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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 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

Landstar System, Inc.
(Exact name of registrant as specified in its charter)

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)

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

Securities Registered Pursuant to Section 12(g) of the Act:

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was $6,856,148,000 (based on the per share closing price on July 1, 2023, the last business day of the Company’s second fiscal quarter, as reported on the NASDAQ Global Select Market). In making this calculation, the registrant has assumed, without admitting for any purpose, that all directors and executive officers of the registrant, and no other persons, are affiliates.

The number of shares of the registrant’s common stock, par value $0.01 per share (the “Common Stock”), outstanding as of the close of business on January 26, 2024 was 35,716,673.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference in this Form 10-K as indicated herein:

Document	Part of 10-K Into Which Incorporated
Proxy Statement relating to Landstar System, Inc.’s Annual Meeting of Stockholders scheduled to be held on May 7, 2024	Part III

LANDSTAR SYSTEM, INC.

2023 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business*

Introduction

Landstar System, Inc. was incorporated in January 1991 under the laws of the State of Delaware and has been a publicly held company since its initial public offering in March 1993. The principal executive offices of Landstar System, Inc. (collectively with its subsidiaries and other affiliated companies referred to herein as “Landstar” or the “Company,” unless the context otherwise requires) is located at 13410 Sutton Park Drive South, Jacksonville, Florida 32224 and its telephone number is (904) 398-9400. The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements on Schedule 14A and any amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (“SEC”). The Company’s website is www.landstar.com. The SEC maintains a website at http://www.sec.gov that contains the Company’s current and periodic reports, proxy and information statements and other information filed electronically with the SEC.

Description of Business

Landstar, 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 over 1,000 independent commission sales agents and over 85,000 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. 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 $5.3 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.

Transportation Logistics 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 Landstar Blue, LLC. Transportation services offered by the Company include truckload, less-than-truckload 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, 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. See “Notes to Consolidated Financial Statements” for the amount of revenue from external customers, measure of profit and total assets attributable to the transportation logistics segment for the last three fiscal years.

Truck Transportation Services. The transportation logistics segment's truck transportation services include a full array of truckload transportation for a wide range of commodities and, to a lesser degree, less-than-truckload and other truck transportation services. A significant portion of the Company's truckload services is priced in the spot market and delivered over irregular or non-repetitive routes, while approximately 25% of the Company's fiscal year 2023 truck transportation revenue was generated by BCO Independent Contractors utilizing Landstar provided trailing equipment, which frequently is used on more routine, regular routes. The Company utilizes a broad assortment of equipment, including dry and specialty vans of various sizes, unsided/platform trailers (including flatbeds, drop decks and specialty trailers) and temperature-controlled vans. Available truck transportation services also include short-to-long haul movement of containers by truck and expedited ground and dedicated power-only truck capacity. During fiscal year 2023, revenue generated by BCO Independent Contractors and Truck Brokerage Carriers was 38% and 53%, respectively, of consolidated revenue. Also, during fiscal year 2023, truck transportation revenue generated via van equipment and unsided/platform trailing equipment was 57% and 31%, respectively, of truck transportation revenue and less-than-truckload and other truck transportation revenue was 2% and 10%, respectively, of truck transportation revenue. The Company's truck transportation services contributed 91% of consolidated revenue in fiscal year 2023, 89% of consolidated revenue in fiscal year 2022 and 91% of consolidated revenue in fiscal year 2021.

Rail Intermodal Services. The transportation logistics segment's rail intermodal services operate with contracts with Class 1 domestic and Canadian railroads, certain short-line railroads and most major asset-based intermodal equipment providers, including agreements with stacktrain operators and container and trailing equipment companies. In addition, the transportation logistics segment's rail intermodal services operate with contracts with a vast network of local trucking companies that handle pick-up and delivery of rail freight. These contracts provide the transportation logistics segment the ability to transport freight via rail throughout the United States, Canada and Mexico. The transportation logistics segment's rail intermodal service capabilities include trailer on flat car, container on flat car, box car and railcar. The transportation logistics segment's rail intermodal services contributed 2% of consolidated revenue in each of fiscal years 2023, 2022 and 2021.

Air and Ocean Services. The transportation logistics segment provides domestic and international air services and ocean services to its customers. The Company executes international air freight transportation as an International Air Transport Association ("IATA") certified Indirect Air Carrier ("IAC") and international ocean freight transportation as an Ocean Transportation Intermediary ("OTI") licensed by the Federal Maritime Commission ("FMC") as a non-vessel operating common carrier ("NVOCC") and ocean freight forwarder. Through its network of independent commission sales agents, relationships within a global network of foreign transportation intermediaries and contracts with a number of airlines and ocean lines, the transportation logistics segment provides efficient and cost effective door-to-door transportation to most points in the world for a vast array of cargo types such as over-sized break bulk, consolidations, full container loads, less-than container loads and refrigerated freight. The transportation logistics segment's air and ocean services contributed 5% of consolidated revenue in fiscal year 2023, 8% of consolidated revenue in fiscal year 2022 and 5% of consolidated revenue in fiscal year 2021.

Insurance Segment

The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly owned offshore insurance subsidiary, and Risk Management Claim Services, Inc. ("RMCS"). 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 of loss is ultimately borne by Signature. Revenue at the insurance segment represented approximately 1% of the Company's consolidated revenue in each of fiscal years 2023, 2022 and 2021. See "Notes to Consolidated Financial Statements" for the amount of revenue from external customers, measure of profit and total assets attributable to the insurance segment for the last three fiscal years.

Factors Significant to the Company's Operations

Management believes the following factors are particularly significant to the Company's operations:

Agent Network

The Company's primary day-to-day contact with its customers is through its network of independent commission sales agents and, to a lesser extent, through employees of the Company. The typical Landstar independent commission sales agent maintains a relationship with a number of shippers and services these shippers utilizing the Company's digital technologies and extensive network of third party capacity that provides various modes of transportation services to the Company. The Company provides assistance to the agents in developing additional relationships with shippers and enhancing agent and Company relationships with larger shippers through the Company's field employees, located throughout the United States and Canada. The Operating Subsidiaries provide programs to support the agents' operations and tools and data to assist agents in establishing pricing for freight hauled by the various modes of transportation available to the agents. It is important to note that the Operating Subsidiaries, and not the Company's agents, contract directly with customers and generally assume the related credit risk and potential liability for freight losses or damages when the Company is providing transportation services as a motor carrier.

Management believes the Company has more independent commission sales agents than any other asset-light integrated transportation management solutions company in the United States. Landstar's vast network of independent commission sales agent locations provides the Company regular contact with shippers at the local level and the capability to be highly responsive to shippers' changing needs. The Company's large network of available capacity provides independent commission sales agents with the resources needed to service both large and small shippers. Through its agent network, the Company offers smaller shippers a level of service comparable to that typically enjoyed only by larger customers. Examples include the ability to provide transportation services on short notice, multiple pick-up and delivery points, automated information flow, access to specialized equipment, spotted van trailers and drop-and-hook operations. While the majority of the agents in the Company's network arrange truck transportation services for shippers, a number of the Company's agents specialize in certain types of freight and transportation services (such as oversized or heavy loads and/or rail, air and international freight transportation). Each independent commission sales agent has the opportunity to market all of the services provided by the transportation logistics segment.

The independent commission sales agents use a variety of digital technologies provided by the Company to service the requirements of shippers. For truckload services, the Company's independent commission sales agents primarily use Landstar proprietary software which enables agents to enter available freight, dispatch capacity and process most administrative tasks and then communicate that information to Landstar and its capacity providers through cloud-based applications. The Company's cloud-based available truck information system provides a listing of available truck capacity to the Company's independent commission sales agents. The Company also offers independent commission sales agents a variety of proprietary pricing, operational and financial tools via web or mobile applications. For modes of transportation other than truckload, the independent commission sales agents utilize both proprietary and third party information technology applications provided by the Company.

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.

The Company had 524 and 625 agents that each generated at least $1 million in Landstar revenue (the "Million Dollar Agents") during fiscal years 2023 and 2022, respectively. Landstar revenue from the Million Dollar Agents in the aggregate represented 95% and 97% of consolidated revenue in 2023 and 2022, respectively. Included among the Company's Million Dollar Agents, the Company had 87 independent sales agencies that generated at least $10 million in Landstar revenue during the 2023 fiscal year, which in aggregate comprised approximately 68% of Landstar's consolidated revenue. Management believes that the majority of the Million Dollar Agents choose to represent the Company exclusively. Historically, the Company has experienced very few terminations of its Million Dollar Agents, whether such terminations are initiated by the agent or the Company. Annual terminations of Million Dollar Agents have typically been less than 3% of the total number of Million Dollar Agents.

Third Party Capacity

The Company relies exclusively on independent third parties for its hauling capacity other than for trailing equipment owned or leased by the Company and utilized primarily by the BCO Independent Contractors. These third party transportation capacity providers consist of BCO Independent Contractors, Truck Brokerage Carriers, air and ocean cargo carriers and railroads. Landstar's use of capacity provided by third parties allows it to maintain a lower level of capital investment, resulting in lower fixed costs and a higher return on invested capital. During fiscal year 2023, revenue generated by BCO Independent Contractors, Truck Brokerage Carriers and railroads represented approximately 38%, 53% 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 during fiscal year 2023. Historically, variable contribution margin (defined as variable contribution, which is defined as revenue less variable costs of revenue, divided by revenue) generated from freight hauled by BCO Independent Contractors has been greater than that from freight hauled by other third party capacity providers. However, the Company's insurance and claims costs, depreciation costs and other operating costs are incurred primarily in support of BCO Independent Contractor capacity. In addition, as further described in the "Corporate Services" section that follows, the Company incurs significantly higher selling, general and administrative costs in support of BCO Independent Contractor capacity as compared to the other modes of transportation. Purchased transportation costs are recognized over the freight transit period as the performance obligation to the customer is completed.

BCO Independent Contractors. Management believes the Company has the largest fleet of truckload BCO Independent Contractors in the United States. BCO Independent Contractors provide truck capacity to the Company under exclusive lease arrangements. Each BCO Independent Contractor operates under the motor carrier operating authority issued by the U.S. Department of Transportation ("DOT") to Landstar's Operating Subsidiary to which such BCO Independent Contractor provides services and has leased his or her equipment. The Company's network of BCO Independent Contractors provides marketing, operating, customer service, safety, recruiting and retention advantages to the Company.

The Company's BCO Independent Contractors are compensated primarily based on a contractually agreed-upon percentage of revenue generated by loads they haul. This percentage generally ranges from 62% to 70% where the BCO Independent Contractor provides only a tractor and 73% to 77% where the BCO Independent Contractor provides both a tractor and trailing equipment. The BCO Independent Contractor must pay substantially all of the expenses of operating his/her equipment, including driver wages and benefits, fuel, physical damage insurance, maintenance, highway use taxes and debt service, if applicable. The Company passes 100% of fuel surcharges billed to customers for freight hauled by BCO Independent Contractors to its BCO Independent Contractors. During fiscal year 2023, the Company billed customers $324 million in fuel surcharges and passed 100% of such fuel surcharges to the BCO Independent Contractors. These fuel surcharges are excluded from revenue and the cost of purchased transportation.

The Company maintains an ecosystem of digital technologies and applications through which BCO Independent Contractors can view a comprehensive listing of the Company's available freight, allowing them to consider rate, size, origin and destination when planning trips. The Company's LandstarOne™ mobile application provides BCO Independent Contractors information on loading opportunities as well as fueling station locations, retail fuel prices, fuel prices net of Landstar-arranged discounts and applicable state fuel tax credits, and equipment inspection site locations. The Landstar Contractors' Advantage Purchasing Program ("LCAPP") leverages Landstar's purchasing power to provide discounts to eligible BCO Independent Contractors when they purchase equipment, fuel, tires and other items. In addition, Landstar Contractor Financing, Inc. provides a source of funds at competitive interest rates to the BCO Independent Contractors to purchase trailing equipment.

The number of trucks provided to the Company by BCO Independent Contractors was 9,809 at December 30, 2023, compared to 11,281 at December 31, 2022. At December 30, 2023, approximately 97% of the trucks provided by BCO Independent Contractors were provided by BCO Independent Contractors who provided five or fewer trucks to the Company. The number of trucks provided by BCO Independent Contractors fluctuates daily as a result of truck recruiting and truck terminations. More trucks were recruited in fiscal year 2023 than in fiscal year 2022 but trucks terminated were higher in fiscal year 2023 than in fiscal year 2022, resulting in an overall net decrease of 1,472 trucks during fiscal year 2023. Landstar's BCO Independent Contractor truck turnover was approximately 41% in fiscal year 2023, compared to 29% in fiscal year 2022. Approximately 34% of 2023 turnover was attributable to BCO Independent Contractors who had been with the Company for less than one year. Management believes the factors that have historically favorably impacted turnover include the Company's extensive agent network, the quantity and quality of available freight, the proprietary technology-based tools the Company makes available to BCO Independent Contractors to empower them to manage their businesses, the Company's programs to reduce the operating costs of its BCO Independent Contractors and Landstar's reputation for quality, service, reliability and financial strength. Decreasing revenue per load on a sequential basis historically has had an unfavorable impact on BCO Independent Contractor turnover. During fiscal year 2023, revenue per load sequentially decreased quarter to quarter throughout the entire year.

Truck Brokerage Carriers. At December 30, 2023, the Company maintained a database of over 76,000 approved Truck Brokerage Carriers who provide truck capacity to the Company. Truck Brokerage Carriers provide truck capacity to the Company under non-exclusive contractual arrangements and each operates under its own DOT-issued motor carrier operating authority. Truck Brokerage Carriers are paid either a negotiated rate for each load hauled or, to a lesser extent, a contractually agreed-upon fixed rate per load. The Company recruits, approves, establishes contracts with and tracks safety ratings and service records of these third party trucking companies. In addition to providing additional capacity to the Company, the use of Truck Brokerage Carriers enables the Company to pursue different types and quality of freight such as short-haul traffic, less-than-truckload and, in certain instances, lower-priced freight that generally would not be desirable to the Company's BCO Independent Contractors.

The Company maintains an ecosystem of digital technologies and applications through which Truck Brokerage Carriers can view a listing of the Company's freight that is available to them. The Landstar Savings Plus Program leverages Landstar's purchasing power to provide discounts to eligible Truck Brokerage Carriers when they purchase fuel and equipment and provides the Truck Brokerage Carriers with an electronic payment option.

Railroads and Air and Ocean Cargo Carriers. The Company has contracts with Class 1 domestic and Canadian railroads, certain short-line railroads and domestic and international airlines and ocean lines. These relationships allow the Company to pursue the freight best serviced by these forms of transportation capacity. Railroads and ocean cargo carriers are paid either a negotiated rate for each load hauled or a contractually agreed-upon fixed rate per load. Air cargo carriers are generally paid a negotiated rate for each load hauled. The Company also contracts with other third party capacity providers, such as air charter service providers, when required by specific customer needs.

Trailing Equipment

The Company offers its customers a large and diverse fleet of trailing equipment. The following table illustrates the mix of the trailing equipment as of December 30, 2023, either provided by the BCO Independent Contractors or owned or leased by the Company and made available primarily to BCO Independent Contractors. The Company also provides power-only services, as reported in other truck transportation revenue, utilizing trailing equipment generally provided by the shipper or other third party. In general, Truck Brokerage Carriers utilize their own trailing equipment when providing transportation services on behalf of Landstar. Power-only and Truck Brokerage Carrier trailing equipment is not included in the following table:

Trailers by Type	
Van	15,046
Unsided/platform, including flatbeds, step decks, drop decks and low boys	2,780
Temperature-controlled	191
Total	18,017

Specialized services offered by the Company include those provided by a large fleet of flatbed trailers and multi-axle trailers capable of hauling extremely heavy or oversized loads. Management believes the Company, along with its network of capacity providers, offers one of the largest fleets of heavy/specialized trailing equipment in North America.

At December 30, 2023, 14,270 of the trailers available to the BCO Independent Contractors were owned by the Company and 319 were rented. In addition, at December 30, 2023, 3,428 trailers were provided by the BCO Independent Contractors. Approximately 25% of Landstar's truck transportation revenue was generated on Landstar-provided trailing equipment during fiscal year 2023.

Customers

The Company's customer base is highly diversified and dispersed across many industries, commodities and geographic regions. The Company's top 100 customers accounted for approximately 46% and 44%, respectively, of consolidated revenue during fiscal years 2023 and 2022. Management believes that the Company's overall size, ecosystem of digital technologies and applications, geographic coverage, access to equipment and diverse service capability offer the Company significant competitive marketing and operating advantages. These advantages allow the Company to meet the needs of even the largest shippers. Larger shippers often consider reducing the number of authorized carriers they use in favor of a small number of "core carriers," such as the Company, whose size and diverse service capabilities enable these core carriers to satisfy most of the shippers' transportation needs. The Company's national account customers include the United States Department of Defense and many of the companies included in the Fortune 500. Large shippers also use third party logistics providers ("3PLs") to outsource the management and coordination of their transportation needs. 3PLs and other transportation companies also utilize the Company's available transportation capacity to satisfy their obligations to their shippers. There were 11 transportation service providers, including 3PLs, included in the Company's top 25 customers for fiscal year 2023. Management believes the Company's network of agents and third party capacity providers allows it to efficiently attract and service smaller shippers which may not be as desirable to other large transportation providers (see above under "Agent Network"). No customer accounted for more than 4% of the Company's 2023 revenue.

Technology

Landstar focuses on providing integrated transportation management solutions which emphasize customer service and information coordination among its independent commission sales agents, customers, capacity providers and employees. The Company continues to focus on identifying, purchasing or developing and implementing software applications and tools which are designed to: (i) assist Landstar independent commission sales agents in efficiently sourcing capacity, pricing transportation services and managing and analyzing the performance of their independent businesses, (ii) assist customers in meeting their transportation needs, (iii) assist third party capacity providers in identifying desirable freight opportunities and operating their independent businesses, and (iv) improve operational and administrative efficiency throughout the Company. Landstar intends to continue to improve and enhance its technologies to meet the total needs of its agents, customers and third party capacity providers and remains engaged in various multi-year projects aimed at increasing efficiencies, primarily through technology, at Landstar and across our agent and third party capacity network.

Management believes leadership in the development, operation and support of an ecosystem of digital technologies and applications is an ongoing part of providing high quality service. The Company has engaged in a multi-year effort to implement a comprehensive strategy focused on the long-term development of leading edge digital tools to empower participants in our network to succeed in the technology-driven transportation logistics marketplace. As part of the execution of this strategy, the Company has launched the following tools to participants within our network:

- Agent TMS: A cloud-based platform for truckload freight agent workflow.
- Blue TMS: A cloud-based platform built specifically to service the truckload brokerage contract services market.
- Analytics: A suite of business intelligence applications powered by Microsoft Power BI for independent sales agents and BCO Independent Contractors to access information and identify trends in their businesses.
- Pricing: Landstar-proprietary pricing tools developed with data scientists using historical Company information and third party pricing data to provide independent commission sales agents with near real time market data.
- LandstarOne™: Mobile application available to BCO Independent Contractors and third party motor carriers providing a one-stop location for available loading opportunities as well as fueling station locations, retail fuel prices, fuel prices net of Landstar-arranged discounts and applicable state fuel tax credits, and equipment inspection site locations.
- Clarity: Landstar's proprietary freight tracking tool that incorporates geo-locational data from, among other sources, electronic logging devices, trailer tracking devices and third party data aggregators.
- Agent and Capacity Portals: New and improved cloud-based portals built to provide a single on-ramp to a multitude of applications, tools and information available to Landstar independent agents and capacity providers.
- Trailer Tools: Applications empowering independent commission sales agents through the automation of the Company's trailer request and trailer pool management processes.
- Credit: Application that automates the process for independent commission sales agents to request customer credit.

Since the launch of this initiative in 2016, the Company has invested approximately $158 million in this strategic development effort, including approximately $35 million and $33 million, respectively, in fiscal years 2023 and 2022.

The Company's information technology systems used in connection with its operations are located in Jacksonville, Florida and, to a lesser extent, in Rockford, Illinois. In addition, the Company utilizes several third party data centers throughout the U.S. Landstar relies, in the regular course of its business, on the proper operation of its information technology systems.

Corporate Services

The Company provides many administrative support services to its network of independent commission sales agents, third party capacity providers and customers. Management believes that the mobile and digital applications purchased or developed and maintained by the Company and its administrative support services provide operational and financial advantages to its independent commission sales agents, third party capacity providers and customers. These, in turn, enhance the operational and financial efficiency of all aspects of the network.

Administrative support services that provide operational and financial advantages to the network include customer contract administration, customer credit review and approvals, pricing, customer billing, accounts receivable collections, third party capacity settlement, operator and equipment safety and compliance management for our network of BCO Independent Contractors, insurance claims handling, coordination of vendor discount programs and third party capacity sourcing programs. Marketing and advertising strategies are also provided by the Company. The Company's practices of accepting customer credit risk and paying its agents and carriers promptly provides a significant competitive advantage to the Company in comparison to less capitalized competitors.

Competition

Landstar competes primarily in the transportation and logistics services industry with truckload carriers, third party logistics companies, digital freight brokers, intermodal transportation and logistics service providers, railroads, less-than-truckload carriers and other asset-light transportation and logistics service providers. The transportation and logistics services industry is extremely competitive and fragmented.

Management believes that competition for freight transported by the Company is based on service, efficiency, safety and freight rates, which are influenced significantly by the economic environment, particularly the amount of available transportation capacity and freight demand. Management believes that Landstar's overall size, service offerings and availability of a wide range of equipment, together with its geographically dispersed local independent agent network, present the Company with significant competitive advantages over many transportation and logistics service providers.

Self-Insured Claims

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, the Company from year to year manages 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 $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.

Regulation

Certain of the Operating Subsidiaries are considered motor carriers and/or brokers authorized to arrange for transportation services by motor carriers which are regulated by the Federal Motor Carrier Safety Administration (the "FMCSA") and by various state agencies. The FMCSA has broad regulatory powers with respect to activities such as motor carrier operations, practices, periodic financial reporting and insurance. Subject to federal and state regulatory authorities or regulation, the Company's capacity providers may transport most types of freight to and from any point in the United States over any route they select.

Interstate motor carrier operations are subject to safety requirements prescribed by the FMCSA. Each truck operator, whether working as a BCO Independent Contractor or for a Truck Brokerage Carrier, is required to have a commercial driver's license and may be subject to mandatory drug and alcohol testing. The FMCSA's commercial driver's license and drug and alcohol testing requirements have not adversely affected the Company's ability to source the capacity necessary to meet its customers' transportation needs.

Additionally, certain of the Operating Subsidiaries are licensed as Ocean Transportation Intermediaries by the U.S. Federal Maritime Commission as non-vessel-operating common carriers and/or as ocean freight forwarders. The Company's air transportation activities in the United States are subject to regulation by the U.S. Department of Transportation as an indirect air carrier. One of the Operating Subsidiaries is licensed by the U.S. Department of Homeland Security through the Bureau of U.S. Customs and Border Protection ("U.S. Customs") as a customs broker. The Company is also subject to regulations and requirements relating to safety and security promulgated by, among others, the U.S. Department of Homeland Security through U.S. Customs and the Transportation Security Administration, the Canada Border Services Agency and various state and local agencies and port authorities. In addition, because the U.S. government is one of the Company's customers, the Company must comply with and is affected by laws and regulations relating to doing business with the federal government.

The transportation industry is subject to other potential regulatory and legislative changes (such as the possibility of more stringent environmental, climate change and/or safety/security regulations, limits on vehicle weight and size and regulations relating to the health and wellness of commercial truck operators) that may affect the economics of the industry by requiring changes in operating practices, by changing the demand for motor carrier services or the cost of providing truckload or other transportation or logistics services, or by adversely impacting the number of available commercial truck operators.

For a discussion of the risks associated with these laws and regulations, see Part I, Item 1A, "Risk Factors."

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 in 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 and 2023 fiscal year results did not reflect normal seasonal patterns. No assurances can be given regarding the extent to which or when trends common to the trucking industry, in general and to Landstar's operations, in particular, will return to more typical, pre-pandemic, seasonal patterns.

Human Capital Resources

We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. To attract and retain top talent in our highly competitive industry, we have designed our compensation and benefits programs to provide a balanced and effective reward structure. Our short and long-term incentive programs are aligned with key business objectives and are intended to motivate strong performance. Our employees are eligible to participate in our medical, dental and vision programs, a 401(k) savings/retirement plan, flexible time-off, employer-provided life and disability insurance, our wellness program, our tuition reimbursement program, and an array of voluntary benefits designed to meet individual needs. We engage firms nationally recognized in the benefits area to objectively evaluate our programs and benchmark them against peers and other similarly situated organizations.

Landstar seeks to compensate employees in a manner that is fair, consistent, and reflective of the external market and provides recognition for the achievement of individual goals, corporate objectives, and professional competencies while maintaining fiscal responsibility. To help us achieve this goal, in 2021, Landstar completed a review of employee compensation that included the establishment of new pay grades and applicable salary ranges for all exempt positions. This review followed a similar review of employee compensation for all information technology positions completed in 2020 and a review of all non-exempt positions completed in 2019. Based on applicable pay grades, salary ranges and market data, Landstar completed an annual salary review for all positions in 2022 in conjunction with its annual review and salary adjustment process.

As of December 30, 2023, the Company and its subsidiaries employed 1,468 individuals. Three Landstar Ranger drivers (out of a Company total of approximately 9,809 drivers for BCO Independent Contractors) are members of the International Brotherhood of Teamsters. The turnover rate for Landstar employees located in the United States and Canada was 14% in 2023, 17% in 2022 and 13% in 2021. The Company considers relations with its employees to be good.

The Company has identified the following employee-focused goals:

- Create and maintain an environment in which continuous improvement is encouraged and expected by everyone within the organization;
- Engage each Landstar employee in the Company's vision to inspire and empower entrepreneurs to succeed in the highly competitive, technology driven freight transportation industry; and
- Ensure that all Landstar employees fully understand the requirements of their job and the role their job plays within Landstar.

Landstar formally monitors employee satisfaction and engagement through periodic employee satisfaction and engagement surveys. The Company also uses employee roundtable and focus group discussions as well as exit interviews to monitor engagement and satisfaction.

Landstar provides comprehensive professional development opportunities to employees at all levels. Landstar's training and development department offers all employees the opportunity to participate in various learning tracks on topics including Leadership, Workplace Safety & Security, Customer Service and other core skills. Courses offered by the training and development department are delivered by Landstar's team of Association for Talent Development (ATD) certified trainers through both on-line and classroom settings.

At our core, Landstar is about providing opportunity to people regardless of background. We do not tolerate racism or discriminatory behavior and strongly believe in diversity and inclusion. The Company reaffirms its commitment to equal employment opportunity for all people. The Company complies with all applicable federal and state laws pertaining to equal employment opportunity and affirmative action. It is our philosophy to treat our employees and applicants fairly without regard to race, color, sex, religion, national origin, disability, present, past, or future service in a branch of the uniformed services of the United States, citizenship, sexual orientation or gender identity. Our management teams and all of our employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. All of our employees must adhere to a code of ethics and employee compliance code that set standards for appropriate behavior and includes required annual training.

As of the end of 2023, a majority of the Company's employees work remotely or on a hybrid basis.

Item 1A. *Risk Factors*

Operational Risks

Increased severity or frequency of accidents and other claims or a material unfavorable development of existing claims. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Self-Insured Claims," 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, the Company from year to year manages 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 $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.

Dependence on third party insurance companies. The Company is dependent on a limited number of third party insurance companies to provide insurance coverage in excess of its self-insured retention amounts. Historically, the Company has maintained insurance coverage for commercial trucking claims in excess of its self-insured retention, up to various maximum amounts, with a limited number of third party insurance companies. In an attempt to manage the cost of insurance and claims, the Company has historically increased or decreased the level of its financial exposure to commercial trucking claims by increasing or decreasing its level of self-insured retention based on the estimated cost differential between proposed premiums from third party insurance companies and historical and actuarially projected losses experienced by the Company at various levels of self-insured retention. Similarly, in its excess insurance layers, the Company may increase or decrease the level of its financial exposure to commercial trucking claims, including through the use of additional self-insurance as well as deductibles, aggregate loss limits, quota shares and other arrangements with third party insurance companies, based on the estimated cost differential 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. To the extent that the third party insurance companies propose increases to their premiums for coverage of commercial trucking claims, the Company may decide to pay such increased premiums or increase its financial exposure on an aggregate, per occurrence or other basis, including by increasing the amount of its self-insured retention. In fact, in recent years, several of the largest third party insurers providing excess coverage for commercial trucking claims in the United States announced that in light of increased severity trends related to the increase in losses attributable to unfavorable verdicts, they would no longer provide such coverage. Decisions by these third party insurers to exit this line of business have had a significant negative impact on the availability and pricing of excess coverage for commercial trucking claims in the United States. No assurances can be given that other third party insurers will not also decide to exit the market as a provider of excess coverage for commercial trucking claims in the United States, which could have a further negative effect on the availability and pricing of such coverage. Accordingly, no assurance can be given that insurance coverage from third party insurers for claims in excess of the Company's current self-insured retentions will continue to be available on commercially reasonable terms.

Dependence on independent commission sales agents. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Agent Network," the Company markets its services primarily through independent commission sales agents. During fiscal year 2023, 524 agents generated revenue for Landstar of at least $1 million each, or in the aggregate approximately 95% of Landstar's consolidated revenue. Included among these Million Dollar Agents, 87 agents generated at least $10,000,000 of Landstar revenue during the 2023 fiscal year, or in the aggregate approximately 68% of Landstar's consolidated revenue. Of these larger agencies, one such Landstar independent commission sales agency, itself with a very diversified customer base, generated approximately $553,000,000, or 10%, of Landstar's consolidated revenue and approximately 6% of Landstar's consolidated variable contribution in fiscal year 2023.

A number of these larger agencies, including the largest of Landstar's independent commission sales agents by revenue, maintain administrative operations in countries outside of North America where the risks may be different than in the United States or Canada due to geopolitical, legal or other risks associated with maintaining administrative operations in such foreign jurisdictions. There can be no assurance regarding the potential disruption and impact adverse geopolitical developments in these foreign jurisdictions could have on the ability of certain large independent commission sales agents to generate and maintain administrative operations in support of significant amounts of Landstar revenue. As disclosed in a Current Report on Form 8-K filed by the Company on February 28, 2022, the largest Landstar independent commission sales agency by revenue referenced above, while based in the United States, has significant administrative operations located in Ukraine. The administrative operations of this agency were significantly disrupted during the onset of the Russian invasion of Ukraine. The Company also has another of its largest independent commission sales agencies, as measured by revenue, that is based in the United States but conducts a portion of its administrative operations in western Ukraine. Russian efforts to destroy infrastructure throughout Ukraine has impacted the availability of electricity and other basic utilities at various times throughout the country. The priority for Landstar and both of these agencies is the safety and well-being of these agencies' Ukrainian workforces and their families. No assurances can be provided regarding the conflict between Russia and Ukraine and the extent of potential future operational disruption the conflict may have on either of these Landstar agencies and the related impact of these disruptions on the Company.

Landstar competes with motor carriers and other third parties for the services of independent commission sales agents. Landstar has historically experienced very limited agent turnover in the number of its Million Dollar Agents. There can be no assurances, however, that Landstar will continue to experience very limited turnover of its Million Dollar Agents in the future. Landstar's contracts with its agents, including its Million Dollar Agents, are typically terminable without cause upon 10 to 30 days' notice by either party and generally contain significant but not unqualified restrictive covenants limiting the ability of a former agent to compete with Landstar for a specified period of time post-termination, and other restrictive covenants. The loss of some of the Company's Million Dollar Agents and/or a significant decrease in revenue generated by Million Dollar Agents could have a material adverse effect on Landstar, including its results of operations and revenue.

Dependence on third party capacity providers. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Third Party Capacity," Landstar does not own trucks or other transportation equipment other than trailing equipment and relies on third party capacity providers, including BCO Independent Contractors, Truck Brokerage Carriers, railroads and air and ocean cargo carriers, to transport freight for its customers. The Company competes with motor carriers and other third parties for the services of BCO Independent Contractors and other third party capacity providers. The market for qualified truck owner-operators and other third party truck capacity providers is very competitive among motor carriers, third party logistics companies and others and no assurances can be given that the Company will be able to maintain or expand the number of BCO Independent Contractors or other third party truck capacity providers. Additionally, the Company's third party capacity providers other than BCO Independent Contractors can be expected, under certain circumstances, to charge higher prices to cover increased operating expenses, such as any increases in the cost of fuel, labor, equipment or insurance, and the Company's operating income may decline without a corresponding increase in price to the customer. A significant decrease in available capacity provided by either the Company's BCO Independent Contractors or other third party capacity providers, or increased rates charged by other third party capacity providers that cannot be passed through to customers, could have a material adverse effect on Landstar, including its results of operations and revenue.

Disruptions or failures in the Company's computer systems; cyber and other information security incidents. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Technology," the Company's information technology systems used in connection with its operations are located in Jacksonville, Florida and to a lesser extent in Rockford, Illinois. In addition, the Company utilizes several third party data centers throughout the United States. Landstar relies, in the regular course of its business, on the proper operation of its information technology systems to link its extensive network of customers, employees, agents and third party capacity providers, including its BCO Independent Contractors. Moreover, a majority of the Company's employees work remotely or on a hybrid basis. Although the Company has redundant systems for its critical operations, any significant disruption or failure of its technology systems or those of third party data centers on which it relies could significantly disrupt the Company's operations and impose significant costs on the Company. Moreover, it is critical that the data processed by or stored in the Company's information technology systems or otherwise in the Company's possession remain confidential, as it often includes confidential, proprietary and/or competitively sensitive information regarding our customers, employees, agents and third party capacity providers, key financial and operational results and statistics, and our strategic plans, including technology innovations, developments and enhancements. Cyber incidents that impact the security, availability, reliability, speed, accuracy or other proper functioning of these systems and data, including outages, computer viruses, break-ins and similar disruptions, could have a significant impact on our operations. Accordingly, information security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. Our information systems and those of our third-party service providers have been, and will likely continue to be, targeted by or subject to viruses, malware or other malicious codes, unauthorized access, cyber-attacks, cyber frauds, ransomware or other unauthorized occurrences which jeopardize the confidentiality, integrity or availability of our information or information systems. Cybersecurity threats are rapidly evolving and those threats and the means for obtaining access to our systems are becoming increasingly sophisticated. Cybersecurity threats can originate from a wide variety of sources including terrorists, nation states, financially motivated actors, hacktivists, internal actors, or third parties, such as external service providers or other third parties who may use an external service provider as a conduit to access our systems, and the techniques used change frequently and often are not recognized until after they have been launched. The rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks including the deployment of artificial intelligence technologies by threat actors. Although we believe that we have robust security procedures and other safeguards in place, as threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any security vulnerabilities. At any given time, we face known and unknown cybersecurity risks and threats that are not fully mitigated, and we may discover vulnerabilities as we continuously work to enhance our cybersecurity risk management program. A significant incident, including system failure, security breach, disruption by malware or ransomware, or other damage, could interrupt or delay our operations, damage our reputation, cause a loss of customers, agents and/or third party capacity providers, expose us to a risk of loss or litigation, and/or cause us to incur significant time and expense to remedy such an event, any of which could have a material adverse impact on our results of operations and financial condition.

Although the Company maintains cybersecurity and business interruption insurance, the Company's insurance may not be adequate to cover all losses that may be incurred in the event of a significant disruption or failure of its information technology systems. In addition, cybersecurity and business interruption insurance could in the future become more expensive and difficult to maintain and may not be available on commercially reasonable terms or at all.

Dependence on key vendors. As described above under "*Dependence on third party insurance companies*" and "*Disruptions or failures in the Company's computer systems; cyber and other information security incidents,*" the Company is dependent on certain vendors, including third party insurance companies, third party data center providers, third party information technology application providers and third party payment disbursement providers. Any inability to negotiate satisfactory terms with one of these key vendors or any other significant disruption to or termination of a relationship with one of these key vendors could disrupt the Company's operations and impose significant costs on the Company.

Economic, Competitive and Industry Risks

Decreased demand for transportation services; U.S. trade relationships. The transportation industry historically has experienced cyclical financial results as a result of slowdowns in economic activity, the business cycles of customers, and other economic factors beyond Landstar's control. If a slowdown in economic activity or a downturn in the Company's customers' business cycles causes a reduction in the volume of freight shipped by those customers, the Company's operating results could be materially adversely affected.

In addition, Landstar hauls a significant number of shipments that have either been imported into the United States or are destined for export from the United States. Any decision by the U.S. government to adopt actions such as a border tax on imports, an increase in customs duties or tariffs, the renegotiation of U.S. trade agreements or any other action that could have a negative impact on international trade could cause a reduction in the volume of freight shipped by many Landstar customers. Any changes in tax and trade policies in the United States and corresponding actions by other countries could adversely affect our financial performance.

Substantial industry competition. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Competition," Landstar competes primarily in the transportation and logistics services industry. This industry is extremely competitive and fragmented. Landstar competes primarily with truckload carriers, intermodal transportation service providers, railroads, less-than-truckload carriers, third party logistics companies, digital freight brokers and other asset-light transportation and logistics service providers. Management believes that competition for the freight transported by the Company is based on service, efficiency, safety and freight rates, which are influenced significantly by the economic environment, particularly the amount of available transportation capacity and freight demand. In recent years, the use of technology and the implementation of technology-based innovations have become increasingly important to compete within the transportation and logistics industry. In particular, management believes leadership in the development, operation and support of an ecosystem of digital technologies and applications is an ongoing part of providing high quality service. The failure of the Company to maintain or enhance its technology ecosystem in response to changing demands from customers, agents, and capacity providers could have a significant adverse impact on Landstar's ability to compete for customers, agents and capacity providers in the transportation and logistics industry.

In addition, competition in our industry, historically, has created downward pressure on freight rates. Many large shippers use 3PLs other than the Company to outsource the management and coordination of their transportation needs rather than directly arrange for transportation services with carriers. As noted above, there were 11 transportation service providers, including 3PLs, included in the Company's top 25 customers for the fiscal year ended December 30, 2023. Usage by large shippers of 3PLs often provides carriers, such as the Company, with a less direct relationship with the shipper and, as a result, may increase pressure on freight rates while making it more difficult for the Company to compete primarily based on service and efficiency. A prolonged decrease in freight rates could have a material adverse effect on Landstar, including its revenue and operating income.

Legal, Tax, Regulatory and Compliance Risks

Status of independent contractors. In recent years, the topic of the classification of individuals as employees or independent contractors has gained increased attention among federal and state regulators as well as the plaintiffs' bar. Various legislative or regulatory proposals have been introduced at the federal and state levels that may affect the classification status of individuals as independent contractors or employees for either employment tax purposes (e.g., withholding, social security, Medicare and unemployment taxes) or other benefits available to employees (most notably, workers' compensation benefits). Recently, certain states (most prominently, California) have seen significant increased activity by tax and other regulators and numerous class action lawsuits filed against transportation companies that engage independent contractors.

There are many different tests and standards that may apply to the determination of whether a relationship is that of an independent contractor or one of employment. For example, different standards may be applied by the Internal Revenue Service, the U.S. Department of Labor, the National Labor Relations Board, state unemployment agencies, state departments of labor, state taxing authorities, the Equal Employment Opportunity Commission, state discrimination or disability benefit administrators and state workers compensation boards, among others. For federal tax purposes, most individuals are classified as employees or independent contractors based on a multi-factor "common-law" analysis rather than any definition found in the Internal Revenue Code or Internal Revenue Service regulations. In addition, under Section 530 of the Revenue Act of 1978, a taxpayer that meets certain criteria may treat an individual as an independent contractor for employment tax purposes if the taxpayer has been audited without being told to treat similarly situated workers as employees, if the taxpayer has received a ruling from the Internal Revenue Service or a court decision affirming the taxpayer's treatment of the individual as an independent contractor, or if the taxpayer is following a long-standing recognized practice.

The Company classifies its BCO Independent Contractors and independent commission sales agents as independent contractors for all purposes, including employment tax and employee benefits. There can be no assurance that legislative, judicial, administrative or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the employee/independent contractor classification of BCO Independent Contractors or independent commission sales agents doing business with the Company. On September 18, 2019, California enacted Assembly Bill (AB) 5 into law, codifying the strict "ABC" test for purposes of determining a worker's status as an independent contractor or employee under California law. While new in California, versions of the ABC test have existed in a number of other states over the years and have been challenged in various courts as violating the federal government's exclusive right to regulate trucking in certain areas of law and interstate commerce. The Company continues to monitor and analyze the impact of the new law, which became effective as of January 1, 2020, including what steps may be necessary or advisable to adapt to a changing legal and regulatory environment in California. The Company has BCO Independent Contractors, Truck Brokerage Carriers and independent commission sales agents who reside in and/or principally operate their business in California that could be impacted by AB 5 or similar laws, which could eventually affect our relationship with them. Additionally, the new law may have a significant impact on our Truck Brokerage Carriers based in California who utilize owner-operators to provide various types of transportation services such as drayage, regional or local delivery. Since the Company is neither incorporated nor headquartered in California and the vast majority of BCO Independent Contractors, Truck Brokerage Carriers and independent commission sales agents currently doing business with the Company reside and principally operate outside of California, we do not expect AB 5 to have a material impact on Landstar's overall network of BCO Independent Contractors, Truck Brokerage Carriers and independent commission sales agents. Nevertheless, there remains significant uncertainty regarding many aspects of the new law, including how the law will be interpreted and enforced by state and local governments as well as by courts.

Potential changes, if any, that could impact the legal classification of the independent contractor relationship between the Company and BCO Independent Contractors or independent commission sales agents could have a material adverse effect on Landstar's operating model. Further, the costs associated with any such potential changes could have a material adverse effect on the Company's results of operations and financial condition if Landstar were unable to pass through to its customers an increase in price corresponding to such increased costs. Moreover, class action litigation in this area against other transportation companies has resulted in significant damage awards and/or monetary settlements for workers who have been allegedly misclassified as independent contractors and the legal and other related expenses associated with litigating these cases can be substantial.

Regulatory and legislative changes. As noted above in Item 1, "Business — Factors Significant to the Company's Operations — Regulation," certain of the Operating Subsidiaries are motor carriers and/or property brokers authorized to arrange for transportation services by motor carriers which are regulated by the Federal Motor Carrier Safety Administration ("FMCSA"), an agency of the U.S. Department of Transportation, and by various state agencies. Several of the Operating Subsidiaries maintain a federal hazardous materials safety permit and, as a result, have an increased risk of compliance review by the FMCSA. Certain of the Operating Subsidiaries are licensed as Ocean Transportation Intermediaries by the U.S. Federal Maritime Commission as non-vessel-operating common carriers and/or as ocean freight forwarders. The Company's air transportation activities in the United States are subject to regulation by the U.S. Department of Transportation as an indirect air carrier. One of the Company's subsidiaries is licensed by the U.S. Department of Homeland Security through the Bureau of U.S. Customs and Border Protection ("U.S. Customs") as a customs broker. The Company is also subject to regulations and requirements relating to safety and security promulgated by, among others, the U.S. Department of Homeland Security through U.S. Customs and the Transportation Security Administration, the Canada Border Services Agency and various state and local agencies and port authorities.

The transportation industry is subject to other potential regulatory and legislative changes (such as the possibility of more stringent environmental, climate change and/or safety/security regulations, limits on vehicle weight and size and regulations relating to the health and wellness of commercial truck operators) that may affect the economics of the industry by requiring changes in operating practices, by changing the demand for motor carrier services or the cost of providing truckload or other transportation or logistics services, or by adversely impacting the number of available commercial truck operators.

In particular, the FMCSA in recent years proposed a number of regulatory changes that affect the operation of commercial motor carriers across the United States. It is difficult to predict in what form FMCSA regulations may be implemented, modified or enforced and what impact any such regulations may have on motor carrier operations or the aggregate number of trucks that provide hauling capacity to the Company. For example, in December 2010, the FMCSA introduced the Compliance Safety Accountability ("CSA") motor carrier oversight program. Under CSA, the FMCSA monitors seven Behavior Analysis and Safety Improvement Categories, or BASICs, under which a motor carrier may be evaluated against established threshold scores for each such BASIC. In the event a motor carrier has one or more BASIC scores that exceeds the applicable threshold, the motor carrier has an increased risk of roadside inspection and/or compliance review by FMCSA. Under the Fixing America's Surface Transportation Act, or the "FAST Act" signed into law on December 4, 2015, the FMCSA was required to engage the National Research Council to conduct a study of CSA and the Safety Measurement System ("SMS") utilized by the CSA program. As a result of the FAST Act, the FMCSA announced the removal of the BASIC scores from public view and that such scores are expected to remain hidden from public view while changes to CSA are considered. In 2018, the FMCSA announced significant anticipated changes to CSA that if enacted would be expected to have a material impact on the current program. As of the end of 2023, no such changes to CSA have yet been enacted. No assurances can be given with respect to the changes that may be made to the CSA program, or any replacement or supplemental program, in the future and what impact new or revised motor carrier oversight programs implemented by the FMCSA could have on the Company, its motor carrier operations or the aggregate number of trucks that provide hauling capacity to the Company.

Regulations focused on diesel emissions and other air quality matters. Focus on diesel emissions, climate change and related air quality matters has led to efforts by federal, state and local governmental agencies to support legislation and regulations to limit the amount of carbon emissions, including emissions created by diesel engines utilized in tractors such as those operated by the Company's BCO Independent Contractors and Truck Brokerage Carriers. Moreover, federal, state and local governmental agencies may also focus on regulation in relation to trailing equipment specifications in an effort to achieve, among other things, lower carbon emissions. For example, the California Air Resources Board ("CARB") has implemented regulations that restrict the ability of certain tractors and trailers from operating in California and that impose emission standards on nearly all diesel-fueled trucks with gross vehicle weight ratings in excess of 14,000 lbs. that operate in California. Moreover, these emission standards have become increasingly stringent over time. As of January 1, 2023, nearly all diesel-fueled trucks with gross vehicle weight ratings in excess of 14,000 lbs. that operate in California are required to have a 2010 or newer model year engine. No assurances can be given with respect to the extent BCO Independent Contractors will choose to become CARB-compliant by purchasing a new or used CARB-compliant tractor, replacing the engine in their existing tractor with a CARB-compliant engine or performing an exhaust retrofit of their existing tractor by installing a particulate matter filter. Accordingly, many of the Company's BCO Independent Contractors may choose not to haul loads that would require travel within California, which could affect the ability of the Company to service customer freight needs for freight originating from, delivering to or traveling through California. Furthermore, increased regulation of tractor or trailing equipment specifications, including emissions created by diesel engines, could 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 or trailing 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.

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 the further development of this technology is necessary considering power, torque, range, efficiency and other aspects 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, 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 to 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.

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 requirements:

- 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 must 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, is 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) are 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

Percentage of vehicles that must be ZEVs	10%	25%	50%	75%	100%
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. On December 27, 2023, CARB and the CTA reached an understanding that CARB will not take enforcement action as to the drayage or high priority fleet reporting requirements or registration prohibitions under the ACF regulation until U.S. EPA grants a preemption waiver under the federal Clean Air Act applicable to those regulatory provisions or determines a waiver is not necessary, and CTA agreed not to file a preliminary injunction motion seeking to enjoin enforcement of the challenged provision of the ACF regulation while the waiver request is pending before U.S. EPA. No assurances can be provided regarding whether U.S. EPA may grant a preemption waiver, when such a decision may be made or 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 remains in effect, 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 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.

General Risk Factors

Potential changes in taxes. From time to time, various legislative proposals are introduced to increase federal, state, or local taxes. The Company cannot predict whether, or in what form, any increase in corporate income tax rates, motor fuel tax rates or other tax rates applicable to the transportation services provided by the Company will be enacted and, if enacted, how such increased tax rates may impact the Company. As an example, for every 100 basis point increase in the U.S. corporate income tax rate the Company would recognize a one-time tax charge of approximately $1,100,000 in connection with revaluing its ending net deferred tax liabilities at December 30, 2023. With respect to potential increases in fuel and similar taxes, it is unclear whether or not the Company's Truck Brokerage Carriers would attempt to pass the increase on to the Company or if the Company will be able to reflect this potential increased cost of capacity, if any, in prices to customers. Any such increase in fuel taxes, without a corresponding increase in price to the customer, could have a material adverse effect on Landstar, including its results of operations and financial condition. Moreover, competition from other transportation service companies including those that provide non-trucking modes of transportation would likely increase if state or federal taxes on fuel were to increase without a corresponding increase in taxes imposed upon other modes of transportation.

On August 16, 2022, the Inflation Reduction Act was signed into law by President Biden. The Inflation Reduction Act establishes a one percent excise tax on stock repurchases made by publicly traded U.S. corporations. This provision was effective for tax years beginning after December 31, 2022. Accrued excise tax of $348,000 was included in other current liabilities in the consolidated balance sheet at December 30, 2023. The excise tax could have an adverse effect on the Company's cash flows in future years.

Intellectual property. The Company uses both internally developed and purchased technology in conducting its business. Whether internally developed or purchased, it is possible that the use of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against the Company by a third party for the infringement of intellectual property rights, any settlement or adverse judgment against the Company either in the form of increased costs of licensing or a cease and desist order in using the technology could have an adverse effect on the Company's business and its results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 1C. *Cybersecurity*

The Company recognizes the importance of assessing, identifying, and managing risks associated with cybersecurity threats. These risks include, among other things, operational risks; intellectual property theft; fraud; extortion; harm to employees, customers or the independent commission sales agents and third party capacity providers in our network; violation of privacy or security laws and other litigation and legal risk; and reputational risks. The Company has implemented cybersecurity processes, technologies, and controls to aid in its efforts to assess, identify, and manage such risks, including network and endpoint monitoring by a third party managed security services provider and Landstar IT professionals, access controls, vulnerability assessments, penetration testing, regular information security training for employees, and tabletop exercises to inform our IT professionals' risk identification and assessment.

Landstar maintains an Incident Response Plan that guides the actions the Company is to take in the event of a suspected or confirmed cybersecurity incident. The plan includes processes to triage, investigate, contain, and remediate the incident, and is designed to enable us to comply with applicable legal and regulatory obligations and mitigate financial and reputational damage. We also maintain a Business Continuity Plan, which provides procedures for maintaining the continuity of critical business processes in the event of business interruption, including any that involve cybersecurity incidents that may significantly impact our operations. Our cybersecurity risk management processes incorporate appropriate industry standards and are designed using the frameworks developed by National Institute of Standards and Technology ("NIST") as a guide.

Our enterprise risk management program reports at least quarterly to the Management Risk Committee and considers cybersecurity threat risks alongside other types of risks as part of our overall risk assessment process. The Management Risk Committee consists of those members of executive management of the Company with ultimate responsibility for the Company's enterprise risk management practices. Members of the Management Risk Committee regularly engage in discussions and meetings relating to cybersecurity risk management and strategy processes and the prevention, detection, mitigation and remediation of cybersecurity incidents. Members of our IT department collaborate with the Management Risk Committee, as necessary, to gather insights for identifying and assessing cybersecurity threats, their severity, and potential mitigations. Our cybersecurity risk management and strategy processes are led by the Chief Information Officer, who is a member of the Management Risk Committee, and the Vice President of Network Services.

In particular, the Vice President of Network Services leads a team of IT professionals that includes individuals with significant cybersecurity expertise. The Vice President of Network Services has over 26 years of experience in various roles with the Company as well as with the U.S. Army involving managing information security, developing cybersecurity strategy, implementing effective information and cybersecurity programs. The team of IT professionals led by the Vice President of Network Services includes individuals with relevant degrees and certifications, including Certified Information Security Systems Professional (CISSP), Certified Cyber Security Architect (CCSA), EC-Council Certified Ethical Hacker (CEH), GIAC Certified Forensic Examiner (GCFE), SANS Digital Forensics And Incident Response (FOR408), CompTIA Certified PenTest+, Cisco Certified Network Associate (CCNA), and CompTIA Certified Security+.

The Company also regularly engages with consultants, auditors, and other third parties, including by having an independent third-party Qualified Security Assessor review our cybersecurity program twice each year to help identify areas for continued focus and enhancement. These third parties analyze data on the interactions of users of our information technology resources, including employees, and conduct penetration tests and scanning exercises to assess the performance of our cybersecurity controls, systems and processes.

Our cybersecurity risk management processes also address risks associated with our use of third-party service providers, including those who have access to our employee data or our systems that support customers and our network of independent commission sales agents and third party capacity providers. Third-party risks are included within our enterprise risk management assessment program, as well as our cybersecurity-specific risk identification program. Cybersecurity considerations affect the selection and oversight of our third-party service providers. We perform diligence on third-parties that have access to our systems, data or facilities that house such systems or data, and continually monitor cybersecurity threats identified through such diligence. Additionally, we may require certain third parties to agree by contract to manage their cybersecurity risks in specified ways, and to agree to be subject to cybersecurity audits, which we conduct as appropriate.

During the period covered by this Annual Report, the Company has not experienced any cybersecurity incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, institutions like us, as well as our employees, service providers and other third parties, have experienced a significant increase in information security and cybersecurity risk in recent years and will likely continue to be the target of increasingly sophisticated cyber attacks. The Company describes whether and how risks from identified cybersecurity threats materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition, under the heading "Disruptions or failures in the Company's computer systems; cyber and other information security incidents" included as part of our risk factor disclosure at Item 1A of this Annual Report on Form 10-K, which disclosures are incorporated by reference herein.

Cybersecurity is an important part of our risk management processes and an area of focus for our Board and management. The Safety and Risk Committee of the Board is responsible for the oversight of risks from cybersecurity threats. At least semi-annually, the Management Risk Committee and, subsequently, the Safety and Risk Committee of the Board receives an overview of our cybersecurity threat risk management and strategy processes from the Chief Information Officer and the Vice President of Network Services. These sessions typically cover topics such as data security posture, results from third-party assessments, progress towards risk-mitigation-related goals, our incident response plan, cybersecurity vendors and products, and material risks from cybersecurity threats, incidents and developments, as well as the steps management has taken to respond to such risks. Material cybersecurity threat risks are also considered during separate Board and Board committee meeting discussions relating to matters such as enterprise risk management, internal controls over financial reporting and business continuity planning.

Item 2. *Properties*

The Company owns or leases various properties in the U.S., Canada and Mexico for the Company's operations and administrative staff that support its independent commission sales agents, BCO Independent Contractors and other third party capacity providers. The transportation logistics segment's primary facilities are located in Jacksonville, Florida and Rockford, Illinois. In addition, the Company's corporate headquarters are located in Jacksonville, Florida. The Company also maintains a key freight staging and transload facility in Laredo, Texas. The Jacksonville, Florida, Rockford, Illinois and Laredo, Texas facilities are owned by the Company. The Company also maintains a network of owned and leased field operations centers in the United States and Canada in support of the ongoing recruitment and retention of its BCO Independent Contractors. Management believes that Landstar's owned and leased properties are adequate for its current needs and that leased properties can be retained or replaced at an acceptable cost.

Item 3. *Legal Proceedings*

See Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Legal Proceedings*".

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The Common Stock of the Company is listed and traded on the NASDAQ Global Select Market under the symbol "LSTR."

The reported last sale price per share of the Common Stock as reported on the NASDAQ Global Select Market on January 26, 2024 was $197.11 per share. As of such date, Landstar had 35,716,673 shares of Common Stock outstanding and had 133 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares are held by brokers or dealers for their customers in street name.

Purchases of Equity Securities by the Company

The following table provides information regarding the Company's purchase of its Common Stock during the period from October 1, 2023 to December 30, 2023, the Company's fourth fiscal quarter:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Share Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Programs
September 30, 2023				2,910,339
Oct. 1, 2023 – Oct. 28, 2023	—	$ —	—	2,910,339
Oct. 29, 2023 – Nov. 25, 2023	229,671	169.08	229,671	2,680,668
Nov. 26, 2023 – Dec. 30, 2023	—	—	—	3,000,000
Total	229,671	$ 169.08	229,671	

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. On December 4, 2023, the Landstar System, Inc. Board of Directors authorized the Company to purchase up to 319,332 additional shares of its Common Stock from time to time in the open market and in privately negotiated transactions under its share purchase program. As of December 30, 2023, the Company had authorization to purchase in the aggregate up to 3,000,000 shares of its Common Stock under these programs. No specific expiration date has been assigned to the December 7, 2021, December 6, 2022 or December 4, 2023 authorizations.

Equity Compensation Plan Information

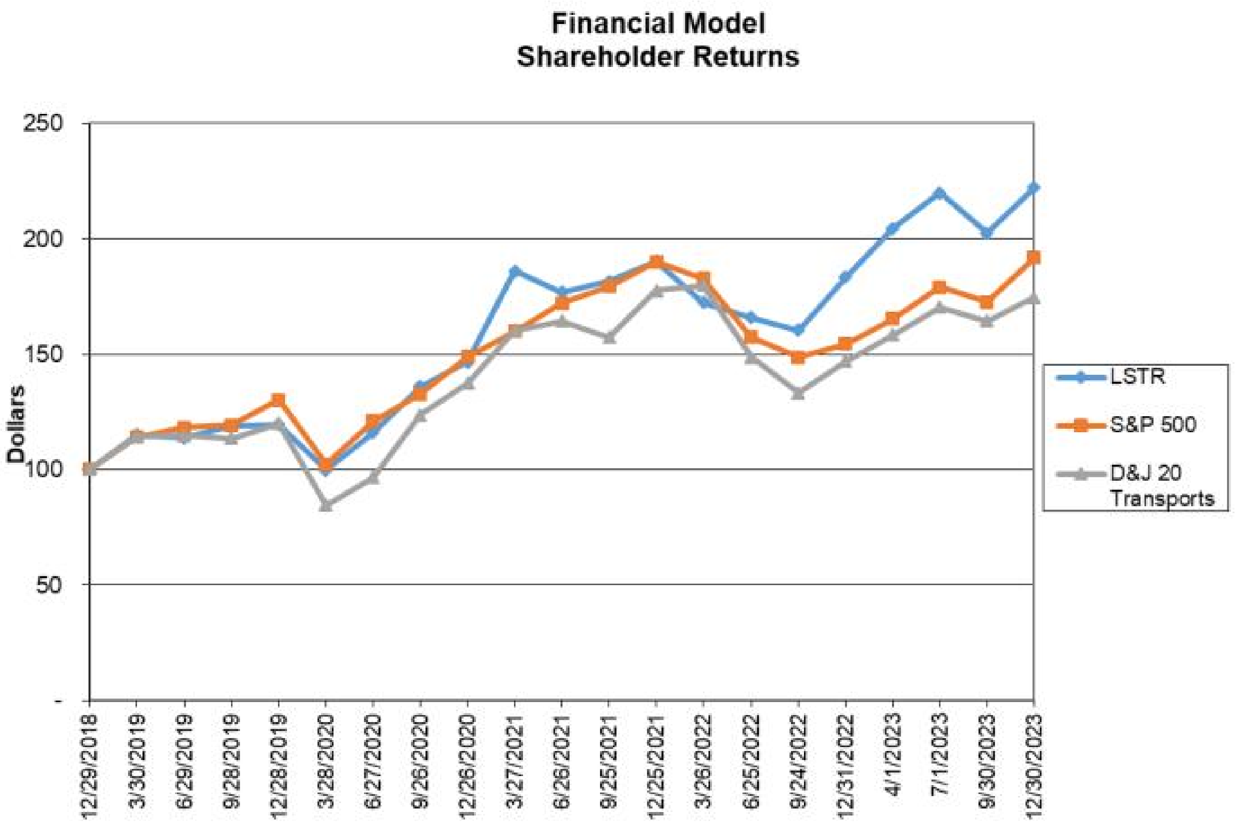
The Company maintains a stock compensation plan for members of its Board of Directors, the 2022 Directors Stock Compensation Plan (the "2022 DSCP"), and an employee equity incentive plan, the 2011 Equity Incentive Plan (the "2011 EIP"). The following table presents information related to securities authorized for issuance under these plans at December 30, 2023:

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options**	**Weighted-average Exercise Price of Outstanding Options**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans**
Equity Compensation Plans Approved by Security Holders	0	0	3,201,405
Equity Compensation Plans Not Approved by Security Holders	0	0	0

Under the 2011 EIP, the issuance of (i) a non-vested share of Landstar Common Stock issued in the form of restricted stock and (ii) a share of Landstar Common Stock issued upon the vesting of a previously granted restricted stock unit each counts as the issuance of two securities against the number of securities available for future issuance. Included in the number of securities remaining available for future issuance under equity compensation plans were 187,260 shares of Common Stock reserved for issuance under the 2022 DSCP.

Financial Model Shareholder Returns

The following graph illustrates the return that would have been realized, assuming reinvestment of dividends, by an investor who invested $100 in each of the Company's Common Stock, the Standard and Poor's 500 Stock Index and the Dow Jones Transportation Stock Index for the period commencing December 29, 2018 through December 30, 2023.



Item 6. ***Reserved***

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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-K 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 2023 fiscal year; 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; regulations requiring the purchase and use of zero-emission vehicles; intellectual property; and other operational, financial or legal risks or uncertainties detailed in this and Landstar's other SEC filings from time to time and described in Item 1A in this Form 10-K under the heading "Risk Factors." 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 over 1,000 independent commission sales agents and over 85,000 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 $5.3 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 Landstar Blue, LLC. Transportation services offered by the Company include truckload, less-than-truckload 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, 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 fiscal year 2023, revenue generated by BCO Independent Contractors, Truck Brokerage Carriers and railroads represented approximately 38%, 53% 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 during fiscal year 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 fiscal year 2023.

Changes in Financial Condition and Results of Operations

Management believes the Company's success principally depends on its ability to generate freight 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. 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. The following table shows the number of Million Dollar Agents, the average revenue generated by these agents and the percent of consolidated revenue generated by these agents during the past three fiscal years:

	Fiscal Years		
	2023	2022	2021
Number of Million Dollar Agents	524	625	593
Average revenue generated per Million Dollar Agent	$9,645,000	$11,499,000	$10,371,000
Percent of consolidated revenue generated by Million Dollar Agents	95%	97%	94%

In fiscal year 2023, the change in the number of Million Dollar Agents was attributable to agents who remained with the Company yet experienced lower year-over-year revenue that resulted in such agents moving below the Million Dollar Agent category due to the softer freight demand environment. Included among the Company's Million Dollar Agents in the 2023 fiscal year, the Company had 87 independent sales agencies that generated at least $10 million in Landstar revenue. In fiscal year 2022, the change in the number of Million Dollar Agents was attributable to new agents and existing agents who were not formerly Million Dollar Agents. Included among the Company's Million Dollar Agents in the 2022 fiscal year, the Company had 133 independent sales agencies that generated at least $10 million in Landstar revenue.

The change in the number of Million Dollar Agents on a year-over-year basis is influenced by many factors and is not solely the result of terminations of contractual relationships between agents and the Company, whether such terminations are initiated by the agent or the Company. Such other factors include consolidations among agencies or transactions in connection with ownership changes often due to retirement planning, estate planning or similar transitional matters. The change in the number of Million Dollar Agents on a year-over-year basis may also be affected by agents that remain with the Company yet experienced lower year-over-year revenue that resulted in such agent moving below the Million Dollar Agent category. Historically, the Company has experienced very few terminations of its Million Dollar Agents, whether such terminations are initiated by the agent or the Company. Annual terminations of Million Dollar Agents have typically been less than 3% of the total number of Million Dollar Agents. Revenue from accounts formerly handled by terminated Million Dollar Agents is often retained by the Company as the customer may choose to transfer its account to an existing Landstar agent.

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 for the past three fiscal years:

	Fiscal Years		
	2023	2022	2021
Revenue generated through (in thousands):			
Truck transportation			
Truckload:			
Van equipment	$2,742,281	$3,892,085	$3,525,830
Unsided/platform equipment	1,490,393	1,760,357	1,549,037
Less-than-truckload	117,683	142,438	117,505
Other truck transportation (1)	479,173	835,959	770,846
Total truck transportation	4,829,530	6,630,839	5,963,218
Rail intermodal	98,297	145,017	159,974
Ocean and air cargo carriers	266,638	558,986	327,160
Other (2)	108,857	101,720	87,216
	$5,303,322	$7,436,562	$6,537,568
Revenue on loads hauled via BCO Independent Contractors included in total truck transportation	$1,998,408	$2,636,036	$2,612,188
Number of loads:			
Truck transportation			
Truckload:			
Van equipment	1,259,578	1,496,247	1,422,734
Unsided/platform equipment	504,765	558,530	521,891
Less-than-truckload	175,650	191,233	183,975
Other truck transportation (1)	201,407	320,790	300,710
Total truck transportation	2,141,400	2,566,800	2,429,310
Rail intermodal	29,620	40,710	52,310
Ocean and air cargo carriers	32,820	41,850	41,450
	2,203,840	2,649,360	2,523,070
Loads hauled via BCO Independent Contractors included in total truck transportation	898,610	1,027,480	1,039,630
Revenue per load:			
Truck transportation			
Truckload:			
Van equipment	$ 2,177	$ 2,601	$ 2,478
Unsided/platform equipment	2,953	3,152	2,968
Less-than-truckload	670	745	639
Other truck transportation (1)	2,379	2,606	2,563
Total truck transportation	2,255	2,583	2,455
Rail intermodal	3,319	3,562	3,058
Ocean and air cargo carriers	8,124	13,357	7,893
Revenue per load on loads hauled via BCO Independent Contractors	$ 2,224	$ 2,566	$ 2,513
Revenue by capacity type (as a % of total revenue):			
Truck capacity providers:			
BCO Independent Contractors	38%	35%	40%
Truck Brokerage Carriers	53%	54%	51%
Rail intermodal	2%	2%	2%
Ocean and air cargo carriers	5%	8%	5%
Other	2%	1%	1%

(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) 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 as of the end of the three most recent fiscal years:

	Dec. 30, 2023	Dec. 31, 2022	Dec. 25, 2021
BCO Independent Contractors	9,024	10,393	11,057
Truck Brokerage Carriers:			
Approved and active [1]	49,111	66,745	64,476
Other approved	27,524	30,999	25,870
	76,635	97,744	90,346
Total available truck capacity providers	85,659	108,137	101,403
Trucks provided by BCO Independent Contractors	9,809	11,281	11,864

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

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, the Company from year to year manages 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 $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 2023 fiscal year, employee compensation and benefits accounted for approximately 61% 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.

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.

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

	Fiscal Year 2023	2022	2021
Revenue	$5,303,322	$7,436,562	$6,537,568
Costs of revenue:			
Purchased transportation	4,068,262	5,804,017	5,114,667
Commissions to agents	462,668	614,865	507,209
Variable costs of revenue	4,530,930	6,418,882	5,621,876
Trailing equipment depreciation	31,319	36,653	35,204
Information technology costs	25,486	19,834	13,560
Insurance-related costs (1)	116,069	127,605	109,387
Other operating costs	54,191	45,192	36,531
Other costs of revenue	227,065	229,284	194,682
Total costs of revenue	4,757,995	6,648,166	5,816,558
Gross profit	$ 545,327	$ 788,396	$ 721,010
Gross profit margin	10.3%	10.6%	11.0%
Plus: other costs of revenue	227,065	229,284	194,682
Variable contribution	$ 772,392	$1,017,680	$ 915,692
Variable contribution margin	14.6%	13.7%	14.0%

(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 fiscal year 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 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.

	Fiscal Year		
	2023	2022	2021
Gross profit	$545,327	$ 788,396	$721,010
Operating income	$344,149	$ 571,083	$505,668
Operating income as % of gross profit	**63.1%**	**72.4%**	**70.1%**
Variable contribution	$772,392	$1,017,680	$915,692
Operating income	$344,149	$ 571,083	$505,668
Operating income as % of variable contribution	**44.6%**	**56.1%**	**55.2%**

The decrease in operating income as a percentage of gross profit from fiscal year 2022 to fiscal year 2023 resulted from operating income decreasing at a more rapid percentage rate than the decrease in gross profit, primarily due to the impact of the Company's fixed cost infrastructure, principally certain components of selling, general and administrative costs, in comparison to a smaller gross profit base. The increase in operating income as a percentage of gross profit from fiscal year 2021 to fiscal year 2022 resulted from operating income increasing at a more rapid percentage rate than the increase in gross profit, as the Company was able to scale our fixed cost infrastructure, primarily certain components of selling, general and administrative costs, across a larger gross profit base.

The decrease in operating income as a percentage of variable contribution from fiscal year 2022 to fiscal year 2023 resulted from operating income decreasing at a more rapid percentage rate than the decrease in variable contribution, primarily due to the impact of the Company's fixed cost infrastructure, principally certain components of selling, general and administrative costs, in comparison to a smaller variable contribution base, partially offset by the impact of decreased incentive and equity compensation costs under the Company's variable compensation programs. The increase in operating income as a percentage of variable contribution from fiscal year 2021 to fiscal year 2022 resulted from operating income increasing at a more rapid percentage rate than the increase in variable contribution, as the Company was able to scale our fixed cost infrastructure, primarily certain components of selling, general and administrative costs, as well as certain components of our other costs of revenue, across a larger variable contribution base.

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.

Fiscal Year Ended December 30, 2023 Compared to Fiscal Year Ended December 31, 2022

Revenue for fiscal year 2023 was $5,303,322,000, a decrease of $2,133,240,000, or 29%, compared to fiscal year 2022. Transportation revenue decreased $2,127,162,000, or 29%. During the Company's 2023 fiscal year, freight demand was soft throughout the year and culminated with an unusually weak peak season in the 2023 fourth quarter. 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 fiscal year 2022. Reinsurance premiums were $72,476,000 and $78,554,000 for fiscal years 2023 and 2022, 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 fiscal year 2023 compared to fiscal year 2022, 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 fiscal year 2023 compared to fiscal year 2022. The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's fiscal year 2023 included fifty-two weeks of operations whereas fiscal year 2022 included fifty-three weeks of operations.

Truck transportation revenue generated by BCO Independent Contractors and Truck Brokerage Carriers (together, the "third party truck capacity providers") for fiscal year 2023 was $4,829,530,000, representing 91% of total revenue, a decrease of $1,801,309,000, or 27%, compared to fiscal year 2022. The number of loads hauled by third party truck capacity providers decreased approximately 17% in fiscal year 2023 compared to fiscal year 2022, and revenue per load on loads hauled by third party truck capacity providers decreased approximately 13% compared to fiscal year 2022.

The decrease in the number of loads hauled via truck compared to fiscal year 2022 was primarily due to a decrease in demand from the record high levels experienced in fiscal year 2022 for the Company's van services and power-only services included in other truck transportations services, which tend to be more correlated with U.S. consumer demand. Loads hauled via other truck transportation services decreased 37%, loads hauled via van equipment decreased 16%, loads hauled via unsided/platform equipment decreased 10% and less-than-truckload loadings decreased 8% as compared to fiscal year 2022.

The decrease in revenue per load on loads hauled via truck was primarily due to pricing pressure throughout fiscal year 2023 as industry-wide truck capacity was significantly more readily available as compared to fiscal year 2022, particularly during the 2022 first quarter during which pandemic-related supply chain disruption was at a high point, partially offset by an increased average length of haul during fiscal year 2023. Revenue per load on loads hauled via van equipment decreased 16%, on less-than-truckload loadings decreased 10%, on loads hauled by other truck transportation services decreased 9% and on loads hauled via unsided/platform equipment decreased 6% as compared to fiscal year 2022.

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 $147,691,000 and $211,770,000 in fiscal years 2023 and 2022, 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 fiscal year 2023 was $364,935,000, or 7% of total revenue, a decrease of $339,068,000, or 48%, compared to fiscal year 2022. Revenue per load on revenue generated by multimode capacity providers decreased approximately 31% in fiscal year 2023 compared to fiscal year 2022, and the number of loads hauled by multimode capacity providers decreased approximately 24% over the same period. Revenue per load on loads hauled via ocean, air and rail intermodal decreased 40%, 35% and 7%, respectively, during fiscal year 2023 as compared to fiscal year 2022. 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 fiscal year, which were particularly acute with respect to international ocean and air 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 27% decrease in rail loadings, a 23% decrease in ocean loadings and a 19% decrease in air loadings. The 27% decrease in rail loadings and the 23% decrease in ocean loadings were both broad-based with particularly significant declines at a limited number of specific customers, while the 19% decrease in air loadings was primarily attributable to decreased loadings at one specific customer.

Purchased transportation was 76.7% and 78.0% of revenue in fiscal years 2023 and 2022, 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 8.7% and 8.3% of revenue in fiscal years 2023 and 2022, 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 during fiscal year 2023.

Investment income was $10,141,000 and $3,162,000 in fiscal years 2023 and 2022, 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 fiscal year 2023.

Other operating costs increased $8,999,000 in fiscal year 2023 compared to fiscal year 2022. 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 $11,594,000 in fiscal year 2023 compared to fiscal year 2022. The decrease in insurance and claims expense compared to the prior year was primarily due to decreased severity of current year trucking claims during fiscal year 2023, decreased net unfavorable development of prior years' claims in fiscal year 2023 and a decrease in BCO miles traveled in the 2023 fiscal year, partially offset by increased insurance premiums, primarily for commercial auto and excess liability coverage. During the 2023 and 2022 fiscal years, insurance and claims costs included $6,058,000 and $11,331,000 of net unfavorable adjustments to prior years' claims estimates, respectively.

Selling, general and administrative costs decreased $9,480,000 in fiscal year 2023 as compared to fiscal year 2022. 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 $591,000 and $16,507,000 for the 2023 and 2022 fiscal years, respectively, and stock-based compensation expense of $4,282,000 and $12,399,000 for the 2023 and 2022 fiscal years, respectively.

Depreciation and amortization increased $700,000 in fiscal year 2023 compared to fiscal year 2022. 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 $7,566,000, with net interest and debt income of $3,946,000 in fiscal year 2023 compared to net interest and debt expense of $3,620,000 in fiscal year 2022. 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, decreased interest expense related to finance lease obligations and decreased average borrowings on the Company's revolving credit facility, as the Company had no borrowings during the 2023 fiscal year.

The effective income tax rate was 24.0% for fiscal year 2023 and 24.1% for fiscal year 2022. The effective income tax rates for both fiscal years 2023 and 2022 were higher than the statutory federal income tax rate of 21% primarily attributable to state income taxes and nondeductible executive compensation, partially offset by excess tax benefits realized on stock-based awards.

Net income was $264,394,000, or $7.36 per basic and diluted share, in fiscal year 2023. Net income was $430,914,000, or $11.76 per basic and diluted share, in fiscal year 2022.

Fiscal Year Ended December 31, 2022 Compared to Fiscal Year Ended December 25, 2021

Revenue for fiscal year 2022 was $7,436,562,000, an increase of $898,994,000, or 14%, compared to fiscal year 2021. Transportation revenue increased $892,297,000, or 14%. The increase in transportation revenue was attributable to increased revenue per load of approximately 8% and an increased number of loads hauled of approximately 5% compared to fiscal year 2021. During the Company's 2022 fiscal year, demand for the Company's truck transportation services was at all-time high levels during the 2022 first quarter, as supply chains exhibited significant disruption. The macroeconomic environment subsequently began to slow and supply chain congestion began to ease as year-over-year revenue growth decelerated during the 2022 second and third quarters as compared to the 2021 second and third quarters before turning negative in the 2022 fourth quarter as compared to the 2021 fourth quarter. Reinsurance premiums were $78,554,000 and $71,857,000 for fiscal years 2022 and 2021, respectively. The increase in revenue from reinsurance premiums was primarily attributable to (i) an increase in the aggregate value of equipment insured by BCO Independent Contractors under a physical damage program reinsured by Signature; (ii) participation levels among BCO Independent Contractors in certain occupational accident programs and workers' compensation programs and (iii) an increase in the average number of trucks provided by BCO Independent Contractors in fiscal year 2022 compared to fiscal year 2021. The Company's fiscal year ends each year on the last Saturday in December and, as such, the Company's fiscal year 2022 included fifty-three weeks of operations whereas fiscal year 2021 included fifty-two weeks of operations.

Truck transportation revenue generated by third party truck capacity providers for fiscal year 2022 was $6,630,839,000, representing 89% of total revenue, an increase of $667,621,000, or 11%, compared to fiscal year 2021. The number of loads hauled by third party truck capacity providers increased approximately 6% in fiscal year 2022 compared to fiscal year 2021, and revenue per load on loads hauled by third party truck capacity providers increased approximately 5% compared to fiscal year 2021.

The increase in the number of loads hauled via truck compared to fiscal year 2021 was due to a broad-based increase in demand for the Company's truck transportation services during fiscal year 2022. Loads hauled via van equipment increased 5%, loads hauled via unsided/platform equipment increased 7%, less-than-truckload loadings increased 4% and loads hauled via other truck transportation services increased 7% as compared to fiscal year 2021. The year-over-year growth in the number of loads hauled via truck peaked in the 2022 first quarter, decelerated throughout the second and third quarters of fiscal year 2022, and turned negative in the 2022 fourth fiscal quarter. The number of loads hauled via truck were 20%, 10% and 1% above the corresponding period of 2021 in the first, second and third fiscal quarters, respectively. The number of loads hauled via truck during the 2022 fourth fiscal quarter was 6% below the 2021 fourth fiscal quarter, despite the extra week of operations in the 2022 fourth fiscal quarter.

The increase in revenue per load on loads hauled via truck was due to a tight truck capacity environment experienced during fiscal year 2022, in particular during the first fiscal quarter of fiscal year 2022, and the impact of higher diesel fuel costs on loads hauled via Truck Brokerage Carriers, partially offset by a decreased average length of haul during fiscal year 2022. As compared to fiscal year 2021, revenue per load on loads hauled via van equipment increased 5%, on loads hauled via unsided/platform equipment increased 6%, on less-than-truckload loadings increased 17% and on loads hauled by other truck transportation services increased 2%. The year-over-year growth in revenue per load on loads hauled via truck decelerated throughout fiscal year 2022, before turning negative in the 2022 fourth fiscal quarter. Revenue per load on loads hauled via truck was 22% and 10% above prior year in the first and second fiscal quarters, respectively; essentially flat in the 2022 third quarter as compared to the 2021 third quarter, and 7% below the prior year in the 2022 fourth fiscal quarter.

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 $211,770,000 and $107,776,000 in fiscal years 2022 and 2021, respectively. It should be noted that billings to many customers of the Company's truck brokerage services include a single all-in rate that does 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 multimode capacity providers for fiscal year 2022 was $704,003,000, or 9% of total revenue, an increase of $216,869,000, or 45%, compared to fiscal year 2021. Revenue per load on revenue generated by multimode capacity providers increased approximately 64% in fiscal year 2022 compared to fiscal year 2021, while the number of loads hauled by multimode capacity providers decreased approximately 12% over the same period. Revenue per load on loads hauled by multimode capacity providers increased for all modes. Revenue per load on loads hauled via air, ocean and rail intermodal increased 118%, 56% and 16%, respectively, during fiscal year 2022 as compared to fiscal year 2021. The increase in revenue per load on loads hauled via air cargo carriers and ocean cargo carriers, in particular, was primarily related to ongoing disruptions in domestic and global supply chains and strong consumer demand. 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 22% decrease in rail loadings and a 13% decrease in air loadings, partially offset by a 7% increase in ocean loadings. The 22% decrease in rail loadings was broad-based across several agencies and customers, and the 13% decrease in air loadings was entirely attributable to decreased loadings at one specific customer. The 7% increase in ocean loadings was due to a broad-based increase in demand across many customers for the Company's ocean services.

Purchased transportation was 78.0% and 78.2% of revenue in fiscal years 2022 and 2021, respectively. The decrease in purchased transportation as a percentage of revenue was primarily due to a decreased rate of purchased transportation on revenue generated by Truck Brokerage Carriers, partially offset by (i) an increased percentage of revenue generated by Truck Brokerage Carriers, which typically has a higher rate of purchased transportation than revenue generated by BCO Independent Contractors and (ii) an increased 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 8.3% and 7.8% of revenue in fiscal years 2022 and 2021, 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 during fiscal year 2022.

Investment income was $3,162,000 and $2,857,000 in fiscal years 2022 and 2021, respectively. The increase in investment income was primarily attributable to higher average rates of return on investments during fiscal year 2022, partially offset by a lower average investment balance held by the insurance segment during fiscal year 2022.

Other operating costs increased $8,661,000 in fiscal year 2022 compared to fiscal year 2021. 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 (x) increased labor and parts costs charged by the Company's network of third party trailer maintenance facilities; and (y) an increased average trailer fleet size during fiscal year 2022 and (ii) an increased provision for contractor bad debt, partially offset by increased gains on sales of operating property.

Insurance and claims increased $20,372,000 in fiscal year 2022 compared to fiscal year 2021. The increase in insurance and claims expense compared to the prior year was primarily due to increased severity of current year trucking claims during fiscal year 2022, increased insurance premiums, primarily for commercial auto and excess liability coverage, and increased net unfavorable development of prior years' claims in the 2022 fiscal year. During fiscal years 2022 and 2021, insurance and claims costs included $11,331,000 and $9,708,000 of net unfavorable adjustments to prior years' claims estimates, respectively.

Selling, general and administrative costs were essentially the same in fiscal year 2022 as compared to fiscal year 2021. In the 2022 fiscal year as compared to the 2021 fiscal year, the Company experienced increased wages, an increased provision for customer bad debt, increased travel and entertainment costs and the return of the Company's annual agent convention held in April 2022. These increases were offset by decreased stock-based compensation expense and a decreased provision for incentive compensation. Included in selling, general and administrative costs was stock-based compensation expense of $12,399,000 and $27,537,000 for fiscal years 2022 and 2021, respectively, and incentive compensation expense of $16,507,000 and $29,361,000 for fiscal years 2022 and 2021, respectively.

Depreciation and amortization increased $7,844,000 in fiscal year 2022 compared to fiscal year 2021. 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, and to a lesser extent, in connection with increased trailing equipment depreciation.

Interest and debt expense in fiscal year 2022 decreased $356,000 compared to fiscal year 2021. The decrease in interest and debt expense was primarily attributable to increased interest income earned on cash balances held by the transportation logistics segment, partially offset by increased average borrowings on the Company's revolving credit facility during fiscal year 2022, as the Company had no borrowings under its revolving credit facility during the 2021 period, and increased interest expense related to finance lease obligations. The Company had no borrowings under its revolving credit facility as of the end of fiscal year 2022.

The provisions for income taxes for fiscal years 2022 and 2021 were based on estimated annual effective income tax rates of 24.5% and 24.4%, respectively, adjusted for discrete events, such as benefits resulting from stock-based awards. The actual effective income tax rate for fiscal year 2022 was 24.1%, which was higher than the statutory federal income tax rate of 21%, primarily attributable to state taxes and nondeductible executive compensation, partially offset by excess tax benefits realized on stock-based awards. The actual effective income tax rate for fiscal year 2021 was 24.0%, higher than the statutory federal income tax rate of 21% primarily due to state taxes and nondeductible executive compensation, partially offset by excess tax benefits realized on stock-based awards. The actual effective income tax rate in fiscal year 2022 of 24.1% was lower than the estimated annual effective income tax rate of 24.5%, primarily due to excess tax benefits recognized on stock-based awards in fiscal year 2022. The actual effective income tax rate in fiscal year 2021 of 24.0% was lower than the 24.4% estimated annual effective income tax rate primarily due to excess tax benefits recognized on stock-based compensation arrangements in fiscal year 2021.

Net income was $430,914,000, or $11.76 per basic and diluted share, in fiscal year 2022. Net income was $381,524,000, or $9.98 per basic and diluted share, in fiscal year 2021.

Capital Resources and Liquidity

Working capital and the ratio of current assets to current liabilities were $677,517,000 and 2.0 to 1, respectively, at December 30, 2023, compared with $561,255,000 and 1.6 to 1, respectively, at December 31, 2022, and $512,917,000 and 1.5 to 1, respectively, at December 25, 2021. 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 $393,648,000, $622,659,000, and $276,740,000 in fiscal years 2023, 2022 and 2021, respectively. The decrease in cash flow provided by operating activities for fiscal year 2023 was primarily attributable to decreased net income and decreased favorable net working capital impacts in connection with the timing of collections of receivables and payment of certain payables as compared to the 2022 fiscal year. The increase in cash flow provided by operating activities for fiscal year 2022 was primarily attributable to favorable net working capital impacts in connection with the timing of collections of receivables and payment of certain payables and increased net income as compared to the 2021 fiscal year.

The Company declared and paid $1.26 per share, or $45,276,000 in the aggregate, in cash dividends during fiscal year 2023, and during such period, also paid $71,854,000 of dividends payable which were declared during fiscal year 2022 and included in current liabilities in the consolidated balance sheet at December 31, 2022. In addition, on December 4, 2023, the Company announced that its Board of Directors declared a special cash dividend of $2.00 per share, or $71,433,000 in the aggregate, payable on January 19, 2024 to stockholders of record of its Common Stock as of January 3, 2024. Dividends payable of $71,433,000 related to this special dividend were included in current liabilities in the consolidated balance sheet at December 30, 2023. The Company declared and paid $1.10 per share, or $40,284,000 in the aggregate, in cash dividends during fiscal year 2022 and, during such period, also paid $75,387,000 of dividends payable which were declared during fiscal year 2021 and included in current liabilities in the consolidated balance sheet at December 25, 2021. The Company declared and paid $0.92 per share, or $35,191,000 in the aggregate, in cash dividends during fiscal year 2021 and, during such period, also paid $76,770,000 of dividends payable which were declared during fiscal year 2020 and included in current liabilities in the consolidated balance sheet at December 26, 2020. Since paying its first cash dividend in August 2005, the Company has paid approximately $845,000,000 in cash dividends in the aggregate to its stockholders, inclusive of the $2.00 per share special dividend paid on January 19, 2024.

During fiscal year 2023, the Company purchased 319,332 shares of its Common Stock at a total cost of $54,267,000, including $53,919,000 in cash purchases and accrued excise tax of $348,000 which is included in other current liabilities in the consolidated balance sheet at December 30, 2023. During fiscal year 2022, the Company purchased 1,900,826 shares of its Common Stock at a total cost of $285,983,000. During fiscal year 2021, the Company purchased 733,854 shares of its Common Stock at a total cost of $122,722,000. The Company has used cash provided by operating activities to fund the purchases. Since January 1997, the Company has purchased approximately $2,254,000,000 of its Common Stock under programs authorized by the Board of Directors of the Company in open market and private block transactions. As of December 30, 2023, the Company may purchase in the aggregate up to 3,000,000 shares of its Common Stock under its authorized stock purchase programs. Long-term debt, including current maturities, was $71,140,000 at December 30, 2023, compared to $103,400,000 at December 31, 2022 and $111,804,000 at December 25, 2021.

Shareholders' equity was $983,923,000, or 93% of total capitalization (defined as long-term debt including current maturities plus equity), at December 30, 2023, compared to $887,221,000, or 90% of total capitalization at December 31, 2022 and $862,010,000, or 89% of total capitalization at December 25, 2021. 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 fiscal year 2023. The increase in shareholders' equity in fiscal year 2022 was primarily the result of net income, almost entirely offset by purchases of shares of the Company's Common Stock and dividends declared by the Company in fiscal year 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.

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 December 30, 2023, the Company had no borrowings outstanding and $33,492,000 of letters of credit outstanding under the Credit Agreement. At December 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 $85,616,000 at December 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 used by the Company is provided by third party capacity providers, thereby reducing the Company's capital requirements. During fiscal years 2023, 2022 and 2021, the Company acquired $4,093,000, $30,659,000 and $48,674,000, respectively, of trailing equipment by entering into finance leases. During fiscal years 2023, 2022 and 2021, the Company also purchased $25,688,000, $26,005,000 and $23,261,000, respectively, of operating property. Included in the $23,261,000 of purchases of operating property during the 2021 fiscal year was $500,000 for which the Company accrued a corresponding liability in accounts payable as of December 26, 2020. Landstar anticipates acquiring either by purchase or lease financing approximately $66,000,000 in new trailing equipment, primarily to replace older trailing equipment in fiscal year 2024. Landstar anticipates spending approximately $19,000,000 on information technology hardware and software in fiscal year 2024, $16,000,000 of which relates to either building or buying software applications that enhance or add to the Company's technology ecosystem. In addition, Landstar anticipates spending approximately $9,000,000 on buildings and improvements.

On April 1, 2022, Landstar Investment Holdco, LLC, a newly formed Delaware LLC and wholly owned subsidiary of Landstar System Holdings, Inc., purchased Class A units of Cavnue, LLC for approximately $4,999,000 in cash consideration. Cavnue, LLC is a privately held company focused on combining technology and road infrastructure to unlock the full potential of connected and autonomous vehicles.

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 Proceedings

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 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 fiscal years 2023, 2022 and 2021, insurance and claims costs included $6,058,000, $11,331,000 and $9,708,000 of net unfavorable adjustments to prior years' claims estimates, respectively. The unfavorable development of prior years' claims in the 2023 fiscal year was attributable to several specific claims. The unfavorable development of prior years' claims in the 2022 fiscal year was attributable to several specific claims. The unfavorable development of prior years' claims in the 2021 fiscal year was primarily attributable to five claims. It is reasonably likely that the ultimate outcome of settling all outstanding claims will be more or less than the estimated claims liability at December 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.

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.

Item 7A. ***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 December 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 all of fiscal year 2023, the entire fourth quarter of 2022 and as of both December 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 $92,100,000, the balance at December 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, asset-backed securities and U.S. Treasury obligations. 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 December 30, 2023 were collectively, as translated to U.S. dollars, approximately 4% of total consolidated assets. Accordingly, translation gains or losses of 20% or less related to the Canadian and Mexican operations would not be material.

Item 8. *Financial Statements and Supplementary Data*

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

	Dec. 30, 2023	Dec. 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 481,043	$ 339,581
Short-term investments	59,661	53,955
Trade accounts receivable, less allowance of $11,738 and $12,121	743,762	967,793
Other receivables, including advances to independent contractors, less allowance of $14,010 and $10,579	43,339	56,235
Other current assets	24,936	21,826
Total current assets	1,352,741	1,439,390
Operating property, less accumulated depreciation and amortization of $436,682 and $393,274	284,300	314,990
Goodwill	42,275	41,220
Other assets	122,530	136,279
Total assets	$ 1,801,846	$ 1,931,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash overdraft	$ 61,541	$ 92,953
Accounts payable	395,980	527,372
Current maturities of long-term debt	27,876	36,175
Insurance claims	41,825	50,836
Dividends payable	71,433	71,854
Other current liabilities	76,569	98,945
Total current liabilities	675,224	878,135
Long-term debt, excluding current maturities	43,264	67,225
Insurance claims	58,922	58,268
Deferred income taxes and other noncurrent liabilities	40,513	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	254,642	258,487
Retained earnings	2,783,645	2,635,960
Cost of 32,780,651 and 32,455,300 shares of common stock in treasury	(2,048,184)	(1,992,886)
Accumulated other comprehensive loss	(6,865)	(15,024)
Total shareholders' equity	983,923	887,221
Total liabilities and shareholders' equity	$ 1,801,846	$ 1,931,879

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)

	Fiscal Years Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Revenue	$ 5,303,322	$ 7,436,562	$ 6,537,568
Investment income	10,141	3,162	2,857
Costs and expenses:			
Purchased transportation	4,068,262	5,804,017	5,114,667
Commissions to agents	462,668	614,865	507,209
Other operating costs, net of gains on asset sales/dispositions	54,191	45,192	36,531
Insurance and claims	114,241	125,835	105,463
Selling, general and administrative	211,799	221,279	221,278
Depreciation and amortization	58,153	57,453	49,609
Total costs and expenses	4,969,314	6,868,641	6,034,757
Operating income	344,149	571,083	505,668
Interest and debt (income) expense	(3,946)	3,620	3,976
Income before income taxes	348,095	567,463	501,692
Income taxes	83,701	136,549	120,168
Net income	$ 264,394	$ 430,914	$ 381,524
Basic and diluted earnings per share	$ 7.36	$ 11.76	$ 9.98
Average basic and diluted shares outstanding	35,920,000	36,633,000	38,235,000
Dividends per common share	$ 3.26	$ 3.10	$ 2.92

See accompanying notes to consolidated financial statements.

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

	Fiscal Years Ended		
	Dec. 30, 2023	**Dec. 31, 2022**	**Dec. 25, 2021**
Net income	$264,394	$430,914	$381,524
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale investments, net of tax expense (benefit) of $942, ($2,345) and ($739)	3,439	(8,562)	(2,695)
Foreign currency translation gains (losses)	4,720	(1,059)	(709)
Other comprehensive income (loss)	8,159	(9,621)	(3,404)
Comprehensive income	$272,553	$421,293	$378,120

See accompanying notes to consolidated financial statements.

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

	Fiscal Years Ended		
	Dec. 30, 2023	Dec. 31, 2022	Dec. 25, 2021
OPERATING ACTIVITIES			
Net income	$ 264,394	$ 430,914	$ 381,524
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	58,153	57,453	49,609
Non-cash interest charges	263	355	447
Provisions for losses on trade and other accounts receivable	14,032	12,220	5,722
Gains on sales/disposals of operating property	(4,574)	(2,944)	(1,830)
Deferred income taxes, net	(7,709)	(5,360)	(3,790)
Stock-based compensation	4,282	12,399	27,537
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other accounts receivable	222,895	219,190	(362,234)
(Increase) decrease in other assets	(2,544)	(5,938)	4,444
(Decrease) increase in accounts payable	(131,392)	(76,758)	224,125
(Decrease) increase in other liabilities	(15,795)	(31,571)	43,422
(Decrease) increase in insurance claims	(8,357)	12,699	(92,236)
NET CASH PROVIDED BY OPERATING ACTIVITIES	393,648	622,659	276,740
INVESTING ACTIVITIES			
Sales and maturities of investments	112,555	41,198	31,938
Purchases of investments	(101,639)	(40,202)	(84,992)
Purchases of operating property	(25,688)	(26,005)	(23,261)
Proceeds from sales of operating property	8,294	5,236	2,971
Purchase of non-marketable securities	—	(4,999)	—
NET CASH USED BY INVESTING ACTIVITIES	(6,478)	(24,772)	(73,344)
FINANCING ACTIVITIES			
(Decrease) increase in cash overdraft	(31,412)	(23,525)	41,730
Dividends paid	(117,130)	(115,671)	(111,961)
Payment for debt issue costs	—	(1,080)	—
Proceeds from exercises of stock options	28	68	160
Taxes paid in lieu of shares issued related to stock-based compensation plans	(9,185)	(10,428)	(2,342)
Purchases of common stock	(53,919)	(285,983)	(122,722)
Principal payments on finance lease obligations	(36,353)	(39,063)	(37,644)
Payment of deferred consideration	—	—	(168)
NET CASH USED BY FINANCING ACTIVITIES	(247,971)	(475,682)	(232,947)
Effect of exchange rate changes on cash and cash equivalents	2,263	(2,195)	(232)
Increase (decrease) in cash, cash equivalents and restricted cash	141,462	120,010	(29,783)
Cash, cash equivalents and restricted cash at beginning of period	339,581	219,571	249,354
Cash, cash equivalents and restricted cash at end of period	$ 481,043	$ 339,581	$ 219,571

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Fiscal Years Ended December 30, 2023,
December 31, 2022 and December 25, 2021
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount			Shares	Amount		
Balance December 26, 2020	68,183,702	$ 682	$228,875	$2,046,238	29,797,639	$(1,581,961)	$ (1,999)	$ 691,835
Net income				381,524				381,524
Dividends ($2.92 per share)				(110,578)				(110,578)
Purchases of common stock					733,854	(122,722)		(122,722)
Issuance of stock related to stock-based compensation plans	49,273	—	(1,264)		7,742	(918)		(2,182)
Stock-based compensation			27,537					27,537
Other comprehensive loss							(3,404)	(3,404)
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				430,914				430,914
Dividends ($3.10 per share)				(112,138)				(112,138)
Purchases of common stock					1,900,826	(285,983)		(285,983)
Issuance of stock related to stock-based compensation plans	149,335	2	(9,060)		15,239	(1,302)		(10,360)
Stock-based compensation			12,399					12,399
Other comprehensive loss							(9,621)	(9,621)
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				264,394				264,394
Dividends ($3.26 per share)				(116,709)				(116,709)
Purchases of common stock					319,332	(54,267)		(54,267)
Issuance of stock related to stock-based compensation plans	115,014	1	(8,127)		6,019	(1,031)		(9,157)
Stock-based compensation			4,282					4,282
Other comprehensive income							8,159	8,159
Balance December 30, 2023	68,497,324	$ 685	$254,642	$2,783,645	32,780,651	$(2,048,184)	$ (6,865)	$ 983,923

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("LSHI"). Landstar System, Inc. and its subsidiary are herein referred to as "Landstar" or the "Company." Significant intercompany accounts have been eliminated in consolidation.

Estimates

The preparation of the consolidated financial statements requires the use of management's estimates. Actual results could differ from those estimates.

Fiscal Year

Landstar's fiscal year is the 52 or 53 week period ending the last Saturday in December.

Revenue Recognition

The nature of the Company's freight transportation services and its performance obligations to customers, regardless of the mode of transportation used to perform such services, relate to the safe and on-time pick-up and delivery of a customer's freight on a shipment-by-shipment basis. Landstar customers are typically invoiced on a shipment-by-shipment basis at a pre-defined rate, payable thirty to sixty (30-60) days after the customer's receipt of such invoice. Payment terms to customers do not contain a significant financing component and the amount owed by the customer does not contain variable terms, embedded or otherwise. We have determined that revenue recognition over the freight transit period provides a faithful depiction of the transfer of services to the customer as our obligation for which we are primarily responsible for fulfilling is performed over the transit period. Accordingly, transportation revenue billed to a customer for the physical transportation of freight and related direct freight expenses are recognized on a gross basis over the freight transit period as the performance obligation to the customer is satisfied. The Company determines the transit period for a given shipment based upon the pick-up date and the delivery date, which may be estimated if delivery has not occurred as of the reporting date. Determining the transit period and how much of it has been completed as of a given reporting date may therefore require management to make judgments that affect the timing of revenue recognized. With respect to shipments with a pick-up date in one reporting period and a delivery date in another, the Company recognizes such transportation revenue based on relative transit time in each reporting period. A days in transit output method is used to measure the progress of the performance of the Company's freight transportation services as of the reporting date and a portion of the total revenue that will be billed to the customer once a load is delivered is recognized in each reporting period based on the percentage of total transit time that has been completed at the end of the applicable reporting period. Reinsurance premiums of the insurance segment are recognized over the period earned, which is usually on a monthly basis. Fuel surcharges billed to customers for freight hauled by independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the "BCO Independent Contractors") are excluded from revenue and paid in entirety to the BCO Independent Contractors.

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 fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021 (dollars in thousands):

	Fiscal Years Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Mode			
Truck – BCO Independent Contractors	38%	35%	40%
Truck – Truck Brokerage Carriers	53%	54%	51%
Rail intermodal	2%	2%	2%
Ocean and air cargo carriers	5%	8%	5%
Truck Equipment Type			
Van equipment	$ 2,742,281	$ 3,892,085	$ 3,525,830
Unsided/platform equipment	$ 1,490,393	$ 1,760,357	$ 1,549,037
Less-than-truckload	$ 117,683	$ 142,438	$ 117,505
Other truck transportation (1)	$ 479,173	$ 835,959	$ 770,846

(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.

Insurance Claim Costs

Landstar provides, primarily on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims both reported and for claims incurred but not reported.

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. The Company from year to year manages 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.

Further, the Company retains liability of up to $2,000,000 for each general liability claim, $250,000 for each workers' compensation claim and $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.

Tires

Tires purchased as part of trailing equipment are capitalized as part of the cost of the equipment. Replacement tires are charged to expense when placed in service.

Cash, Cash Equivalents and Restricted Cash

Included in cash and cash equivalents are all investments, except those provided for collateral, with an original maturity of 3 months or less. At December 30, 2023 and December 31, 2022, the Company had no restricted cash held by the Company's insurance segment. At December 25, 2021, the Company had $4,049,000 of restricted cash held by the Company's insurance segment included in the short-term investments balance of $35,778,000, providing collateral, along with certain other investments, for the letters of credit issued to guarantee payment of insurance claims.

Financial Instruments

The Company's financial instruments include cash equivalents, short and long-term investments, trade and other accounts receivable, accounts payable, other accrued liabilities, and long-term debt plus current maturities ("Debt"). The carrying value of cash equivalents, trade and other accounts receivable, accounts payable, current insurance claims and other accrued liabilities approximates fair value as the assets and liabilities are short term in nature. Short and long-term investments are carried at fair value as further described in Note 3 in the Company's consolidated financial statements. The Company's Debt includes borrowings under the Company's revolving credit facility, to the extent there are any, plus borrowings relating to finance lease obligations used to finance trailing equipment. The interest rates on borrowings under the revolving credit facility are typically tied to short-term interest rates that adjust monthly 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.

Trade and Other Receivables

The allowance for doubtful accounts for both trade and other receivables represents management's estimate of the amount of outstanding receivables that will not be collected. Estimates are used to determine the allowance for doubtful accounts for both trade and other receivables and are generally based on specific identification, historical collection results, current economic trends and changes in payment trends. Following is a summary of the activity in the allowance for doubtful accounts for fiscal years ending December 30, 2023, December 31, 2022 and December 25, 2021 (in thousands):

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-offs, Net of Recoveries	Balance at End of Period
For the Fiscal Year Ended December 30, 2023				
Trade receivables	$ 12,121	$ 5,704	$ (6,087)	$ 11,738
Other receivables	11,745	8,325	(4,694)	15,376
Other non-current receivables	203	3	—	206
	$ 24,069	$ 14,032	$ (10,781)	$ 27,320
For the Fiscal Year Ended December 31, 2022				
Trade receivables	$ 7,074	$ 7,354	$ (2,307)	$ 12,121
Other receivables	9,511	4,863	(2,629)	11,745
Other non-current receivables	200	3	—	203
	$ 16,785	$ 12,220	$ (4,936)	$ 24,069
For the Fiscal Year Ended December 25, 2021				
Trade receivables	$ 8,670	$ 1,735	$ (3,331)	$ 7,074
Other receivables	8,399	4,050	(2,938)	9,511
Other non-current receivables	264	(63)	(1)	200
	$ 17,333	$ 5,722	$ (6,270)	$ 16,785

Operating Property

Operating property is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings and improvements are being depreciated over 30 years. Trailing equipment is being depreciated over 7 to 10 years. Information technology hardware and software is generally being depreciated over 3 to 7 years.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the net assets of acquired businesses. The Company has two reporting units within the transportation logistics segment that report goodwill. The Company reviews its goodwill balance annually for impairment for each reporting unit, unless circumstances dictate more frequent assessments, and in accordance with ASU 2011-08, *Testing Goodwill for Impairment*. ASU 2011-08 permits an initial assessment, commonly referred to as “step zero”, of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and also provides a basis for determining whether it is necessary to perform the quantitative analysis required by ASC Topic 350. In the fourth fiscal quarter of 2023, the Company performed the qualitative assessment of goodwill and determined it was more likely than not that the fair value of each of its reporting units would be greater than its carrying amount. Therefore, the Company determined it was not necessary to perform the quantitative goodwill impairment test. Furthermore, there has been no historical impairment of the Company’s goodwill.

Income Taxes

Income tax expense is equal to the current year’s liability for income taxes and a provision for deferred income taxes. Deferred tax assets and liabilities are recorded for the future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Share-Based Payments

The Company’s share-based payment arrangements include restricted stock units (“RSU”), non-vested restricted stock, Deferred Stock Units and stock options. The fair value of an RSU with a performance condition is determined based on the market value of the Company’s Common Stock on the date of grant, discounted for lack of marketability for a minimum post-vesting holding requirement. With respect to RSU awards with a performance condition, the Company reports compensation expense ratably over the life of the award based on an estimated number of units that will vest over the life of the award, multiplied by the fair value of an RSU. The fair value of an RSU with a market condition is determined at the time of grant based on the expected achievement of the market condition at the end of each vesting period. With respect to RSU awards with a market condition, the Company recognizes compensation expense ratably over the requisite service period under an award based on the fair market value of the award at the time of grant, regardless of whether the market condition is satisfied. Previously recognized compensation cost would be reversed, however, if the employee terminated employment prior to completing such requisite service period. The Company estimates the fair value of stock option awards on the date of grant using the Black-Scholes pricing model and recognizes compensation cost for stock option awards expected to vest on a straight-line basis over the requisite service period for the entire award. Forfeitures are estimated at grant date based on historical experience and anticipated employee turnover. The fair values of each share of non-vested restricted stock issued and Deferred Stock Unit granted are based on the fair value of a share of the Company’s Common Stock on the date of grant and compensation costs for non-vested restricted stock and Deferred Stock Units are recognized on a straight-line basis over the requisite service period for the award.

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. During the fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021, 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 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 fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021.

For the fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021, no options outstanding to purchase shares of Common Stock were antidilutive. As of December 30, 2023, there were no outstanding options issued by the Company. 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.

Dividends Payable

On December 4, 2023, the Company announced that its Board of Directors declared a special cash dividend of $2.00 per share payable on January 19, 2024 to stockholders of record of its Common Stock as of January 3, 2024. Dividends payable of $71,433,000 related to this special dividend were included in current liabilities in the consolidated balance sheet at December 30, 2023.

On December 6, 2022, the Company announced that its Board of Directors declared a special cash dividend of $2.00 per share payable on January 20, 2023 to stockholders of record of its Common Stock as of January 6, 2023. Dividends payable of $71,854,000 related to this special dividend were included in current liabilities in the consolidated balance sheet at December 31, 2022.

Foreign Currency Translation

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.

(2) Other Comprehensive Income

The following table presents the components of and changes in accumulated other comprehensive income (loss), net of related income taxes, as of and for the fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021 (in thousands):

	Unrealized Holding Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation	Total
Balance as of December 26, 2020	$ 2,808	$ (4,807)	$ (1,999)
Other comprehensive loss	(2,695)	(709)	(3,404)
Balance as of December 25, 2021	113	(5,516)	(5,403)
Other comprehensive loss	(8,562)	(1,059)	(9,621)
Balance as of December 31, 2022	(8,449)	(6,575)	$(15,024)
Other comprehensive income	3,439	4,720	8,159
Balance as of December 30, 2023	$ (5,010)	$ (1,855)	$ (6,865)

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 fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021.

(3) Investments

Investments include primarily investment-grade corporate bonds, asset-backed securities and U.S. Treasury obligations 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 $6,382,000 and $10,763,000 at December 30, 2023 and December 31, 2022, respectively.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 30, 2023				
Money market investments	$ 16,832	$ —	$ —	$ 16,832
Asset-backed securities	16,543	—	2,236	14,307
Corporate bonds and direct obligations of government agencies	118,481	279	4,384	114,376
U.S. Treasury obligations	6,287	2	43	6,246
Total	$158,143	$ 281	$ 6,663	$151,761
December 31, 2022				
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	$169,293	$ 1	$ 10,764	$158,530

For those available-for-sale investments with unrealized losses at December 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
December 30, 2023						
Asset-backed securities	$ —	$ —	$ 14,307	$ 2,236	$ 14,307	$ 2,236
Corporate bonds and direct obligations of government agencies	3,506	42	86,841	4,342	90,347	4,384
U.S. Treasury obligations	—	—	2,305	43	2,305	43
Total	$ 3,506	$ 42	$103,453	$ 6,621	$106,959	$ 6,663
December 31, 2022						
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	$56,275	$ 1,616	$ 78,406	$ 9,148	$134,681	$ 10,764

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.

Short-term investments include $59,661,000 in current maturities of investments held by the Company's insurance segment at December 30, 2023. The non-current portion of the bond portfolio of $92,100,000 is included in other assets. The short-term investments, together with $25,955,000 of non-current investments, provide collateral for the $77,054,000 of letters of credit issued to guarantee payment of insurance claims.

Investment income represents the earnings on the insurance segment's assets. Investment income earned from the assets of the insurance segment are included as a component of operating income as the investment of these assets is critical to providing collateral, liquidity and earnings with respect to the operation of the Company's insurance programs.

(4) Income Taxes

The provisions for income taxes consisted of the following (in thousands):

	Fiscal Years		
	2023	2022	2021
Current:			
Federal	$76,827	$116,642	$104,640
State	13,305	23,309	18,462
Foreign	1,278	1,958	856
Total current	$91,410	$141,909	$123,958
Deferred:			
Federal	$ (8,410)	$ (3,945)	$ (3,278)
State	701	(1,415)	(512)
Total deferred	$ (7,709)	$ (5,360)	$ (3,790)
Income taxes	$83,701	$136,549	$120,168

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities consisted of the following (in thousands):

	Dec. 30, 2023	Dec. 31, 2022
Deferred tax assets:		
Receivable valuations	$ 6,616	$ 5,838
Share-based payments	2,550	5,021
Self-insured claims	3,376	3,205
Other	10,412	11,381
Total deferred tax assets	$ 22,954	$ 25,445
Deferred tax liabilities:		
Operating property	$ 39,117	$ 49,092
Goodwill	4,107	3,892
Other	3,718	3,895
Total deferred tax liabilities	$ 46,942	$ 56,879
Net deferred tax liability	$ 23,988	$ 31,434

The following table summarizes the differences between income taxes calculated at the federal income tax rate of 21% on income before income taxes and the provisions for income taxes (in thousands):

	Fiscal Years		
	2023	2022	2021
Income taxes at federal income tax rate	$73,100	$119,167	$105,355
State income taxes, net of federal income tax benefit	11,250	16,596	14,260
Non-deductible executive compensation	2,309	3,552	2,946
Meals and entertainment exclusion	520	200	—
Share-based payments	(2,832)	(2,958)	(1,070)
Research and development credits	(1,672)	(1,526)	(2,069)
Other, net	1,026	1,518	746
Income taxes	$83,701	$136,549	$120,168

The Company files a consolidated U.S. federal income tax return. The Company or its subsidiaries file state tax returns in the majority of the U.S. state tax jurisdictions. With few exceptions, the Company and its subsidiaries are no longer subject to U.S. federal or state income tax examinations by tax authorities for 2019 and prior years. The Company's wholly-owned Canadian subsidiary, Landstar Canada, Inc., is subject to Canadian income and other taxes. The Company's wholly-owned Mexican subsidiaries, Landstar Holdings, S. de R.L.C.V. and Landstar Metro, S.A.P.I. de C.V., are subject to Mexican income and other taxes. The Company's Canadian and Mexican subsidiaries also may each be subject to U.S. income and other taxes.

As of December 30, 2023 and December 31, 2022, the Company had $4,467,000 and $3,046,000, respectively, of net unrecognized tax benefits representing the provision for the uncertainty of certain tax positions plus a component of interest and penalties. Estimated interest and penalties on the provision for the uncertainty of certain tax positions is included in income tax expense. At December 30, 2023 and December 31, 2022, there was $1,249,000 and $845,000, respectively, accrued for estimated interest and penalties related to the uncertainty of certain tax positions. The Company does not currently anticipate any significant increase or decrease to the unrecognized tax benefit during fiscal year 2024.

The following table summarizes the rollforward of the total amounts of gross unrecognized tax benefits for fiscal years 2023 and 2022 (in thousands):

	Fiscal Years	
	2023	2022
Gross unrecognized tax benefits – beginning of the year	$3,726	$2,845
Gross increases related to current year tax positions	953	789
Gross increases related to prior year tax positions	1,570	792
Gross decreases related to prior year tax positions	—	(83)
Lapse of statute of limitations	(795)	(617)
Gross unrecognized tax benefits – end of the year	$5,454	$3,726

Landstar paid income taxes of $92,695,000 in fiscal year 2023, $158,715,000 in fiscal year 2022 and $104,844,000 in fiscal year 2021.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 30, 2023	Dec. 31, 2022
Land	$ 16,328	$ 16,328
Buildings and improvements	71,157	69,160
Trailing equipment	491,208	502,322
Information technology hardware and software	132,153	110,626
Other equipment	10,136	9,828
Total operating property, gross	720,982	708,264
Less accumulated depreciation and amortization	436,682	393,274
Total operating property, net	$ 284,300	$ 314,990

Included above is $143,542,000 in fiscal year 2023 and $185,609,000 in fiscal year 2022 of operating property under finance leases, $100,188,000 and $137,087,000, respectively, net of accumulated depreciation and amortization. Landstar acquired operating property by entering into finance leases in the amount of $4,093,000 in fiscal year 2023, $30,659,000 in fiscal year 2022 and $48,674,000 in fiscal year 2021.

(6) Retirement Plan

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of U.S. domiciled full-time employees who have completed three months of service. Eligible employees make voluntary contributions up to 75% of their base salary, subject to certain limitations. Landstar contributes an amount equal to 100% of the first 3% and 50% of the next 2% of such contributions, subject to certain limitations.

The expense for the Company-sponsored defined contribution plan included in selling, general and administrative expense was $2,812,000 in fiscal year 2023, $2,716,000 in fiscal year 2022 and $2,374,000 in fiscal year 2021.

(7) Debt

Other than the finance lease obligations as presented on the consolidated balance sheets, the Company had no outstanding debt as of December 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 December 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.

Landstar paid interest of $3,604,000 in fiscal year 2023, $4,151,000 in fiscal year 2022 and $3,715,000 in fiscal year 2021.

(8) 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.

The components of lease cost for finance leases and operating leases as of December 30, 2023 were (in thousands):

Finance leases:	
Amortization of right-of-use assets	$20,258
Interest on lease liability	2,598
Total finance lease cost	22,856
Operating leases:	
Lease cost	3,603
Variable lease cost	—
Sublease income	(5,456)
Total net operating lease income	(1,853)
Total net lease cost	$21,003

Total net operating lease income, net of rent expense under operating leases, was $2,121,000 and $1,632,000 in fiscal years 2022 and 2021, respectively.

A summary of the lease classification on the Company's consolidated balance sheet as of December 30, 2023 is as follows (in thousands):

Assets:

Operating lease right-of-use assets	Other assets	$ 1,695
Finance lease assets	Operating property, less accumulated depreciation and amortization	100,188
Total lease assets		$101,883

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 December 30, 2023 (in thousands):

	Finance Leases	Operating Leases
2024	$29,739	$ 857
2025	23,554	544
2026	15,448	213
2027	5,049	176
2028	948	49
Thereafter	—	—
Total future minimum lease payments	74,738	1,839
Less amount representing interest (1.6% to 6.0%)	3,598	144
Present value of minimum lease payments	$71,140	$ 1,695
Current maturities of long-term debt	27,876	
Long-term debt, excluding current maturities	43,264	
Other current liabilities		832
Deferred income taxes and other noncurrent liabilities		863

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

	Finance Leases	Operating Leases
Weighted average remaining lease term (years)	2.9	2.7
Weighted average discount rate	3.1%	6.0%

(9) Share-Based Payment Arrangements

As of December 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):

	Fiscal Years		
	2023	**2022**	**2021**
Total cost of the Plans during the period	$ 4,282	$ 12,399	$ 27,537
Amount of related income tax benefit recognized during the period	(3,622)	(5,199)	(7,063)
Net cost of the Plans during the period	$ 660	$ 7,200	$ 20,474

Included in income tax benefits recognized in the fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021 were excess tax benefits from stock-based awards of $2,830,000, $2,948,000 and $1,057,000, respectively.

As of December 30, 2023, there were 187,260 shares of the Company’s Common Stock reserved for issuance under the 2022 DSCP and 3,014,145 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 26, 2020	183,213	$ 93.44
Granted	46,342	$ 128.64
Shares earned in excess of target (1)	7,132	$ 31.97
Vested shares, including shares earned in excess of target	(24,600)	$ 59.85
Forfeited	(2,688)	$ 107.76
Outstanding at December 25, 2021	209,399	$ 102.90
Granted	50,019	$ 139.44
Shares earned in excess of target (2)	91,497	$ 92.58
Vested shares, including shares earned in excess of target	(177,146)	$ 95.48
Forfeited	(21,989)	$ 113.85
Outstanding at December 31, 2022	151,780	$ 115.80
Granted	41,638	$ 164.91
Shares earned in excess of target (3)	79,176	$ 98.39
Vested shares, including shares earned in excess of target	(137,861)	$ 97.97
Forfeited	(2,011)	$ 142.67
Outstanding at December 30, 2023	132,722	$ 138.93

(1) Represents shares earned in excess of target under the May 1, 2015 RSU award as total shareholder return exceeded the target under the award.
(2) Represents additional shares earned under each of the February 2, 2017, February 2, 2018 and February 1, 2019 RSU awards, as fiscal year 2021 financial results exceeded target performance level under each such award.
(3) Represents additional shares earned (i) under the February 1, 2019 and January 31, 2020 RSU awards as fiscal year 2022 financial results exceeded target performance level and (ii) 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 fiscal years 2021, 2022 and 2023, the Company granted RSUs with a performance condition.

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. RSUs with a performance condition granted on January 28, 2022 may vest on January 31 of 2025, 2026 and 2027 based on growth in operating income and pre-tax income per diluted share from continuing operations as compared to the results from the 2021 fiscal year. RSUs with a performance condition granted on January 29, 2021 may vest on January 31 of 2024, 2025 and 2026 based on growth in operating income and pre-tax income per diluted share from continuing operations as compared to the results from the 2020 fiscal year, adjusted to reflect the add back of non-cash impairment charges recorded in the Company's 2020 fiscal year related to certain assets, primarily customer contract and related customer relationship intangible assets, held by the Company's Mexican subsidiaries. At the time of grant, the target number of common shares available for issuance under the February 3, 2023, January 28, 2022 and January 29, 2021 grants equals 100% of the number of RSUs granted, and the maximum number of common shares available for issuance under the February 3, 2023, January 28, 2022 and January 29, 2021 grants equals 200% of the number of RSUs credited to the recipient. In the event actual results exceed the target, the number of shares that will be granted will exceed the number of RSUs granted. The fair value of an RSU with a performance condition was determined based on the market value of the Company's Common Stock on the date of grant, discounted for lack of marketability for a minimum post-vesting holding requirement. The discount rate due to lack of marketability used for RSU award grants with a performance condition for all periods was 7%. With respect to RSU awards with a performance condition, the Company reports compensation expense over the life of the award based on an estimated number of units that will vest over the life of the award, multiplied by the fair value of an RSU at the time of grant.

The Company recognized approximately $581,000, $9,100,000 and $24,197,000 of share-based compensation expense related to RSU awards in fiscal years 2023, 2022 and 2021, respectively. As of December 30, 2023, there was a maximum of $30.2 million of total unrecognized compensation cost related to RSU awards granted under the Plans with an expected average remaining life of approximately 3.2 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.

Non-vested Restricted Stock and Deferred Stock Units

The 2011 EIP provides the Compensation Committee of the Board of Directors with the authority to issue shares of Common Stock of the Company, subject to certain vesting and other restrictions on transfer ("restricted stock").

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 26, 2020	60,440	$ 103.65
Granted	26,351	$ 150.20
Vested	(29,055)	$ 104.35
Forfeited	(1,300)	$ 97.81
Non-vested at December 25, 2021	56,436	$ 125.16
Granted	25,354	$ 152.54
Vested	(27,074)	$ 122.68
Forfeited	(6,921)	$ 144.45
Non-vested at December 31, 2022	47,795	$ 138.30
Granted	22,714	$ 179.32
Vested	(24,161)	$ 138.35
Non-vested at December 30, 2023	46,348	$ 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 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 December 30, 2023, there was $3,821,000 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 1.9 years.

Stock Options

The Company did not grant any stock options during its 2021, 2022 or 2023 fiscal years. Options outstanding under the Plans generally become exercisable in either five equal annual installments commencing on the first anniversary of the date of grant or 100% on the fifth anniversary from the date of grant, subject to acceleration in certain circumstances. All options granted under the Plans expire on the tenth anniversary of the date of grant. Under the Plans, the exercise price of each option equals the fair market value of the Company's Common Stock on the date of grant.

The fair value of each option grant on its grant date was calculated using the Black-Scholes option pricing model. The Company utilized historical data, including exercise patterns and employee departure behavior, in estimating the term that options will be outstanding. Expected volatility was based on historical volatility and other factors, such as expected changes in volatility arising from planned changes to the Company's business, if any. The risk-free interest rate was based on the yield of zero coupon U.S. Treasury bonds for terms that approximated the terms of the options granted.

The following table summarizes information regarding the Company's outstanding stock options under the Plans:

	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Exercise Price per Share	Number of Options	Weighted Average Exercise Price per Share
Options at December 26, 2020	17,650	$ 54.16	17,650	$ 54.16
Exercised	(9,080)	$ 52.97		
Options at December 25, 2021	8,570	$ 55.42	8,570	$ 55.42
Exercised	(6,670)	$ 55.14		
Options at December 31, 2022	1,900	$ 56.40	1,900	$ 56.40
Exercised	(1,900)	$ 56.40		
Options at December 30, 2023	—		—	

The total intrinsic value of stock options exercised during fiscal years 2023, 2022 and 2021 was $218,000, $704,000 and $965,000, respectively.

As of December 30, 2023, there was no unrecognized compensation cost related to non-vested stock options granted under the Plans and no outstanding options issued by the Company.

Directors' Stock Compensation Plan

Directors of the Company who are not employees of the Company (each an "Eligible Director") are entitled under the 2022 DSCP to receive a grant of such number of restricted shares of the Company's Common Stock or Deferred Stock Units equal to the quotient of $150,000 divided by the fair market value of a share of Common Stock on the date immediately following the date of each annual meeting of the stockholders of the Company (an “Annual Meeting”). Each eligible Director was previously entitled under the 2013 DSCP to receive a grant of such number of restricted shares of the Company’s Common Stock or Deferred Stock Units equal to the quotient of $110,000 divided by the fair market value of a share of Common Stock on the date immediately following the date of each Annual Meeting. In fiscal year 2023, 5,957 restricted shares were granted to Eligible Directors. In fiscal year 2022, 7,063 restricted shares were granted to Eligible Directors. In fiscal year 2021, 3,804 restricted shares were granted to Eligible Directors. Restricted shares granted in 2021, 2022 and 2023 vest on the date of the next Annual Meeting. During fiscal years 2023, 2022 and 2021, $1,050,000, $964,000 and $669,000, respectively, of compensation cost was recorded for the grant of these restricted shares and Deferred Stock Units.

(10) Equity

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. On December 4, 2023, the Landstar System, Inc. Board of Directors authorized the Company to purchase up to 319,332 additional shares of its Common Stock from time to time in the open market and in privately negotiated transactions under its share purchase program. As of December 30, 2023, the Company had authorization to purchase in the aggregate up to 3,000,000 shares of its Common Stock under these programs. No specific expiration date has been assigned to the December 7, 2021, December 6, 2022 or December 4, 2023 authorizations. During fiscal year 2023, Landstar purchased a total of 319,332 shares of its Common Stock at a total cost of $54,267,000 pursuant to its previously announced stock purchase program, including $53,919,000 in cash purchases and accrued excise tax of $348,000, which is included in other current liabilities in the consolidated balance sheet at December 30, 2023.

The Company has 2,000,000 shares of preferred stock authorized and unissued.

(11) Commitments and Contingencies

At December 30, 2023, in addition to the $77,054,000 letters of credit secured by investments, Landstar had $33,492,000 of 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.

(12) Segment Information

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 $5.3 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 offered by the Company include truckload, less-than-truckload 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, 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. The results of operations from Landstar Blue and Landstar Metro are presented as part of the Company's transportation logistics segment.

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. Internal revenue for premiums billed by the insurance segment to the transportation logistics segment is calculated each fiscal period based primarily on an actuarial calculation of historical loss experience and is believed to approximate the cost that would have been incurred by the transportation logistics segment had similar insurance been obtained from an unrelated third party.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates a segment's performance based on operating income.

No single customer accounted for more than 10% of the Company's consolidated revenue in fiscal years 2023, 2022 and 2021. Substantially all of the Company's revenue is generated in North America, primarily through customers located in the United States.

The following tables summarize information about the Company's reportable business segments as of and for the fiscal years ending December 30, 2023, December 31, 2022 and December 25, 2021 (in thousands):

	Transportation Logistics	Insurance	Total
2023			
External revenue	$ 5,230,846	$ 72,476	$5,303,322
Internal revenue		67,977	67,977
Investment income		10,141	10,141
Interest and debt (income) expense	(3,946)		(3,946)
Depreciation and amortization	58,153		58,153
Operating income	288,574	55,575	344,149
Expenditures on long-lived assets	25,688		25,688
Goodwill	42,275		42,275
Finance lease additions	4,093		4,093
Total assets	1,463,236	338,610	1,801,846
2022			
External revenue	$ 7,358,008	$ 78,554	$7,436,562
Internal revenue		79,229	79,229
Investment income		3,162	3,162
Interest and debt expense	3,620		3,620
Depreciation and amortization	57,453		57,453
Operating income	524,500	46,583	571,083
Expenditures on long-lived assets	26,005		26,005
Goodwill	41,220		41,220
Finance lease additions	30,659		30,659
Total assets	1,704,557	227,322	1,931,879
2021			
External revenue	$ 6,465,711	$ 71,857	$6,537,568
Internal revenue		62,558	62,558
Investment income		2,857	2,857
Interest and debt expense	3,976		3,976
Depreciation and amortization	49,609		49,609
Operating income	464,282	41,386	505,668
Expenditures on long-lived assets	23,261		23,261
Goodwill	40,768		40,768
Finance lease additions	48,674		48,674
Total assets	1,736,854	308,611	2,045,465

(13) Change in Accounting Estimate for Self-Insured Claims

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.

The following table summarizes the adverse effect of the increase in the cost of insurance claims resulting from unfavorable development of prior year self-insured claims estimates on operating income, net income and earnings per share set forth in the consolidated statements of income for the fiscal years ended December 30, 2023, December 31, 2022 and December 25, 2021 (in thousands, except per share amounts):

	Fiscal Years Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Operating income	$ 6,058	$ 11,331	$ 9,708
Net income	$ 4,598	$ 8,570	$ 7,359
Basic and diluted earnings per share	$ 0.13	$ 0.23	$ 0.19

The unfavorable development of prior years' claims in the fiscal year ended December 30, 2023 was primarily attributable to several specific claims. The unfavorable development of prior years' claims in the fiscal year ended December 31, 2022 was primarily attributable to several specific claims. The unfavorable development of prior years' claims in the fiscal year ended December 25, 2021 was primarily attributable to five claims.

(14) Equity investment

On April 1, 2022, Landstar Investment Holdco, LLC, a newly formed Delaware LLC and wholly owned subsidiary of Landstar System Holdings, Inc., purchased Class A units of Cavnue, LLC, for approximately $4,999,000 in cash consideration. Cavnue, LLC is a privately held company focused on combining technology and road infrastructure to unlock the full potential of connected and autonomous vehicles.

This non-controlling investment in units of Cavnue, LLC, is considered an investment in non-marketable equity securities without a readily determinable market value. The carrying value of our non-marketable equity securities going forward will be adjusted to fair value upon observable transactions for identical or similar investments of the same issuer or impairment (referred to as the measurement alternative).

(15) Recent Accounting Pronouncements

Accounting Standards Issued But Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. ASU 2023-07 is effective for annual periods beginning after December 15, 2023. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. ASU 2023-09 is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Landstar System, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary (the Company) as of December 30, 2023 and December 31, 2022, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 30, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 30, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Self-insurance claims liability

As discussed in Note 1 to the consolidated financial statements, the liability for insurance claims includes the actuarially determined estimated costs of cargo, property, casualty, general liability, and workers' compensation claims, both reported and for claims incurred but not reported, up to the Company's retained amount per claim, which is referred to as the self-insurance claims liability. The Company's estimated costs of insurance claims include assumptions regarding the frequency and severity of claims and are based upon the facts and circumstances known as of the applicable balance sheet date. The Company's liability for insurance claims as of December 30, 2023 was $100,747,000, which includes the self-insurance claims liability.

We identified the evaluation of the self-insurance claims liability as a critical audit matter. Specialized skills were needed to evaluate the Company’s estimate of the self-insurance claims liability. This evaluation included assumptions related to the potential for the development in future periods of claims both reported and incurred but not reported as of the balance sheet date and the impact of those developments on the estimated liability associated with such claims. In addition, a higher degree of subjective auditor judgment was required to evaluate the Company’s estimate of the self-insurance claims liability due to the inherent uncertainty in the frequency and severity of claims.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company’s self-insurance claims process, including a control related to the development of the assumptions used to estimate the self-insurance claims liability. We involved actuarial professionals with specialized skills and knowledge, who assisted in assessing the actuarial model used by the Company, including the external actuarial report obtained by the Company, to estimate the self-insurance claims liability for consistency with generally accepted actuarial standards. The actuarial professionals also developed an estimate of the range of the self-insurance claims liability using the Company’s historical claims data. We compared the estimated range of the self-insurance claims liability to the amount recorded by the Company. We tested a sample of the claims data used in the actuarial model by comparing the data to underlying claims details. For certain claims, we obtained letters received directly from the Company’s external legal counsel to evaluate the liability recorded. Additionally, we assessed the development of the self-insurance claims liability in the current year compared to recent historical trends and considered the implications on the current year assumptions. We also assessed facts and circumstances received by the Company after the balance sheet date, but before the consolidated financial statements were issued, and the impact, if any, of such facts and circumstances on the self-insurance claims liability.

/s/ KPMG LLP

We have served as the Company’s auditor since 1988.

Jacksonville, Florida
February 23, 2024

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out, under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and 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 controls and procedures were effective as of December 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.

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.

Internal Control Over Financial Reporting

(a) Management's Report on Internal Control over Financial Reporting

Management of Landstar System, Inc. (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act, as amended.

Internal control over financial reporting is a process designed 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. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Management, with the participation of the Company's principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2023. This assessment was performed using the criteria established under the Internal Control-Integrated Framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error or circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and reporting and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the assessment performed using the criteria established by COSO, management has concluded that the Company maintained effective internal control over financial reporting as of December 30, 2023.

KPMG LLP (PCAOB ID: 185), the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 30, 2023, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Such report appears immediately below.

(b) Attestation Report of the Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Landstar System, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Landstar System, Inc. and subsidiary's (the Company) internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 30, 2023 and December 31, 2022, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 30, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 23, 2024 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Jacksonville, Florida
February 23, 2024

(c) Changes in Internal Control Over Financial Reporting

There were no significant changes in the Company’s internal control over financial reporting during the Company’s fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. *Other Information*

During the fiscal year ended December 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 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.*

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item concerning the Directors (and nominees for Directors) and Executive Officers of the Company will be set forth under the captions "Election of Directors," "Directors of the Company," "Information Regarding Board of Directors and Committees," and "Executive Officers of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference. The information required by this Item concerning the Company's Audit Committee and the Audit Committee's Financial Expert will be set forth under the caption "Information Regarding Board of Directors and Committees" and "Report of the Audit Committee" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

The Company has adopted a Code of Ethics and Business Conduct that applies to each of its directors and employees, including its principal executive officer, principal financial officer, controller and all other employees performing similar functions. The Code of Ethics and Business Conduct is available on the Company's website at *www.landstar.com* under "Investor Relations — Corporate Governance." The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waivers from, a provision or provisions of the Code of Ethics and Business Conduct by posting such information on its website at the web address indicated above.

Item 11. ***Executive Compensation***

The information required by this Item will be set forth under the captions "Compensation Committee Interlocks and Insider Participation," "Compensation of Directors," "Compensation of Named Executives," "Compensation Discussion and Analysis," "Summary Compensation Table," "Pay Versus Performance Table," "Grants of Plan-Based Awards," "Stock Vested," "Outstanding Equity Awards at Fiscal Year End," "Nonqualified Deferred Compensation," "Compensation Committee Report" and "Key Executive Employment Protection Agreements" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item pursuant to Item 201(d) of Regulation S-K is set forth under the caption "Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in Part II, Item 5 of this report, and is incorporated herein by reference.

The information required by this Item pursuant to Item 403 of Regulation S-K will be set forth under the caption "Security Ownership by Management and Others" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

None, other than information required to be disclosed under this item in regard to Director Independence, which will be set forth under the caption "Independent Directors" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A and is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item will be set forth under the caption "Report of the Audit Committee" and "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's definitive Proxy Statement for its annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) (1) *Financial Statements and Supplementary Data*

(2) *Financial Statement Schedules*

Financial statement schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or is not applicable or required.

(3) *Exhibits*

Exhibit No.	Description
(3)	**Articles of Incorporation and By-Laws:**
3.1	Restated Certificate of Incorporation of the Company dated May 10, 2023, including Certificate of Designation of Junior Participating Preferred Stock dated February 10, 1993. (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 11, 2023 (Commission File No. 0-21238))
3.2	The Company's Second Amended and Restated Bylaws, as further adopted as of November 2, 2023. (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 10-Q filed on November 3, 2023 (Commission File No. 0-21238))
(4)	**Instruments defining the rights of security holders, including indentures:**
4.1 P	Specimen of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))
4.2	Description of Securities (Incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K for fiscal year ended December 28, 2019 (Commission File No. 0-21238))
(10)	**Material contracts:**
10.1+	Second Amended and Restated Credit Agreement, dated as of July 1, 2022, among Landstar System Holdings, Inc., the Company, the lenders named therein, and JPMorgan Chase Bank, N.A. as Administrative Agent (including exhibits and schedules thereto). (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on July 8, 2022 (Commission File No. 0-21238))
10.2+	Landstar System, Inc. Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2015 (Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 2014 (Commission File No. 0-21238))
10.3+	First Amendment, dated as of November 1, 2018, to the Landstar System, Inc. Supplemental Executive Retirement Plan (as amended and restated as of January 1, 2015) (Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 (Commission File No. 0-21238))

10.4+	Landstar System, Inc. 2011 Equity Incentive Plan, as amended through November 2, 2023. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 10-Q filed on November 3, 2023 (Commission File No. 0-21238))
10.5+	Landstar System, Inc. 2022 Directors Stock Compensation Plan (Incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed on March 29, 2022 (Commission File No. 0-21238))
10.6+	Form of Indemnification Agreement between the Company and each of the directors and Executive Officers of the Company (Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 2003 (Commission File No. 0-21238))
10.7+	Form of Key Executive Employment Protection Agreement between Landstar System, Inc. and each of the Executive Officers of the Company, in the form as amended as of December 26, 2015, (Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for fiscal year ended December 26, 2015 (Commission File No. 0-21238))
10.8+	Letter Agreement, dated February 27, 2023, by and between Landstar System, Inc. and Robert S. Brasher (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on February 28, 2023 (Commission File No. 0-21238))
10.9+	Letter Agreement, dated December 4, 2023, between Landstar System, Inc. and James B. Gattoni (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on December 5, 2023 (Commission File No. 0-21238))
10.10+	Letter Agreement, dated December 4, 2023, between Landstar System, Inc. and Frank A. Lonegro (Incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on December 5, 2023 (Commission File No. 0-21238))
10.11*+	Total Shareholder Return Performance Related Stock Award Agreement, between Landstar System, Inc. and Frank A. Longegro, dated February 2, 2024
(21)	**Subsidiaries of the Registrant:**
21.1*	List of Subsidiaries of the Registrant
(23)	**Consents of experts and counsel:**
23.1*	Consent of KPMG LLP as Independent Registered Public Accounting Firm
(24)	**Power of attorney:**
24.1*	Powers of Attorney
(31)	**Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002:**
31.1*	Chief Executive Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)	**Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:**
32.1**	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
32.2**	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
(97)	
97.1*	Landstar System, Inc. Clawback Policy, as adopted on August 10, 2023

101*	The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2023, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity, (vi) Notes to Consolidated Financial Statements, and (vii) Financial Statement Schedule.
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.

THE COMPANY WILL FURNISH, WITHOUT CHARGE, TO ANY SHAREHOLDER OF THE COMPANY WHO SO REQUESTS IN WRITING, A COPY OF ANY EXHIBITS, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. ANY SUCH REQUEST SHOULD BE DIRECTED TO LANDSTAR SYSTEM, INC., ATTENTION: INVESTOR RELATIONS, 13410 SUTTON PARK DRIVE SOUTH, JACKSONVILLE, FLORIDA 32224.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 23, 2024

LANDSTAR SYSTEM, INC.

By: /s/ FRANK A. LONEGRO
Frank A. Lonegro
President and Chief Executive Officer

By: /s/ JAMES P. TODD
James P. Todd
Vice President, Chief Financial Officer and Assistant Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ FRANK A. LONEGRO Frank A. Lonegro	President and Chief Executive Officer; Principal Executive Officer; Director	February 23, 2024
/s/ JAMES P. TODD James P. Todd	Vice President and Chief Financial Officer and Assistant Secretary; Principal Financial Officer and Principal Accounting Officer	February 23, 2024
* Homaira Akbari	Director	February 23, 2024
* David G. Bannister	Director	February 23, 2024
* James L. Liang	Director	February 23, 2024
* Diana M. Murphy	Chairman of the Board	February 23, 2024
* Anthony J. Orlando	Director	February 23, 2024
* George P. Scanlon	Director	February 23, 2024
* Teresa L. White	Director	February 23, 2024

By: /s/ MICHAEL K. KNELLER
Michael K. Kneller
*Attorney In Fact**

Exhibit 10.11

TOTAL SHAREHOLDER RETURN
PERFORMANCE RELATED STOCK AWARD AGREEMENT

This Total Shareholder Return Performance Related Stock Award Agreement (the "**Agreement**"), dated February 2, 2024 (the "**Grant Date**"), is between Landstar System, Inc. (the "**Company**") and Frank A. Lonegro (the "**Executive**").

1. **Grant of Performance Related Stock Award**. This Agreement is entered into pursuant to the Landstar System, Inc. 2011 Equity Incentive Plan (as amended through November 2, 2023 and as may be further amended from time to time, the "**Plan**"), and evidences the grant of a Performance Related Stock Award pursuant to Section 9 of the Plan in the form of 52,971 Restricted Stock Unit Awards ("**PSUs**"). The PSUs and this Agreement are subject to the terms and provisions of the Plan. Capitalized terms that are not otherwise defined in this Agreement have the meanings ascribed to them in the Plan.

2. **Dividend Equivalents**. Dividend equivalents shall be credited to the PSUs each time that a dividend is paid on the Company's Stock. The aggregate amount of such dividend equivalents so credited in respect of each such dividend shall be equal to the dividend paid on a share of Stock multiplied by the number of PSUs credited to the Executive under this Agreement on the dividend record date. The dividend equivalents shall be converted into additional PSUs, rounded down to the nearest whole number, on the dividend payment date based upon the then Fair Market Value of the Stock, and such PSUs shall be added to the PSUs credited to the Executive under this Agreement.

3. **Total Shareholder Return Vesting Requirement**. Subject to Section 4, Section 5 and Section 6, 100% of the PSUs, adjusted to reflect dividends (if any) paid while the PSUs are outstanding during the Performance Period (as defined below) and as may be necessary to take into account capital adjustments described in Section 5.3 of the Plan, shall be eligible to vest beginning on the first Measurement Date occurring in 2030 and each of the Measurement Dates thereafter during the Performance Period and shall vest based on achievement of the Target TSR CAGR as of any such Measurement Date.

a. "**Target TSR CAGR**" means at least a 9% compound annual growth rate based on the Ending TSR Value as of any Measurement Date relative to the average Fair Market Value of a share of Stock for the period beginning on the first Monday after the Company's annual earnings release for 2023 and ending on the 60-day anniversary thereof (the "**Base TSR Value**" and such 60-day anniversary, the "**Base Date**").

b. "**Measurement Date**" means, for any applicable calendar year during the Performance Period beginning in 2030, the 60-day anniversary of the first Monday after the Company's annual earnings release for the prior year.

c. "**Ending TSR Value**" means, for any applicable calendar year during the Performance Period beginning in 2030, the average Fair Market Value of a share of Stock for the trailing 60-day period ending on the applicable Measurement Date for such year, adjusted to reflect dividends (if any) paid during the period from the day following the Base Date until the applicable Measurement Date, and as may be necessary to take into account capital adjustments described in Section 5.3 of the Plan.

d. "**Performance Period**" means the period from the Grant Date until the Measurement Date in 2034 (the "**End Date**").

For the avoidance of doubt, if the compound annual growth rate of Ending TSR Value relative to Base TSR Value is below 9% as of any applicable Measurement Date, then none of the PSUs granted hereunder shall vest. Any Measurement Date (including a Death or Disability Measurement Date or Change in Control Measurement Date (each, as defined below)) on which the applicable Target TSR CAGR goals are achieved shall be deemed to be the vesting date of the PSUs under this Agreement.

4. **Continuous Employment Requirement**. Except as otherwise determined by the Committee, or except as otherwise provided in Section 5 or Section 6, the PSUs shall vest only if the Executive is continuously employed by the Company from the Grant Date through the applicable Measurement Date when the Target TSR CAGR is achieved. Except as otherwise determined by the Committee, or except as otherwise provided in Section 5 or Section 6, any PSUs that have not vested as of the date the Executive's employment terminates shall be immediately forfeited and the Executive shall have no further rights under this Agreement following the date as of which the Executive's employment terminates.

5. **Death or Disability**. In the event the Executive's employment terminates as a result of the Executive's death or Disability on or after February 2, 2027, but prior to the vesting of the PSUs, then there shall occur a measurement date on the date on which the Executive's employment terminates (the "**Death or Disability Measurement Date**"). In any such event, up to all of the PSUs under this Agreement as of the Death or Disability Measurement Date shall be eligible to vest if the Target TSR CAGR has been achieved based on the average Fair Market Value of a share of Stock for the trailing 60-day period ending on the Death or Disability Measurement Date relative to the Base TSR Value with the number of PSUs that vest determined as follows: (a) if the Death or Disability Measurement Date occurs prior to February 2, 2030, then the number of PSUs that vest on such Death or Disability Measurement Date shall equal the product of (x) all of the PSUs under this Agreement and (y) a fraction, the numerator of which is the number of days that the Executive was employed by the Company prior to such Death or Disability Measurement Date and the denominator of which is 2,192 and (b) if the Death or Disability Measurement Date occurs on or after February 2, 2030, then the number of PSUs that vest on such Death or Disability Measurement Date shall equal all of the PSUs under this Agreement.

6. **Change in Control**. Subject to the Executive's continued employment through the date such Change in Control occurs, in the event of a Change in Control that occurs prior to the vesting of the PSUs, then there shall occur a measurement date on the date on which the Change in Control occurs (the "**Change in Control Measurement Date**"). In any such event, all of the PSUs under this Agreement as of the Change in Control Measurement Date shall vest if the Change in Control Price is at least 125% of the price per share of Stock that would achieve the Target TSR CAGR relative to the Base TSR Value as of the Change in Control Measurement Date.

7. **Expiration**. Notwithstanding anything in this Agreement to the contrary, if any PSUs do not vest as of the earlier to occur of (i) the End Date, (ii) the Death or Disability Measurement Date and (iii) the Change in Control Measurement Date (the "**Expiration Date**"), then such PSUs shall expire as of the Expiration Date and the Executive shall have no further rights under this Agreement following the Expiration Date.

8. **Payment**. As soon as practicable after the date as of which the PSUs vest (but in no event later than March 15 of the year following the year in which such PSUs vest), a number of shares of Stock represented by the PSUs that have become vested shall be issued to the Executive, subject to any withholding for taxes; provided however, that in the event of a Change in Control, PSUs that have become vested shall either (i) be paid in shares of Stock or (ii) 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. If the Executive dies before the payment due hereunder is made, such payment shall be made to the Executive's beneficiary.

9. **Shareholder Rights**. The Executive shall have no rights as a shareholder with respect to shares of Stock to which this grant relates. Except as provided in the Plan or in this Agreement, no adjustment shall be made, for dividends or other rights for which the record date occurs while the PSUs are outstanding.

10. **Amendment of Agreement**. The Committee has the right, in its sole discretion, to alter or amend this Agreement from time to time and in any manner for the purpose of promoting the objectives of the Plan, provided that no such amendment shall in any manner adversely affect the Executive's rights under this Agreement without the Executive's consent.

11. **Transferability**. The Executive may not, at any time prior to the vesting of the PSUs, assign, alienate, pledge, attach, sell or otherwise transfer or encumber the PSUs and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable for all purposes.

12. **Clawback**. Notwithstanding any other provision of this Agreement or the Plan, the Company may cancel all or any part of the PSUs, require reimbursement of any amounts earned in respect of the PSUs, and effect any other right of recoupment in respect of the PSUs in accordance with the Clawback Policy. In addition, the Executive may be required to repay to the Company previously paid compensation in respect of the PSUs in accordance with the Clawback Policy. By accepting the PSUs, the Executive 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. **Committee Authority**. The Committee shall have complete discretion in the exercise of its rights, powers, and duties under this Agreement, and as set forth in the Plan. Any interpretation or construction of any provision of, and the determination of any question arising under, this Agreement shall be made by the Committee in its discretion. This Agreement is intended to grant the PSUs upon the terms and conditions authorized by the Plan, including, without limitation, the clawback provision set forth in section 13.4 of the Plan and the tax withholding provision set forth in Section 13.3 of the Plan. Any provisions of this Agreement that cannot be so administered, interpreted, or construed shall be disregarded. In the event that any provision of this Agreement is held invalid or unenforceable, such provision shall be considered separate and apart from the remainder of this Agreement, which shall remain in full force and effect.

[signature page to follow]

LANDSTAR SYSTEM, INC.		THE EXECUTIVE
By:	/s/ David G. Bannister	/s/ Frank A. Lonegro
Name:	David G. Bannister	Frank A. Lonegro
Title:	Chair of the Compensation Committee	

Exhibit 21.1

LIST OF SUBSIDIARIES OF LANDSTAR SYSTEM, INC.

(as of December 30, 2023)

Name	Jurisdiction of Incorporation	% of Voting Securities Owned
Subsidiary of Landstar System, Inc.		
Landstar System Holdings, Inc.	Delaware	100
Subsidiaries of Landstar System Holdings, Inc.		
Landstar Inway, Inc.	Delaware	100
Landstar Global Logistics, Inc.	Delaware	100
Landstar Ligon, Inc.	Delaware	100
Landstar Ranger, Inc.	Delaware	100
Risk Management Claim Services, Inc.	Delaware	100
Landstar Transportation Logistics, Inc.	Delaware	100
Also d/b/a Landstar Carrier Services, Inc.		
Landstar Contractor Financing, Inc.	Delaware	100
Signature Insurance Company	Cayman Islands, BWI	100
Landstar Canada Holdings, Inc.	Delaware	100
Landstar MH I LLC	Delaware	100
Landstar Blue LLC	Delaware	100
Landstar Investment Holdco, LLC	Delaware	100
Subsidiary of Landstar Canada Holdings, Inc.		
Landstar Canada, Inc.	Ontario, Canada	100
Also d/b/a Enterprise Landstar Canada in Quebec		
Subsidiary of Landstar Global Logistics, Inc.		
Landstar Express America, Inc.	Delaware	100
Subsidiary of Landstar Ranger, Inc.		
Landstar Gemini, Inc.	Delaware	100
Also d/b/a Landstar Less Than Truck Load		
Also d/b/a Landstar LTL		
Subsidiary of Landstar MH I LLC		
Landstar MH II LLC	Delaware	100
Landstar Holdings, S. de R.L.C.V.	Mexico	0.1
Subsidiary of Landstar MH II LLC		
Landstar Holdings, S. de R.L.C.V.	Mexico	99.9
Subsidiary of Landstar Holdings, S. de R.L.C.V.		
Landstar Metro, S.A.P.I. de C.V.	Mexico	100

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-190411, No. 333-68454, No. 333-68452, No. 333-175890 and No. 333-267538) on Form S-8 of our reports dated February 23, 2024, with respect to the consolidated financial statements of Landstar System, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Jacksonville, Florida
February 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, her true and lawful attorney-in-fact and agent, in her name, place and stead to execute on her behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as she might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that her said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand on the date indicated below.

/s/ Homaira Akbari
Homaira Akbari

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on the date indicated below.

/s/ David G. Bannister
David G. Bannister

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on the date indicated below.

/s/ James L. Liang
James L. Liang

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, her true and lawful attorney-in-fact and agent, in her name, place and stead to execute on her behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as she might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that her said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand on the date indicated below.

/s/ Diana M. Murphy
Diana M. Murphy

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on the date indicated below.

/s/ Anthony J. Orlando
Anthony J. Orlando

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the “Company”), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the “SEC”) pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Act”), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on the date indicated below.

/s/ George P. Scanlon
George P. Scanlon

DATED: January 23, 2024

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/23

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James P. Todd and Michael K. Kneller, and each of them, with full power in each to act without the other, her true and lawful attorney-in-fact and agent, in her name, place and stead to execute on her behalf, as an officer and/or director of Landstar System, Inc. (the “Company”), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2023, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the “SEC”) pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Act”), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as she might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that her said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set her hand on the date indicated below.

/s/ Teresa L. White
Teresa L. White

DATED: January 23, 2024

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Frank A. Lonegro, certify that:

1. I have reviewed this annual report on Form 10-K 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 15(d)-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: February 23, 2024

/s/ Frank A. Lonegro

Frank A. Lonegro

President and Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, James P. Todd, certify that:

1. I have reviewed this annual report on Form 10-K 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 15(d)-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: February 23, 2024

/s/ James P. Todd

James P. Todd
Vice President, Chief Financial Officer and Assistant Secretary

EXHIBIT 32.1

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 Annual Report of Landstar System, Inc. (the “Company”) on Form 10-K for the period ending December 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank A. Lonegro, 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.

/s/ Frank A. Lonegro
Frank A. Lonegro
President and Chief Executive Officer

February 23, 2024

EXHIBIT 32.2

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 Annual Report of Landstar System, Inc. (the “Company”) on Form 10-K for the period ending December 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.

/s/ James P. Todd
James P. Todd
Vice President, Chief Financial Officer and Assistant Secretary

February 23, 2024

Exhibit 97.1

LANDSTAR SYSTEM, INC.

Clawback Policy

(as adopted on August 10, 2023)

The Board of Directors (the "Board") of Landstar System, Inc. (the "Company") believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (the "Policy"), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and Nasdaq Listing Rule 5608 (the "Listing Standards").

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Board or, if so designated by the Board, a committee thereof (the Board or such committee charged with administration of this Policy, the "Administrator"). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee or the Compensation Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority.

Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions

As used in this Policy, the following definitions shall apply:

- "**Accounting Restatement**" means an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
- "**Administrator**" has the meaning set forth in Section 1 hereof.

- "**Applicable Period**" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The "**date on which the Company is required to prepare an Accounting Restatement**" is the earlier to occur of (a) the date the Audit Committee of the Board concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
- "**Covered Executives**" means the Company's current and former executive officers, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.
- "**Erroneously Awarded Compensation**" has the meaning set forth in Section 5 of this Policy.
- A "**Financial Reporting Measure**" is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return ("TSR"); revenue; variable contribution; operating income; net income; profitability of one or more reportable segments, divisions or companies; financial ratios (e.g., variable contribution margin and operating margin); certain costs (which may include other operating costs, insurance and claims costs, selling, general and administrative costs and/or depreciation and amortization costs) in gross dollars and/or as a percentage of revenue, variable contribution, gross profit or operating income; earnings before interest, taxes, depreciation and amortization ("EBITDA"); liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., diluted earnings per share); any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement; and any of such financial reporting measures on a pre-tax or after-tax basis. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities Exchange Commission.
- "**Incentive-Based Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

- **Covered Executives; Incentive-Based Compensation**

  This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange.

3. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.

4. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of "Erroneously Awarded Compensation" subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market ("Nasdaq").

5. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee of the Board has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq;
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

6. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

7. Administrator Indemnification

Members of the Board shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

8. Effective Date; Retroactive Application

This Policy shall be effective as of October 1, 2023 (the “**Effective Date**”). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

9. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

10. Other Recoupment Rights; Company Claims

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

11. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

12. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.