plan.

(aa) "**Subsidiary**" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

(bb) "**Unit Award**" means a Restricted Stock Unit Award granted pursuant to Section 8 of the Plan or a Performance Related Stock Award granted pursuant to Section 9 of the Plan, in each case, representing a contractual right to receive a share of Stock (or the cash equivalent thereof) upon the satisfaction, in

whole or in part, of the terms and conditions applicable to such Award. Unless otherwise determined by the Committee and set forth in the applicable Award Agreement, Unit Awards shall be settled upon the satisfaction or waiver of such Unit Award's terms and conditions. Unless otherwise determined by the Committee and set forth in the applicable Award Agreement, the holder of a Unit Award shall not be entitled to receive dividends with respect to any shares of Stock underlying such Unit Awards.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

### SECTION 3. ELIGIBILITY AND PARTICIPATION

Participants in the Plan shall be those Employees selected by the Committee to participate in the Plan. The selection of an Employee as a Participant shall neither entitle such Employee to, nor disqualify such Employee from, participation in any other award or incentive plan.

### SECTION 4. POWERS OF THE COMMITTEE

4.1 Power to Grant. The Committee shall determine the Participants to whom Awards shall be granted and the terms and conditions of any and all such Awards. The Chairman of the Board may suggest to the Committee the Participants who should receive Awards under the Plan. The terms and conditions of each Award shall be determined by the Committee at the time of grant, and such terms and conditions shall not be subsequently changed in a manner which would be adverse to participants without the consent of the Participant to whom such Award has been granted. The Committee may establish different terms and conditions for different Participants receiving Awards and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend and rescind rules and regulations relating to the Plan and any Award thereunder, to establish the person(s) to whom Awards shall be payable or exercisable upon the death of a Participant, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

SECTION 5.  
STOCK SUBJECT TO PLAN

5.1 Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards under the Plan may not exceed 6,000,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose. Any shares of Stock issued in connection with an Option or SAR shall be counted against the limit as one (1) share of Stock issued; for Awards other than Options and SARs, any shares of Stock issued shall be counted against this limit as two shares of Stock for every one (1) share issued. The maximum number of shares of Stock that may be granted in the form of Incentive Stock Options shall be 6,000,000. The maximum number of shares of Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Stock or credited as additional Restricted Stock or Stock Based Awards.

5.2 Cancelled, Terminated, Settled or Forfeited Awards. Any shares of Stock subject to any portion of any Award granted under the Plan or any Award granted under the Landstar System, Inc. 2002 Amended and Restated Stock Option and Stock Incentive Plan (the "**Prior Plan**") which is cancelled, forfeited or otherwise expires without having been exercised, in the case of an Option or SAR, or having become vested, in the case of any other Award shall again be available for grant under the Plan. For purposes of applying the share limit set forth in Section 5.1, upon the Net Exercise of any Options or the exercise of any SAR (whether granted under the Plan or granted under the Prior Plan), the gross number of shares of Stock as to which such Option or SAR is being exercised, and not just the net number of shares of Stock delivered upon such exercise, shall be treated as having been issued pursuant to the Plan or the Prior Plan, as applicable.

5.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock reserved for issuance under the Plan, the number and Option price of shares subject to outstanding Options or SARs granted under the Plan, and the number of shares subject to other outstanding Awards granted under the Plans may be appropriately adjusted by the Committee, in its sole discretion, and whose determination shall be conclusive.

SECTION 6.  
STOCK OPTIONS

6.1 Grant of Options. Options may be granted to Participants alone, in addition to, or in tandem with other Awards granted under the Plan, at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a

Participant, provided that no Participant shall receive more than 400,000 shares of Stock subject to Options and/or SARs during any fiscal year of the Company. Each Option shall be evidenced by an Award Agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Notwithstanding any other Plan provision, no Incentive Stock Option may be granted on or after the tenth anniversary of the date the Plan was re-adopted by the Board on March 12, 2020.

6.2 Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value on the date the Option is granted. Without the express approval of the Company's stockholders, except as otherwise provided in Section 5.3, the Committee shall not be entitled to amend or otherwise modify any Option to lower the option price per share below the Fair Market Value on the date of grant, or to issue any replacement Option or similar Award in exchange for an Option with a higher exercise price.

6.3 Exercise of Options. Options awarded to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions including the performance of a minimum period of service or the satisfaction of performance goals, as the Committee may impose either at or after the time of grant of such Options, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable more than 10 years after the date on which it is granted.

6.4 Payment. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or cash equivalents, including by personal check, at the time of exercise. The Committee may, in its discretion, permit a Participant to make payment in Stock already owned by him or her, valued at its Fair Market Value on the date of exercise, as partial or full payment of the exercise price. Alternatively, the Committee may permit a Participant to Net Exercise any Nonstatutory Stock Option. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price (if applicable), the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code.

6.6 Termination of Employment Due to Retirement. Unless otherwise determined by the Committee at or after the time of grant, in the event a Participant's employment terminates by reason of Retirement, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised at any time prior to the expiration of the term of the Options or within one (1) year (or such other period as the Committee shall determine at or after the time of grant) following the Participant's termination of employment, whichever period is shorter.

6.7 Termination of Employment Due to Death or Disability. Unless otherwise determined by the Committee at or after the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary (in accordance with procedures as may be determined by the Committee at or after the time of grant) and if none is named, at any time prior to the expiration date of the term of the options or within one (1) year (or such other period as the Committee shall determine at or after the time of grant) following the Participant's termination of employment, whichever period is shorter.

6.8 Termination of Employment for Cause. Unless otherwise determined by the Committee at or after the time of grant, in the event a Participant's employment is terminated for Cause, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) shall be forfeited.

6.9 Termination of Employment for Any Other Reason. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 6.6, 6.7, or 6.8, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment shall be exercisable at any time prior to the expiration of the term of such Options or the thirtieth day following the Participant's termination of employment, whichever period is shorter.

## SECTION 7. STOCK APPRECIATION RIGHTS

7.1 Grant. Stock Appreciation Rights may be granted alone, in addition to, or in tandem with, other Awards granted under the Plan. Any Stock Appreciation Right granted under the Plan shall be in such form as the Committee may from time to time approve. Stock Appreciation Rights may be granted in conjunction with all or part of any Option granted under the Plan. In the case of a Nonstatutory Stock Option, such rights may be granted either at or after the time of the grant of such Option. In the case of an Incentive Stock Option, unless the Participant otherwise consents, such rights may be granted only at the time of grant of such Option. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee.

7.2 Exercisability. Stock Appreciation Rights shall be exercisable at such time and subject to such conditions as the Committee shall specify, except that any Stock Appreciation Right granted in tandem with an Option (or portion thereof) shall be exercisable only at such time or times and to the extent that the Options to which they relate shall be exercisable, including in the event of the termination of the Participant's employment, in accordance with the provisions of Section 6 of the Plan. Any Stock Appreciation Right granted on a stand-alone basis shall be subject to the same rules regarding exercisability (including those pertaining to periods following termination of employment) that apply to Options under Section 6.

7.3 Shares Delivered on Exercise. Upon the exercise of a Stock Appreciation Right, a grantee shall be entitled to receive an amount in shares of Stock (or, solely to the extent determined by the Committee, cash) equal in value to the excess of the Fair Market Value (at the time of exercise) of one share of Stock over the base price per share specified with respect to the Stock Appreciation Right, multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares at the time of exercise. Notwithstanding anything in this Section 7.3 to the contrary, the base price in respect of any Stock Appreciation Right shall not be less than the Fair Market Value of the Stock at the time the Stock Appreciation Right is granted, or in the case of a Stock Appreciation Right granted in tandem with an Option, the Fair Market Value of the Stock at the time the related Option was granted. Without the express approval of the Company's stockholders, except as otherwise provided in Section 5.3, the Committee shall not be entitled to amend or otherwise modify any Stock Appreciation Right to lower the exercise price below the applicable Fair Market Value established under the preceding sentence, or to issue any replacement Stock Appreciation Right or similar Award in exchange for a Stock Appreciation Right with a higher base price.

7.4 Exercise of SARs. A Stock Appreciation Right may be exercised by a grantee, subject to Section 7.3, in accordance with the procedures established by the Committee from time to time for such purposes. Upon such exercise, the grantee shall be entitled to receive an amount determined in the manner prescribed in Section 7.3.

7.5 Exercise of Tandem Option. A Stock Appreciation Right or applicable portion thereof granted with respect to a given Option shall terminate and no longer be exercisable upon the termination or upon the exercise of the related Option (and similarly the related Option shall no longer be exercisable upon the exercise or termination of the related Stock Appreciation Right), subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Option.

SECTION 8.  
RESTRICTED STOCK

8.1 Administration. Restricted Stock and Restricted Stock Unit Awards may be issued either alone, in addition to, or in tandem with, other Awards granted under the Plan and/or awards made outside of the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock and/or Restricted Stock Unit Awards will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient of Restricted Stock and/or Restricted Stock Unit Awards, the time or times within which such Awards may be subject to forfeiture, and all other terms and conditions of the Awards. The Committee may condition the grant of Restricted Stock and/or Restricted Stock Unit Awards upon the attainment of specified Performance Criteria or such other factors as the Committee may determine, in its sole discretion. The provisions of Restricted Stock and Restricted Stock Unit Awards need not be the same with respect to each recipient. The shares of Restricted Stock and the Restricted Stock Unit Awards awarded pursuant to this Section 8 shall be subject to the terms and conditions set forth herein.

8.2 Restriction Period. Subject to the provisions of this Plan and the Award Agreement, during the Restriction Period for any Restricted Stock or Restricted Stock Unit Award, the Participant shall not be permitted to sell, transfer, pledge or assign shares or units awarded under such Award. Where the Restriction Period will lapse or expire based on service, the Restriction Period shall be at least three (3) years, provided that such Restriction Period may lapse ratably over such minimum three-year period and may be waived in the event of death, Disability, Retirement or a Change in Control. Where the Restriction Period will lapse or expire based on performance objectives, the Restriction Period shall be at least one (1) year, but may be waived in the event of death, Disability, Retirement or a Change of Control. Subject to the two immediately preceding sentences, the Committee, in its sole discretion, may provide for the lapse of any restrictions imposed on any Restricted Stock and/or Restricted Stock Unit Award in installments and may accelerate or waive such restrictions in whole or in part, based on service, Performance Criteria and/or such other factors as the Committee may determine, in its sole discretion.

8.3 Stock Certificates and Delivery. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock and/or Restricted Stock Unit Award subject to such Restriction Period (except to the extent the Committee decides to settle the Award in cash), the Committee may (i) cause the Company to record on its books and records, in a manner generally consistent with its then current procedures for recording stock ownership, the Participant's ownership of an appropriate number of unrestricted shares of Stock, or (ii) deliver certificates for an appropriate number of unrestricted shares of Stock to the Participant promptly after the lapse of the Restriction Period.

SECTION 9.  
PERFORMANCE RELATED AWARDS

9.1 Performance Objectives. Notwithstanding anything else contained in the Plan to the contrary, unless the Committee otherwise determines at the time of grant, any Award of Restricted Stock and/or Restricted Stock Unit Award to an officer who is subject to the reporting requirements of Section 16(a) of the Act, other than an Award which will vest solely on the basis of the passage of time, shall become vested, if at all, upon the determination by the Committee that performance objectives established by the Committee have been attained, in whole or in part (a “**Performance Related Stock Award**”). In addition, the Committee may grant dollar denominated awards to any Participant the vesting of which shall be subject to the determination by the Committee that performance objectives established by the Committee shall have been satisfied, in whole or in part (a “**Performance Related Cash Award**”). The performance objectives upon which any Performance Related Award shall be based shall be determined over a measurement period or periods established by the Committee (which period or periods shall not be less than one (1) year) and related to at least one of the following criteria, which may be determined solely by reference to the performance of: (i) the Company; (ii) a Subsidiary or (iii) a division or unit of any of the foregoing or based on comparative performance of any of the foregoing relative to past performance or to other companies: (A) actual and/or diluted earnings per share; (B) budgeted earnings per share; (C) return on equity; (D) total shareholder return; (E) revenues; (F) cash flows, revenues and/or earnings relative to other parameters (e.g., net or gross assets); (G) operating income; (H) return on investment; (I) changes in the value of the Stock; (J) return on assets; (K) return on invested capital; (L) net revenue (defined as revenue less purchased transportation); (M) net revenue percentage (defined as net revenue divided by revenue); (N) gross profit (defined as revenue less purchased transportation and agent commissions); (O) gross profit margin (defined as gross profit divided by revenue); (P) operating margin (defined as operating income divided by gross profit); and (Q) certain costs (which may include other operating costs, insurance and claim costs, selling, general and administrative costs and/or depreciation and amortization costs) in gross dollars, and/or as a percentage of revenue, net revenue, gross profit, or operating income (the “**Performance Criteria**”). The Committee may use any variation of the Performance Criteria or establish such other similar criteria to measure performance as the Committee, in its sole discretion, deems appropriate and necessary to give effect to the performance objectives of any Performance Related Award. In addition to the performance conditions established pursuant to the two immediately preceding sentences, the Committee may further condition the vesting of any Performance Related Award on achieving such additional performance conditions of whatever nature that the Committee deems appropriate. Excluding Options and/or Stock Appreciation Rights granted hereunder, the maximum number of shares of Stock that may be subject to any such Performance Related Stock Award granted to any key employee in any calendar year shall not exceed 750,000 shares, as such number may be adjusted pursuant to Section 5; provided that, based on the level of achievement of the performance objectives, the number of shares of Stock issuable in respect of any Performance Related Stock Award upon achievement of the applicable performance

conditions may be up to twice the number of shares initially granted. The maximum initial dollar value of any Performance Related Cash Award granted may not exceed \$3,000,000; provided that, based on the level of achievement of the performance objectives, the actual amount payable in respect of any such Performance Related Cash Award upon achievement of the applicable performance conditions may be twice the initial dollar value.

9.2 Interpretation. Notwithstanding anything else contained in the Plan to the contrary, to the extent required to so qualify any Performance Related Award as other performance based compensation within the meaning of Section 162(m)(4)(C) of the Code, the Committee shall not be entitled to exercise any discretion otherwise authorized under the Plan (such as the right to accelerate vesting without regard to the achievement of the relevant performance objectives) with respect to such Performance Related Award if the ability to exercise such discretion (as opposed to the exercise of such discretion) would cause such Award to fail to qualify as such other performance based compensation.

## SECTION 10. STOCK BASED AWARDS

10.1 Stock Based Awards. The Committee may grant other types of equity-based or equity-related awards ("**Stock Based Awards**") not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted shares of Stock) in such amounts and subject to such terms and conditions as the Committee shall determine. Such Stock Based Awards may be granted as an inducement to enter the employ of the Company or any Subsidiary or in satisfaction of any obligation of the Company or any Subsidiary to an officer or other key employee, whether pursuant to this Plan or otherwise, that would otherwise have been payable in cash. Additionally, Stock Based Awards in respect of not more than five percent of the shares of Stock available for issuance under Section 5.1 may be granted for such other purposes as the Committee shall determine. Such Stock Based Awards may entail the transfer of actual shares of Stock, or payment in cash or otherwise of amounts based on the value of shares of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

10.2 Termination of Service. The Committee shall specify the extent to which the Participant shall have the right to receive Stock Based Awards following termination of the Participant's employment with the Company and its Subsidiaries. Such provisions need not be uniform among all Stock Based Awards, and may reflect distinctions based on the reasons for such termination.

10.3 Transferability. Except as the Committee shall otherwise specify at or after grant, Stock Based Awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, and during the Participant's lifetime only by the Participant.

SECTION 11.  
CHANGE IN CONTROL

11.1 Accelerated Vesting and Payment. Subject to the provisions of Section 11.2 below, in the event of a Change in Control, (a) each Option and SAR shall, at the discretion of the Committee, either be cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Option or the base price for such SAR, whichever is applicable, or, in the case of Options, be fully exercisable regardless of the exercise schedule otherwise applicable to such Option and (b) the Restriction Period applicable to all shares of Restricted Stock and Restricted Stock Unit Awards shall expire and all such shares shall become nonforfeitable and immediately exercisable.

11.2 Alternative Awards. Notwithstanding Section 11.1, no cancellation, acceleration of exercisability or vesting or cash settlement or other payment shall occur with respect to any Award if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Award shall be honored or assumed, or new rights substituted therefore (such honored, assumed or substituted award hereinafter called an "**Alternative Award**"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

(i) be based on stock which is traded on an established securities market, or which will be so traded within 60 days of the Change in Control;

(ii) provide such Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment;

(iii) have substantially equivalent economic value to such Award (determined at the time of the Change in Control);

(iv) have terms and conditions which provide that in the event that the Participant's employment is involuntarily terminated or constructively terminated, any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, each such Alternative Award shall be waived or shall lapse, as the case may be.

For this purpose, a constructive termination shall mean a termination by a Participant following a material reduction in the Participant's compensation or a material reduction in the Participant's responsibilities, in each case without the Participant's written consent.

11.3 Performance Related Awards. In the event of a Change in Control, each Participant shall be deemed to have earned Performance Related Stock Awards with respect to each of his Performance Related Stock Awards outstanding at the date of such Change in Control. The number of shares so earned for each Award shall be computed by determining the number of Performance Related Stock Awards that would have been paid if the subject measurement period had ended on the Company's fiscal year ended immediately preceding the Change in Control (based on the conditions set by the Committee for payment of Performance Related Awards for the subject measurement period), provided that in no event shall the number of shares earned be less than the aggregate number of Performance Related Stock Awards at the target level (as identified in the applicable Award Agreement) with respect to such Award. Performance Related Stock Awards granted in the year of the Change in Control shall be earned at the same percentage as Awards granted in the year preceding the year of the Change in Control. Each Performance Related Stock Award so earned shall either (a) be paid in shares of Stock or (b) be cancelled in exchange for an immediate payment in cash of an amount based upon the Change in Control Price, in the discretion of the Committee.

11.4 Compliance with Section 409A. Notwithstanding the foregoing, to the extent that the provisions of this Section 11 would result in a distribution of any amount that would be treated as deferred compensation under Section 409A of the Code (after taking into account any and all applicable exemptions from such status), no such distribution shall be made upon the occurrence of the event constituting the Change in Control unless it also constitutes a change in control within the meaning of such Section 409A. The immediately preceding sentence shall not be construed to deny any Participant the right to vest in any such Award on account of a Change in Control. If any amount is not payable at the time of a change in control by reason of this Section 11.4, such amount shall be paid at the time it would otherwise be payable in accordance with its terms.

## SECTION 12. AMENDMENT, MODIFICATION AND TERMINATION OF PLAN

The Board may at any time terminate or suspend the Plan, and from time to time may amend or modify the Plan, provided that without the approval by a majority of the votes cast at a meeting of shareholders at which a quorum representing a majority of the shares of Stock is present in person or by proxy, no amendment or modification to the Plan may (i) materially increase the benefits accruing to participants under the Plan, (ii) except as otherwise expressly provided in Section 5.3, materially increase the number of shares of Stock subject to Awards under the Plan or the number of Awards that may be granted to a participant in a single calendar year under the Plan, (iii) materially modify the requirements for participation in the Plan or (iv) permit the repricing of any Option or Stock Appreciation Right. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Award theretofore granted under the Plan, without the consent of the Participant.

SECTION 13.  
MISCELLANEOUS PROVISIONS

13.1 Nontransferability of Awards. No Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All rights with respect to Awards granted to a Participant under the Plan shall be exercisable during his lifetime only by such Participant.

13.2 No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary or affiliate. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards.

13.3 Tax Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state and local withholding tax requirements on any Award under the Plan, and the Company may defer payment of cash or issuance of Stock until such requirements are satisfied.

13.4 Clawback. Any payment paid or Award made to a Participant is subject to recovery or "clawback" by the Company if the payment or Award is based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, or as otherwise required by applicable law. Notwithstanding any other provisions in this Plan, the Company may cancel any Award, require reimbursement of any Award by a Participant, and effect any other right of recoupment of equity or other compensation provided under the Plan in accordance with any Company policies that may be adopted and/or modified from time to time ("**Clawback Policy**"). In addition, a Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with the Clawback Policy. By accepting an Award, the Participant is agreeing to be bound by the Clawback Policy, as in effect or as may be adopted and/or modified from time to time by the Company in its discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements).

13.5 Indemnification. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be made a party or in which he may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of any judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise.

13.6 No Limitation on Compensation. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its employees in cash or property, in a manner which is not expressly authorized under the Plan.

13.7 Requirements of Law. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

13.8 Term of Plan. The Plan first became effective upon adoption by the Board on March 21, 2011 and approval by a majority of the stockholders of the Company on May 26, 2011. Following an amendment to the Plan adopted by the Board on March 12, 2020 and approved by a majority of the stockholders of the Company on May 19, 2020 (the "Amendment Date"), the Plan shall continue in effect, unless sooner terminated pursuant to Section 12, until the tenth anniversary of the Amendment Date.

13.9 Governing Law. The Plan, and all Awards hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

13.10 No Impact on Benefits. Awards granted under the Plan are not compensation for purposes of calculating an Employee's rights under any employee benefit plan.

13.11 Freedom of Action. Subject to Section 12, nothing in the Plan or any Award Agreement shall be construed as limiting or preventing the Company or any subsidiary thereof from taking any action with respect to the operation or conduct of its business that it deems appropriate or in its best interest.

13.12 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

13.13 No Rights as Stockholder. No Participant shall have any voting or other rights as a stockholder of the Company with respect to any Stock covered by any Option until the Participant becomes the holder or record owner of such Stock. No adjustment shall be made for dividends or other rights for which the record date is prior to the date the Participant becomes the holder or record owner of such Stock.

13.14 Delay of Distributions. Any Plan provision to the contrary notwithstanding and subject to Section 409A of the Code, to the extent required by Section 409A of the Code, payment made to a Specified Employee upon a "separation from service" as defined in Section 409A of the Code may not be made before the date that is six months after the

date of such separation from service (or, if earlier, the date of death of the Specified Employee). A Specified Employee is any Employee with respect to April 1 of each calendar year, who meets the definition of "key employee" of an Employer under Code Section 416(i) (without regard to Code Section 416(i)(5)) at any time during the preceding calendar year, all as provided in Code Section 409A.

## SECTION 302 CERTIFICATION

I, James B. Gattoni, certify that:

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

Date: November 3, 2023

/s/ James B. Gattoni

James B. Gattoni

President and Chief Executive Officer

## SECTION 302 CERTIFICATION

I, James P. Todd, certify that:

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

Date: November 3, 2023

/s/ James P. Todd

James P. Todd

Vice President, Chief Financial Officer and Assistant Secretary

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James B. Gattoni, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ James B. Gattoni

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James B. Gattoni  
President and Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Todd, Vice President, Chief Financial Officer and Assistant Secretary of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2023

/s/ James P. Todd

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James P. Todd

Vice President, Chief Financial Officer and Assistant Secretary