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 27, 2014

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	Name of Exchange on Which Registered
Common Stock, $0.01 Par Value	The NASDAQ Stock Market, Inc.

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes ☑ No ☐

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

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

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐

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 $2,819,920,000 (based on the per share closing price on June 28, 2014, 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 23, 2015 was 44,794,486.

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 19, 2015	Part III

LANDSTAR SYSTEM, INC.

2014 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. *Business*

General

Landstar System, Inc. was incorporated in January 1991 under the laws of the State of Delaware. It acquired all of the capital stock of its predecessor, Landstar System Holdings, Inc. ("LSHI") on March 28, 1991. Landstar System, Inc. has been a publicly held company since its initial public offering in March 1993. LSHI owns directly or indirectly all of the common stock of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway"), Landstar Ligon, Inc. ("Landstar Ligon"), Landstar Gemini, Inc. ("Landstar Gemini"), Landstar Transportation Logistics, Inc. ("Landstar Transportation Logistics"), Landstar Global Logistics, Inc. ("Landstar Global Logistics"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Canada Holdings, Inc. ("LCHI"), Landstar Canada, Inc. ("Landstar Canada"), Landstar Contractor Financing, Inc. ("LCFI"), Risk Management Claim Services, Inc. ("RMCS") and Signature Insurance Company ("Signature"). Landstar Ranger, Landstar Inway, Landstar Ligon, Landstar Gemini, Landstar Transportation Logistics, Landstar Global Logistics, Landstar Express America and Landstar Canada are collectively herein referred to as Landstar's "Operating Subsidiaries." Landstar System, Inc., LSHI, LCFI, RMCS, LCHI, Signature and the Operating Subsidiaries are collectively referred to herein as "Landstar" or the "Company," unless the context otherwise requires. The Company's principal executive offices are 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, proxy and current reports on Form 8-K 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. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 E. Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reading Room by calling the SEC at 1-800-SEC-0330. 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.

On December 28, 2013, the Company completed the sale of Landstar Supply Chain Solutions, Inc., a Delaware corporation, including its wholly owned subsidiary, Landstar Supply Chain Solutions LLC (collectively, "LSCS"), to XPO Logistics, Inc. ("XPO"). The gain on the sale of LSCS and the operating results of LSCS for fiscal year 2013 and prior periods have been reclassified in the consolidated financial statements to discontinued operations.

Description of Business

Landstar is an asset-light provider of integrated transportation management solutions. The Company offers services to its customers across multiple transportation modes, with the ability to arrange for individual shipments of freight to enterprise-wide solutions to manage all of a customer's transportation needs. Landstar provides services principally throughout the United States and to a lesser extent in Canada 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 independent commission sales agents and third party capacity providers linked together by a series of technological applications 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 information technology systems, Landstar operates an integrated transportation management solutions business primarily throughout North America with revenue of $3.2 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 offered by the Company include truckload and less-than-truckload 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, project cargo and customs brokerage. Industries serviced by the transportation logistics segment include automotive products, building products, metals, chemicals, foodstuffs, heavy machinery, retail, electronics, ammunition and explosives and military equipment. In addition, the transportation logistics segment provides transportation services to other transportation companies, including logistics and less-than-truckload service providers. Each of the independent commission sales agents has the opportunity to market all of the 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 Services. The transportation logistics segment's truck transportation services include a full array of truckload transportation for a wide range of commodities, much of which are transported over irregular or non-repetitive routes, and, to a lesser degree, less-than-truckload transportation services. The Company utilizes a broad assortment of equipment, including dry and specialty vans of various sizes, unsided/platform trailers (including flatbeds, drop decks and light specialty trailers), temperature-controlled vans and containers. 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 2014, revenue hauled by BCO Independent Contractors and Truck Brokerage Carriers was 48% and 46%, respectively, of consolidated revenue. Also, during fiscal year 2014, truck transportation revenue hauled via van equipment and unsided/platform trailing equipment was 60% and 37%, respectively, of truck transportation revenue and less-than-truckload revenue was 3% of truck transportation revenue. The Company's truck services contributed 94% of consolidated revenue in 2014 and 93% of consolidated revenue in both fiscal years 2013 and 2012.

Rail Intermodal Services. The transportation logistics segment has 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 has 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 3% of consolidated revenue in each of fiscal years 2014, 2013 and 2012.

Air and Ocean Services. The transportation logistics segment provides domestic and international air services and ocean services to its customers. The Company executes international freight transportation as an International Air Transport Association (IATA) certified Indirect Air Carrier (IAC), a Federal Maritime Commission (FMC) licensed non-vessel operating common carrier (NVOCC) and as a licensed freight forwarder. Through its network of independent commission sales agents, relationships within a global network of foreign freight forwarders 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 and refrigerated freight. The transportation logistics segment's air and ocean services contributed 2% of consolidated revenue in 2014 and 3% of consolidated revenue in both fiscal years 2013 and 2012.

Insurance Segment

The insurance segment is comprised of Signature, a wholly owned offshore insurance subsidiary, and RMCS. This 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 2014, 2013 and 2012. 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 information technology systems and the various modes of transportation made available through the Company's network of third party capacity providers. 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 provide guidance on establishing pricing parameters 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. 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 fleet of available capacity provides the agent network 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, electronic data interchange capability and access to specialized equipment. In addition, 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 proprietary and third party information technology applications provided by the Company to service the requirements of shippers. For truckload services, the Company's independent commission sales agents use Landstar proprietary software which enables agents to enter available freight, dispatch capacity and process most administrative procedures and then communicate that information to Landstar and its capacity providers via the internet. The Company's web-based available truck information system provides a listing of available truck capacity to the Company's independent commission sales agents. 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 revenue or net revenue, defined as revenue less the cost of purchased transportation, or net revenue less a contractually agreed upon percentage of revenue retained by Landstar. Commissions to agents as a percentage of consolidated revenue will vary directly with fluctuations in the percentage of consolidated revenue generated by the various modes of transportation and reinsurance premiums and with changes in net revenue margin, defined as net revenue divided by revenue, on services provided by Truck Brokerage Carriers, railroads, air cargo carriers and ocean cargo carriers. Commissions to agents are recognized upon the completion of freight delivery.

The Company had 525 and 478 agents who each generated at least $1 million in Landstar revenue during 2014 and 2013, respectively, (the "Million Dollar Agents"). Landstar revenue from the Million Dollar Agents in the aggregate represented 92% of consolidated revenue in 2014 and 91% of consolidated revenue in 2013. Annually, 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 are typically 3% or less of the total number of Million Dollar Agents. Management believes that the majority of the Million Dollar Agents choose to represent the Company exclusively.

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. During 2014, revenue hauled by BCO Independent Contractors, Truck Brokerage Carriers and railroads represented approximately 48%, 46% and 3%, respectively, of the Company's consolidated revenue. Collectively, revenue hauled by air and ocean cargo carriers represented approximately 2% of the Company's consolidated revenue during 2014. Historically, the gross profit margin (defined as gross profit, which is defined as revenue less the cost of purchased transportation and commissions to agents, 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 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 upon the completion of freight delivery.

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, safety, recruiting, retention and financial advantages to the Company.

The Company's BCO Independent Contractors are compensated primarily based on a contractually agreed-upon percentage of revenue generated by delivered loads they haul. This percentage generally ranges from 62% to 73% where the BCO Independent Contractor provides only a tractor and 72% 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 2014, the Company billed customers $279.3 million in fuel surcharges and passed 100% of such fuel surcharges to the BCO Independent Contractors. These fuel surcharges are excluded from revenue.

The Company maintains internet-based applications for mobile and desktop devices 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 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, LCFI provides a source of funds at competitive interest rates to the BCO Independent Contractors to purchase primarily trailing equipment.

The number of trucks provided to the Company by BCO Independent Contractors was 8,932 at December 27, 2014, compared to 8,432 at December 28, 2013. At December 27, 2014, 98% 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 2014 than in fiscal year 2013 and trucks terminated were lower in fiscal year 2014 than in fiscal year 2013, resulting in a net gain of 500 trucks during fiscal year 2014. Landstar's BCO Independent Contractor truck turnover was approximately 22% in fiscal year 2014 compared to 27% in fiscal year 2013. Approximately 37% of 2014 turnover was attributable to BCO Independent Contractors who had been with the Company for less than one year. Management believes that factors that have historically favorably impacted turnover include the Company's extensive agent network, available freight, 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.

Truck Brokerage Carriers. At December 27, 2014, the Company maintained a database of over 38,000 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 temperature-controlled, short-haul traffic and less-than-truckload and, in certain instances, lower-priced freight that generally would not be handled by the Company's BCO Independent Contractors.

The Company maintains an internet site through which Truck Brokerage Carriers can view a listing of the Company's freight that is available to them to be hauled. 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 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. Ocean cargo carriers are generally paid contractually agreed-upon fixed rates per load. 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 27, 2014, either provided by the BCO Independent Contractors or owned or leased by the Company and made available primarily to BCO Independent Contractors. In general, Truck Brokerage Carriers utilize their own trailing equipment when providing transportation services on behalf of Landstar. Truck Brokerage Carrier trailing equipment is not included in the following table:

Trailers by Type	
Vans	10,393
Unsided/platform, including flatbeds, step decks, drop decks and low boys	3,242
Temperature-controlled	97
Total	13,732

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 the largest fleet of heavy/specialized trailing equipment in the United States.

At December 27, 2014, 8,953 of the trailers available to the BCO Independent Contractors were owned by the Company and 852 were leased. In addition, at December 27, 2014, 3,927 trailers were provided by the BCO Independent Contractors.

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 42% and 41%, respectively, of consolidated revenue during fiscal years 2014 and 2013. Management believes that the Company's overall size, technological 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 are also using 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 10 transportation service providers, including 3PLs, included in the Company's top 25 customers for the fiscal year 2014. 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 3% of the Company's 2014 revenue.

Technology

Management believes leadership in the development and application of information technology systems is an ongoing part of providing high quality service. Landstar focuses on providing integrated transportation management solutions which emphasize customer service and information coordination among its independent commission sales agents, customers and capacity providers. The Company continues to focus on identifying, purchasing or developing and implementing software applications which are designed to improve its operational and administrative efficiency, assist its independent commission sales agents in sourcing capacity and pricing transportation services, assist customers in meeting their transportation needs and assist its third party capacity providers in identifying desirable freight. Landstar intends to continue to improve its systems and technologies to meet the total needs of its agents, customers and third party capacity providers.

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 technological 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, sales administration and pricing, customer billing, accounts receivable collections, third party capacity payment, safety and operator and equipment compliance management, insurance claims handling, coordination of vendor discount programs and third party capacity quality 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.

Competition

Landstar competes primarily in the transportation and logistics services industry with truckload carriers, third party logistics companies, 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 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 and availability of a wide range of equipment, together with its geographically dispersed local independent agent network and wide range of service offerings, 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. For commercial trucking claims, Landstar retains liability up to $5,000,000 per occurrence. The Company also retains liability of up to $1,000,000 for each general liability claim, $250,000 for each workers' compensation claim and up to $250,000 for each cargo claim. 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 selected.

Interstate motor carrier operations are subject to safety requirements prescribed by the FMCSA. Each driver, whether a BCO Independent Contractor or 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.

In addition, 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.

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

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.

Seasonality

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than for the quarters ending in June, September and December.

Employees

As of December 27, 2014, the Company and its subsidiaries employed 1,211 individuals. Approximately 7 Landstar Ranger drivers (out of a Company total of 8,932 drivers for BCO Independent Contractors) are members of the International Brotherhood of Teamsters. The Company considers relations with its employees to be good.

Item 1A. ***Risk Factors***

Increased severity or frequency of accidents and other 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. For commercial trucking claims, Landstar retains liability up to $5,000,000 per occurrence. The Company also retains liability of up to $1,000,000 for each general liability claim, $250,000 for each workers' compensation claim and up to $250,000 for each cargo claim. 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 specific per occurrence limits, 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 on a per occurrence basis 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 losses experienced by the Company at various levels of self-insured retention. To the extent that the third party insurance companies propose increases to their premiums for coverage of commercial trucking claims, the Company may pay such increased premiums or increase its financial exposure on an aggregate or per occurrence basis, including by increasing the amount of its self-insured retention. However, to the extent the third party insurance companies propose reduced premiums for coverage of commercial trucking claims, the Company may reduce its financial exposure on an aggregate or per occurrence basis, including by decreasing the amount of its self-insured retention. In addition, no assurance can be given that insurance coverage from third party insurers for claims in excess of its current $5 million self-insured retention 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 2014, 525 agents generated revenue for Landstar of at least $1 million each (the "Million Dollar Agents"), or approximately 92% of Landstar's consolidated revenue. Landstar competes with motor carriers and other third parties for the services of these 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 non-compete provisions 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 — Transportation 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 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, 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 the customers, could have a material adverse effect on Landstar, including its results of operations and revenue.

Decreased demand for transportation services. 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 cause a reduction in the volume of freight shipped by those customers, the Company's operating results could be materially adversely affected.

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 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 and freight rates, which are influenced significantly by the economic environment, particularly the amount of available transportation capacity and freight demand. Historically, competition has created downward pressure on freight rates. In addition, many large shippers are using third party logistics providers ("3PLs") other than the Company to outsource the management and coordination of their transportation needs rather than directly arranging for transportation services with carriers. As noted above, there were 10 transportation service providers, including 3PLs, included in the Company's top 25 customers for the fiscal year ended December 27, 2014. 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 decrease in freight rates could have a material adverse effect on Landstar, including its revenue and operating income.

Status of independent contractors. From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefits available to employees. Currently, most individuals are classified as employees or independent contractors for employment tax purposes 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, 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. Although management believes that there are no proposals currently pending that would significantly change the employee/independent contractor classification of BCO Independent Contractors or independent commission sales agents currently doing business with the Company, potential changes, if any, with respect to these BCO Independent Contractor and independent commission sales agent classifications could have a material adverse effect on Landstar's operating model. Moreover, 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.

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. 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 possible regulatory and legislative changes (such as increasingly stringent environmental, climate change and/or safety/security regulations or limits on vehicle weight and size) that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload or other transportation or logistics services.

In particular, the FMCSA is consistently proposing regulatory changes that affect the operation of commercial motor carriers across the United States. The FMSCA has established the Compliance Safety Accountability (CSA) motor carrier oversight program. The Company believes the intent of this program is to improve regulatory oversight of motor carriers and commercial drivers using a safety measurement system methodology that is fundamentally different from the methodology that the FMCSA has historically relied upon. Under CSA, the FMCSA monitors seven Behavior Analysis and Safety Improvement Categories, or BASICs, under which a motor carrier may be evaluated. Since the introduction of CSA in December 2010, the FMCSA has considered and implemented changes to the methodologies used to determine carrier scores within a BASIC as well as to the BASICs, themselves. The FMCSA has also established threshold scores for each 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 audit by FMSCA. BASIC scores in excess of applicable thresholds may also adversely affect a motor carrier's overall safety rating and its relationships with shippers. The FMSCA has also recently implemented changes to the hours of service regulations which govern the work hours of commercial drivers and has a number of other proposals that it has announced are in process, including a rule which may mandate the use of electronic logging devices in over-the-road commercial motor vehicles. It is difficult to predict which and in what form CSA or any other FMCSA regulations may be implemented, modified or enforced and what impact any such regulation may have on motor carrier operations or the aggregate number of trucks that provide hauling capacity to the Company.

In addition, recent focus on climate change and related environmental 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 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. The Company currently is in a multi-year process of replacing its entire fleet of van trailing equipment to remain CARB-compliant. Further, CARB has established regulations 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. 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. Moreover, increased regulation on tractor or trailing equipment specifications, including emissions created by diesel engines, could create substantial costs on the Company and 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 new regulations without a corresponding increase in price to the customer could adversely affect Landstar, including its results of operations and financial condition.

Disruptions or failures in the Company's computer systems. 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 U.S. 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, agents and third party capacity providers, including its BCO Independent Contractors. 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.

Dependence on key vendors. As described above under "*Dependence on third party insurance companies*" and "*Disruptions or failures in the Company's computer systems,*" 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.

Potential changes in fuel taxes. From time to time, various legislative proposals are introduced to increase federal, state, or local taxes, including taxes on motor fuels. The Company cannot predict whether, or in what form, any increase in such taxes applicable to the transportation services provided by the Company will be enacted and, if enacted, 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 and intermodal 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.

Catastrophic loss of a Company facility. The Company faces the risk of a catastrophic loss of the use of all or a portion of its facilities located in Jacksonville, Florida and Rockford, Illinois due to hurricanes, flooding, tornados, other weather conditions, natural disasters, terrorist attacks or otherwise. The Company's corporate headquarters and approximately two-thirds of the Company's employees are located in its Jacksonville, Florida facility. In particular, a significant hurricane or similar catastrophic event that impacts the Jacksonville, Florida metropolitan area could significantly disrupt the Company's operations and impose significant costs on the Company.

Although the Company maintains insurance covering its facilities, including business interruption insurance, the Company's insurance may not be adequate to cover all losses that may be incurred in the event of a catastrophic loss of one of the Company's facilities. In addition, such insurance, including 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.

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.

Unclaimed property. The Company is subject to federal and state laws relating to abandoned and unclaimed property. States routinely audit the records of companies to assess compliance with such laws. The

Company is currently undergoing a multi-state unclaimed property audit, the timing and outcome of which cannot be predicted. The Company may incur significant professional fees in connection with the audit. If the Company is found to be in noncompliance with applicable unclaimed property laws or the manner in which such laws are interpreted or applied, states may determine that they are entitled to the remittance by the Company of significant amounts of unclaimed or abandoned property and further may seek to impose other significant costs on the Company, including penalties and interest.

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

None.

Item 2. ***Properties***

The Company owns or leases various properties in the U.S. 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 Jacksonville, Florida and Rockford, Illinois facilities are owned by the Company. 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***

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

Item 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 following table sets forth the high and low reported sale prices for the Common Stock on the NASDAQ Global Select Market and the per share value of dividends declared for the periods indicated.

	2014 Market Price		2013 Market Price		Dividends Declared		
Fiscal Period	High	Low	High	Low	2014	2013	2012
First Quarter	$61.92	$56.00	$59.97	$51.45	$0.060	$ —	$0.055
Second Quarter	65.79	58.29	57.45	50.39	0.060	—	0.055
Third Quarter	73.95	63.32	57.94	51.47	0.070	—	0.060
Fourth Quarter	81.80	67.93	58.84	53.56	1.070	0.350	0.560

The reported last sale price per share of the Common Stock as reported on the NASDAQ Global Select Market on January 23, 2015 was $66.23 per share. As of such date, Landstar had 44,794,486 shares of Common Stock outstanding and had 71 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 Company did not purchase any shares of its Common Stock during the period from September 28, 2014 to December 27, 2014, the Company's fourth fiscal quarter. On December 11, 2013, Landstar System, Inc. announced that it had been authorized by its Board of Directors to increase the number of shares of the Company's Common Stock that the Company is authorized to purchase from time to time in the open market and in privately negotiated transactions under a previously announced purchase program to 3,000,000 shares. As of December 27, 2014, the Company has authorization to purchase 1,827,782 shares of its Common Stock under this program. No specific expiration date has been assigned to the December 11, 2013 authorization.

Dividends

During 2014, Landstar paid dividends as follows:

Dividend Amount per Share	Declaration Date	Record Date	Payment Date
$0.35	December 10, 2013	December 27, 2013	January 16, 2014
$0.06	January 29, 2014	February 18, 2014	March 14, 2014
$0.06	April 23, 2014	May 8, 2014	May 30, 2014
$0.07	July 22, 2014	August 11, 2014	August 29, 2014
$0.07	October 2, 2014	November 11, 2014	December 5, 2014

The Company did not pay cash dividends during fiscal year 2013. Dividends payable of $0.35 per share, or of $15,921,000 in the aggregate, was included in current liabilities in the consolidated balance sheet at December 28, 2013. On December 4, 2014, the Company announced that its Board of Directors declared a special dividend of $1.00 per share payable on January 26, 2015, to stockholders of record of its Common Stock as of January 12, 2015. Dividends payable of $44,794,000 in the aggregate related to this special dividend are included in current liabilities in the consolidated balance sheet at December 27, 2014. On January 29, 2015, the Company announced the declaration of a quarterly dividend of $0.07 per share payable on March 13, 2015, to stockholders of record on February 16, 2015. It is currently the intention of the Board of Directors to pay a quarterly dividend going forward.

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On June 29, 2012, Landstar entered into a credit agreement with a syndicate of banks and JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement provides for a restriction on cash dividends and other distributions to stockholders on the Company's capital stock in the event there is a default under the Credit Agreement. In addition, the Credit Agreement, under certain circumstances, limits the amount of such cash dividends and other distributions to stockholders to the extent that, after giving effect to any payment made to effect such cash dividend or other distribution, the Leverage Ratio, as defined in the Credit Agreement, would exceed 2.5 to 1 on a pro forma basis as of the end of the Company's most recently completed fiscal quarter.

Equity Compensation Plan Information

The Company maintains two stock compensation plans for members of its Board of Directors and two employee equity incentive plans. The following table presents information related to securities authorized for issuance under these plans at December 27, 2014:

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	773,839	$ 46.92	4,821,563
Equity Compensation Plans Not Approved by Security Holders	0	0	0

Under the 2011 Equity Incentive Plan (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 95,531 shares of Common Stock reserved for issuance under the 2013 Directors' Stock Compensation Plan.

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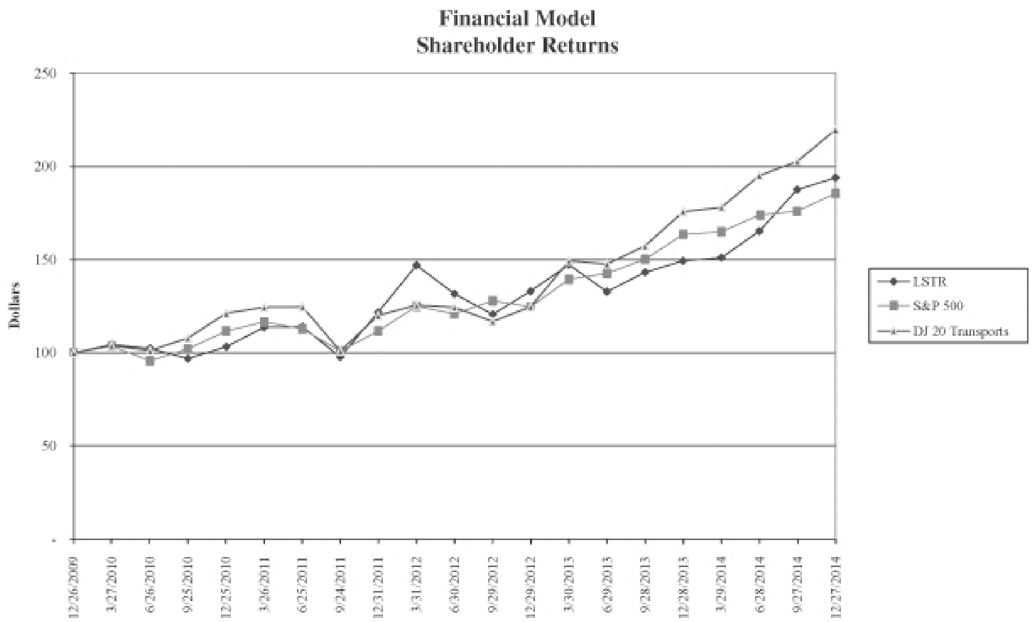
Financial Model Shareholder Returns

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 26, 2009 through December 27, 2014.



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Item 6. ***Selected Financial Data***

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in thousands, except per share amounts)

Income Statement Data:	Fiscal Years 2014	2013	2012	2011	2010
Revenue	$3,184,790	$2,664,780	$2,770,799	$2,628,374	$2,380,112
Investment income	1,381	1,475	1,563	1,705	1,558
Costs and expenses:					
Purchased transportation	2,461,143	2,046,927	2,130,323	2,007,666	1,824,308
Commissions to agents	250,780	211,355	218,122	209,917	181,354
Other operating costs, net of gains/losses on asset dispositions	25,771	21,568	22,582	28,285	26,744
Insurance and claims	46,280	50,438	37,289	42,638	49,156
Selling, general and administrative	150,250	131,710	138,094	136,841	132,839
Depreciation and amortization	27,575	27,667	25,213	23,905	23,165
Total costs and expenses	2,961,799	2,489,665	2,571,623	2,449,252	2,237,566
Operating income	224,372	176,590	200,739	180,827	144,104
Interest and debt expense	3,177	3,211	3,110	3,109	3,624
Income from continuing operations before income taxes	221,195	173,379	197,629	177,718	140,480
Income taxes	82,386	64,457	71,063	66,175	51,223
Income from continuing operations	138,809	108,922	126,566	111,543	89,257
Discontinued operations:					
Income (loss) from discontinued operations, net of income taxes	—	4,058	3,215	1,464	(1,743)
Gain on sale of discontinued operations, net of income taxes	—	33,029	—	—	—
Income (loss) from discontinued operations, net of income taxes	—	37,087	3,215	1,464	(1,743)
Net income	$ 138,809	$ 146,009	$ 129,781	$ 113,007	$ 87,514
Earnings per common share:					
Income from continuing operations	$ 3.09	$ 2.37	$ 2.71	$ 2.35	$ 1.80
Income (loss) from discontinued operations	$ —	$ 0.81	$ 0.07	$ 0.03	$ (0.03)
Earnings per common share	$ 3.09	$ 3.17	$ 2.78	$ 2.38	$ 1.77
Diluted earnings per share:					
Income from continuing operations	$ 3.07	$ 2.36	$ 2.70	$ 2.35	$ 1.80
Income (loss) from discontinued operations	$ —	$ 0.80	$ 0.07	$ 0.03	$ (0.03)
Diluted earnings per share	$ 3.07	$ 3.16	$ 2.77	$ 2.38	$ 1.77
Dividends per common share	$ 1.26	$ 0.35	$ 0.73	$ 0.21	$ 0.19

Balance Sheet Data:	Dec. 27, 2014	Dec. 28, 2013	Dec. 29, 2012	Dec. 31, 2011	Dec. 25, 2010
Total assets	$1,044,212	$970,696	$879,421	$808,449	$683,882
Long-term debt, including current maturities	111,321	101,505	114,141	132,342	121,611
Shareholders' equity	488,261	454,481	379,454	300,577	250,967

The information above for fiscal years 2010, 2011, 2012 and 2013 has been adjusted for the completion of the sale of Landstar Supply Chain Solutions, Inc., including its wholly owned subsidiary, Landstar Supply Chain Solutions LLC (collectively, "LSCS"), to XPO Logistics, Inc. and the treatment of LSCS as a discontinued operation effective December 28, 2013.

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: 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; substantial industry competition; disruptions or failures in the Company's computer systems; dependence on key vendors; changes in fuel taxes; status of independent contractors; regulatory and legislative changes; catastrophic loss of a Company facility; intellectual property; unclaimed 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 of 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. (together, referred to herein as "Landstar" or the "Company"), is an asset-light provider of integrated transportation management solutions. The Company offers services to its customers across multiple transportation modes, with the ability to arrange for individual shipments of freight to enterprise-wide solutions to manage all of a customer's transportation needs. Landstar provides services principally throughout the United States and to a lesser extent in Canada, 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 independent commission sales agents and third party capacity providers linked together by a series of technological applications 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 information technology systems, Landstar operates an integrated transportation management solutions business primarily throughout North America with revenue of $3.2 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 and less-than-truckload 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, project cargo and customs brokerage. Industries serviced by the transportation logistics segment include automotive products, building products, metals, chemicals, foodstuffs, heavy machinery, retail, electronics, ammunition and explosives and military equipment. In addition, the transportation logistics segment provides transportation services to other transportation companies, including logistics and less-than-truckload service providers. Each of the independent commission sales agents has the opportunity to market all of the 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 2014, revenue hauled by BCO Independent Contractors, Truck Brokerage Carriers and railroads represented approximately 48%, 46% and 3%, respectively, of the Company's consolidated revenue. Collectively, revenue hauled by air and ocean cargo carriers represented approximately 2% of the Company's consolidated revenue during 2014.

The insurance segment is comprised of Signature Insurance Company, a wholly owned offshore insurance subsidiary ("Signature"), and Risk Management Claim Services, Inc. This 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 2014.

On December 28, 2013, the Company completed the sale of Landstar Supply Chain Solutions, Inc., a Delaware corporation, including its wholly owned subsidiary, Landstar Supply Chain Solutions LLC (collectively, "LSCS"), to XPO Logistics, Inc. LSCS was previously reported as a unit of the transportation logistics segment. The gain on the sale of LSCS and the operating results of LSCS for the fiscal year 2013 and prior periods have been reclassified in the consolidated financial statements to discontinued operations.

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 safely and efficiently deliver that freight utilizing third party capacity providers. Management believes the most significant factors to the Company's success include increasing revenue, sourcing capacity and controlling costs, including insurance and claims.

While customer demand, which is subject to overall economic conditions, ultimately drives increases or decreases in revenue, the Company primarily relies on its independent commission sales agents to establish customer relationships and generate revenue opportunities. Management's emphasis with respect to revenue growth is on revenue generated by independent commission sales agents who on an annual basis generate $1 million or more of Landstar revenue ("Million Dollar Agents"). Management believes future revenue growth is primarily dependent on its ability to increase both the revenue generated by Million Dollar Agents and the number of Million Dollar Agents through a combination of recruiting new agents and increasing the revenue opportunities generated by existing independent commission sales agents. 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 Year		
	2014	2013	2012
Number of Million Dollar Agents	525	478	504
Average revenue generated per Million Dollar Agent	$5,609,000	$5,081,000	$4,999,000
Percent of consolidated revenue from continuing operations generated by Million Dollar Agents	92%	91%	91%

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 retirement or similar transition actions. 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. In general, the number of agents in the million dollar category who terminate in a given year has been 3% or less of the total number of Million Dollar Agents. In addition, 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 Year		
	2014	2013	2012
Revenue from continuing operations generated through (in thousands):			
Truck transportation			
Truckload:			
Van equipment	$ 1,814,195	$ 1,464,558	$ 1,463,671
Unsided/platform equipment	1,093,999	932,176	1,047,262
Less-than-truckload	80,384	71,769	71,989
Total truck transportation	2,988,578	2,468,503	2,582,922
Rail intermodal	81,220	73,820	73,932
Ocean and air cargo carriers	74,952	85,681	77,898
Other(1)	40,040	36,776	36,047
	$ 3,184,790	$ 2,664,780	$ 2,770,799
Number of loads:			
Truck transportation			
Truckload:			
Van equipment	1,038,517	935,530	938,159
Unsided/platform equipment	444,852	418,982	442,327
Less-than-truckload	96,541	101,498	106,834
Total truck transportation	1,579,910	1,456,010	1,487,320
Rail intermodal	31,640	29,450	29,810
Ocean and air cargo carriers	16,260	16,660	15,390
	1,627,810	1,502,120	1,532,520

	Fiscal Year 2014	2013	2012
Revenue per load:			
Truck transportation			
Truckload:			
Van equipment	$1,747	$1,565	$1,560
Unsided/platform equipment	2,459	2,225	2,368
Less-than-truckload	833	707	674
Total truck transportation	1,892	1,695	1,737
Rail intermodal	2,567	2,507	2,480
Ocean and air cargo carriers	4,610	5,143	5,062
Revenue by capacity type (as a % of total revenue):			
Truck capacity providers			
BCO independent contractors	48%	50%	50%
Truck brokerage carriers	46%	43%	43%
Rail intermodal	3%	3%	3%
Ocean and air cargo carriers	2%	3%	3%
Other	1%	1%	1%

(1) Includes primarily premium revenue generated by the insurance segment.

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 available truck capacity providers as of the end of the three most recent fiscal years:

	Dec. 27, 2014	Dec. 28, 2013	Dec. 29, 2012
BCO Independent Contractors	8,372	7,927	8,010
Truck Brokerage Carriers:			
Approved and active(1)	26,222	21,183	20,922
Other approved	12,135	10,933	10,623
	38,357	32,116	31,545
Total available truck capacity providers	46,729	40,043	39,555
Number of trucks provided by BCO Independent Contractors	8,932	8,432	8,523

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

The Company incurs costs that are directly related to the transportation of freight that include purchased transportation and commissions to agents. The Company incurs indirect costs associated with the transportation of freight that include other operating costs and insurance and claims. In addition, the Company incurs selling, general and administrative costs essential to administering its business operations. Management continually monitors all components of the costs incurred by the Company and establishes annual cost budgets which, in general, are used to benchmark costs incurred on a monthly basis.

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 delivered loads the BCO Independent Contractor hauled. 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 is based on either a negotiated rate for each load hauled or a contractually agreed-upon fixed rate. Purchased transportation paid to air cargo carriers is generally based on a negotiated rate for each load hauled and purchased transportation paid to ocean cargo carriers is generally based on contractually agreed-upon fixed rates. 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 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 hauled by Truck Brokerage Carriers. Purchased transportation costs are recognized upon the completion of freight delivery.

Commissions to agents are based on contractually agreed-upon percentages of revenue or net revenue, defined as revenue less the cost of purchased transportation, or net revenue less a contractually agreed upon percentage of revenue retained by Landstar. Commissions to agents as a percentage of consolidated revenue will vary directly with fluctuations in the percentage of consolidated revenue generated by the various modes of transportation and reinsurance premiums and with changes in net revenue margin, defined as net revenue divided by revenue, on services provided by Truck Brokerage Carriers, railroads, air cargo carriers and ocean cargo carriers. Commissions to agents are recognized upon the completion of freight delivery.

The Company defines gross profit as revenue less the cost of purchased transportation and commissions to agents. Gross profit divided by revenue is referred to as gross profit margin. The Company's operating margin is defined as operating income divided by gross profit.

In general, gross profit margin on revenue hauled by BCO Independent Contractors represents a fixed percentage of revenue 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 hauled by Truck Brokerage Carriers, gross profit margin is either fixed or variable as a percent of revenue, depending on the contract with each individual independent commission sales agent. Under certain contracts with independent commission sales agents, the Company retains a fixed percentage of revenue and the agent retains the amount remaining less the cost of purchased transportation (the "retention contracts"). Gross profit margin on revenue 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 net revenue for these types of loads. Approximately 56% of the Company's consolidated revenue in 2014 was generated under contracts that have a fixed gross profit margin while 44% was under contracts that have a variable gross profit margin.

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

With respect to insurance and claims cost, potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. For commercial trucking claims, Landstar retains liability up to $5,000,000 per occurrence. The Company also retains liability of up to $1,000,000 for each general liability claim, $250,000 for each workers' compensation claim and up to $250,000 for each cargo claim. 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.

During the 2014 fiscal year, employee compensation and benefits accounted for over seventy percent of the Company's selling, general and administrative costs.

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

The following table sets forth the percentage relationship of purchased transportation and commissions to agents, both being direct costs, to revenue and indirect costs as a percentage of gross profit for the periods indicated:

	Fiscal Year		
	2014	2013	2012
Revenue	100.0%	100.0%	100.0%
Purchased transportation	77.3	76.8	76.9
Commissions to agents	7.9	7.9	7.9
Gross profit margin	14.8%	15.3%	15.2%
Gross profit	100.0%	100.0%	100.0%
Investment income	0.3	0.4	0.4
Indirect costs and expenses:			
Other operating costs, net of gains on asset dispositions	5.4	5.3	5.3
Insurance and claims	9.8	12.4	8.8
Selling, general and administrative	31.8	32.4	32.7
Depreciation and amortization	5.8	6.8	6.0
Total costs and expenses	52.8	56.9	52.8
Operating margin	47.4%	43.4%	47.5%

Management believes that a discussion of indirect costs as a percentage of gross profit is useful and meaningful to potential investors for the following principal reasons: (1) disclosure of these relative measures (i.e., each indirect operating cost line item as a percentage of gross profit) allows investors to better understand the underlying trends in Landstar's results of operations; (2) due to the generally fixed nature of these indirect costs (other than insurance and claims costs), these relative measures are meaningful to investors' evaluations of the Company's management of its indirect costs attributable to operations; (3) management considers this financial information in its decision-making, such as budgeting for infrastructure, trailing equipment and selling, general and administrative costs; and (4) this information facilitates comparisons by investors of Landstar's results to the results of other non-asset or asset-light companies in the transportation and logistics services industry who report "net revenue" in Management Discussion and Analysis, which represents revenue less the cost of purchased transportation. The difference between Landstar's use of the term "gross profit" and the use of the term "net revenue" by other companies in the transportation and logistics services industry is due to the direct cost of commissions to agents under the Landstar business model, whereas other companies in this industry generally have no commissions to agents.

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 a year-over-year basis at less than 2% of consolidated revenue and generally corresponds directly with the number of trucks provided by BCO Independent Contractors. The discussion of indirect 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 27, 2014 Compared to Fiscal Year Ended December 28, 2013

Revenue for fiscal year 2014 was $3,184,790,000, an increase of $520,010,000, or 20%, compared to fiscal year 2013. Transportation revenue increased $517,188,000, or 20%. The increase in transportation revenue was primarily attributable to approximately an 8% increase in the number of loads hauled and increased revenue per load of approximately 10%. 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, were $39,377,000 and $36,555,000 for fiscal years 2014 and 2013, respectively. The increase in revenue from reinsurance premiums was primarily attributable to the net increase in the number of BCO Independent Contractors in 2014.

Truck transportation revenue hauled by BCO Independent Contractors and Truck Brokerage Carriers (together, the “third party truck capacity providers”) for fiscal year 2014, was $2,988,578,000, or 94% of total revenue, an increase of $520,075,000, or 21%, compared to fiscal year 2013. The number of loads hauled by third party truck capacity providers in fiscal year 2014 increased approximately 9% compared to fiscal year 2013, and revenue per load increased approximately 12% compared to fiscal year 2013. The increase in the number of loads hauled via third party truck capacity providers compared to fiscal year 2013 was due to a broad-based increase in underlying demand for truck transportation services and increased market share from new agents. The increase in revenue per load on loads hauled via truck was primarily attributable to increased demand and a tight truck capacity environment. The increase in the number of loads hauled by van equipment of 11% and the increase in the number of loads hauled by unsided/platform equipment of 6% compared to fiscal year 2013 were primarily due to a broad based increase in demand for transportation services in the domestic marketplace and increased market share from new agents. The increase in revenue per load for loads hauled by van equipment of 12% and the increase in revenue per load hauled by unsided/platform equipment of 11% compared to fiscal year 2013 was due to increased demand and tightened capacity. The decrease in the number of LTL loads of 5% compared to fiscal year 2013 was primarily due to the loss of one specific customer. The increase in LTL revenue per load of 18% compared to fiscal year 2013 was primarily due to the loss of one specific customer. Fuel surcharges on Truck Brokerage Carrier revenue identified separately in billings to customers and included as a component of Truck Brokerage Carrier revenue were $121,656,000 and $110,722,000 in fiscal years 2014 and 2013, respectively. Fuel surcharges billed to customers on revenue hauled by BCO Independent Contractors are excluded from revenue.

Transportation revenue hauled by rail intermodal, air cargo and ocean cargo carriers (collectively, the “multimode capacity providers”) for fiscal year 2014, was $156,172,000, or 5% of total revenue, a decrease of $3,329,000, or 2%, compared to fiscal year 2013. The number of loads hauled by multimode capacity providers in fiscal year 2014 increased approximately 4% compared to fiscal year 2013, while revenue per load on revenue hauled by multimode capacity providers decreased approximately 6% over the same period. The increase in loads hauled by multimode capacity providers was primarily due to increased rail intermodal loads. The decrease in revenue per load on revenue hauled by multimode capacity providers was primarily due to decreased project cargo loads hauled by ocean cargo carriers, which typically have a higher revenue per load amount compared to other types of multimode shipments. Also, revenue per load on revenue hauled 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.

Purchased transportation was 77.3% and 76.8% of revenue in fiscal years 2014 and 2013, respectively. The increase in purchased transportation as a percentage of revenue was primarily attributable to an increased rate of purchased transportation paid to Truck Brokerage Carriers as the availability of truck capacity tightened in fiscal year 2014, and an increase in the percentage of revenue hauled by Truck Brokerage Carriers, which typically has a higher rate of purchased transportation than revenue hauled by BCO Independent Contractors. Commissions to agents were 7.9% of revenue in both fiscal years 2014 and 2013.

Investment income was $1,381,000 and $1,475,000 in fiscal years 2014 and 2013, respectively. The decrease in investment income was primarily due to lower average rates of return on investments held by the Company during fiscal year 2014.

Other operating costs increased $4,203,000 in fiscal year 2014 compared to fiscal year 2013 and represented 5.4% of gross profit in fiscal year 2014 compared to 5.3% in fiscal year 2013. The increase in other operating costs compared to the prior year was primarily due to increased trailing equipment costs, an increased provision for contractor bad debt and lower gains on sales of used trailing equipment. The increase in other operating costs as a percent of gross profit was caused by the increase in operating costs, partially offset by the effect of increased gross profit in fiscal year 2014.

Insurance and claims decreased $4,158,000 in fiscal year 2014 compared to fiscal year 2013 and represented 9.8% of gross profit in fiscal year 2014 compared to 12.4% of gross profit in fiscal year 2013. The decrease in insurance and claims compared to prior year was due to net unfavorable development of prior years' claims estimates of $6,664,000 in fiscal year 2014 compared to $10,909,000 in fiscal year 2013. The decrease in insurance and claims as a percentage of gross profit was also due to the effect of increased gross profit in fiscal year 2014.

Selling, general and administrative costs increased $18,540,000 in fiscal year 2014 compared to fiscal year 2013 and represented 31.8% of gross profit in fiscal year 2014 compared to 32.4% of gross profit in fiscal year 2013. The increase in selling, general and administrative costs compared to prior year was due to a $17,793,000 provision for incentive compensation in fiscal year 2014 compared to a $6,145,000 provision in fiscal year 2013, increased stock-based compensation expense and an increased provision for customer bad debt in fiscal year 2014. The decrease in selling, general and administrative costs as a percentage of gross profit, however, was primarily due to the effect of increased gross profit in fiscal year 2014, which more than offset the effect of the increase in selling, general and administrative costs.

Depreciation and amortization decreased $92,000 in fiscal year 2014 compared to fiscal year 2013 and represented 5.8% of gross profit in fiscal year 2014 compared to 6.8% of gross profit in fiscal year 2013. The decrease in depreciation and amortization as a percentage of gross profit was primarily due to the effect of increased gross profit in fiscal year 2014.

Interest and debt expense in fiscal year 2014 was $34,000 lower than fiscal year 2013.

The provisions for income taxes for both fiscal years 2014 and 2013 were based on estimated effective income tax rates of approximately 38.2%, adjusted for discrete events, such as benefits resulting from disqualifying dispositions of the Company's Common Stock by employees who obtained the stock through exercises of incentive stock options. The effective income tax rate on income from continuing operations for both fiscal years 2014 and 2013 was 37.2%, which was higher than the statutory federal income tax rate primarily as a result of state taxes, the meals and entertainment exclusion and non-deductible stock-based compensation, partially offset by recognition of benefits related to certain tax matters.

Net income was $138,809,000, or $3.09 per common share ($3.07 per diluted share), in fiscal year 2014. Income from continuing operations was $108,922,000, or $2.37 per common share ($2.36 per diluted share), in fiscal year 2013. Net income was $146,009,000, or $3.17 per common share ($3.16 per diluted share), in fiscal year 2013.

Fiscal Year Ended December 28, 2013 Compared to Fiscal Year Ended December 29, 2012

Revenue for fiscal year 2013 was $2,664,780,000, a decrease of $106,019,000, or 4%, compared to fiscal year 2012. Transportation revenue decreased $106,713,000, or 4%. The decrease in transportation revenue was primarily attributable to a 2% decrease in each of the number of loads hauled and revenue per load. 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, were $36,555,000 and $35,861,000 for fiscal years 2013 and 2012, respectively.

Truck transportation revenue hauled by BCO Independent Contractors and Truck Brokerage Carriers for fiscal year 2013, was $2,468,503,000, or 93% of total revenue, a decrease of $114,419,000, or 4%, compared to fiscal year 2012. The number of loads hauled and revenue per load from loads hauled by third party truck capacity providers in fiscal year 2013 each decreased approximately 2% compared to fiscal year 2012. The decrease in the number of loads hauled by third party truck capacity providers compared to fiscal 2012 was primarily due to general softness in demand for transportation services provided via unsided/platform equipment and, to a lesser extent, transportation services provided via van equipment. The decrease in revenue per load on revenue hauled by third party truck capacity providers was due to a decrease in the number of loads hauled on unsided/platform equipment, which typically has a higher revenue per load, and a decrease in revenue per load on loads hauled on unsided/platform equipment. Fuel surcharges on Truck Brokerage Carrier revenue identified separately in billings to customers and included as a component of Truck Brokerage Carrier revenue were $110,722,000 and $114,426,000 in fiscal years 2013 and 2012, respectively. Fuel surcharges billed to customers on revenue hauled by BCO Independent Contractors are excluded from revenue.

Transportation revenue hauled by rail intermodal, air cargo and ocean cargo carriers for fiscal year 2013, was $159,501,000, or 6% of total revenue, an increase of $7,671,000, or 5%, compared to fiscal year 2012. The number of loads hauled by multimode capacity providers in fiscal year 2013 increased approximately 2% compared to fiscal year 2012, and revenue per load on revenue hauled by multimode capacity providers increased approximately 3% over the same period. Revenue per load on revenue hauled 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.

Purchased transportation was 76.8% and 76.9% of revenue in fiscal years 2013 and 2012, respectively. The decrease in purchased transportation as a percentage of revenue was primarily attributable to an increase in the percentage of revenue contributed by the insurance segment, which has no transportation costs. Commissions to agents were 7.9% of revenue in both fiscal years 2013 and 2012.

Investment income was $1,475,000 and $1,563,000 in fiscal years 2013 and 2012, respectively. The decrease in investment income was primarily due to lower average rates of return on investments held by the Company during fiscal year 2013.

Other operating costs decreased $1,014,000 in fiscal year 2013 compared to fiscal year 2012 and represented 5.3% of gross profit in both fiscal years 2013 and 2012. The decrease in other operating costs compared to prior year was primarily due to decreased trailing equipment maintenance costs, partially offset by an increased provision for contractor bad debt.

Insurance and claims costs increased $13,149,000 in fiscal year 2013 compared to fiscal year 2012 and represented 12.4% of gross profit in fiscal year 2013 compared to 8.8% of gross profit in fiscal year 2012. The increase in insurance and claims costs compared to prior year was due to net unfavorable development of prior years' claims estimates of $10,909,000, which primarily related to three claims, in fiscal year 2013 compared to $11,000 of net unfavorable development of prior years' claims in fiscal year 2012. The increase in insurance and claims as a percentage of gross profit compared to prior year was due to increased net unfavorable development of prior years' claims estimates in fiscal year 2013 compared to fiscal year 2012.

Selling, general and administrative costs decreased $6,384,000 in fiscal year 2013 compared to fiscal year 2012 and represented 32.4% of gross profit in fiscal year 2013 and 32.7% of gross profit in fiscal year 2012. The decrease in selling, general and administrative costs was primarily attributable to a decreased provision for bonuses under the Company's incentive compensation plan, a decrease in the provision for customer bad debt, and decreased stock-based compensation expense. The decrease in selling, general and administrative costs as a percentage of gross profit was caused by the decrease in selling, general and administrative costs, partially offset by the effect of decreased gross profit in fiscal year 2013.

Depreciation and amortization increased $2,454,000 in fiscal year 2013 compared to fiscal year 2012 and represented 6.8% of gross profit in fiscal year 2013 and 6.0% of gross profit in fiscal year 2012. The increase in depreciation and amortization was primarily due to depreciation on new trailing equipment that replaced older, fully depreciated trailing equipment in fiscal year 2013. The increase in depreciation and amortization as a percentage of gross profit was also due to the effect of decreased gross profit in fiscal year 2013.

Interest and debt expense in fiscal year 2013 was $101,000 higher than fiscal year 2012. The increase in interest and debt expense was primarily attributable to higher average capital lease obligations related to financing the purchase of trailing equipment during 2013, partially offset by decreased average borrowings on the Company's revolving credit facility.

The provisions for income taxes for both fiscal years 2013 and 2012 were based on estimated combined effective income tax rates of 38.2%, adjusted for discrete events, such as benefits resulting from disqualifying dispositions of the Company's Common Stock by employees who obtained the stock through exercises of incentive stock options and benefits relating to uncertain tax positions for which the applicable statute of limitations expired. The effective income tax rates on income from continuing operations for fiscal years 2013 and 2012 were 37.2% and 36.0%, respectively, which were higher than the statutory federal income tax rate primarily as a result of state taxes, the meals and entertainment exclusion and non-deductible stock-based compensation, partially offset by recognition of benefits related to certain tax matters. The increase in the effective income tax rate in fiscal year 2013 compared to fiscal year 2012 was primarily due to decreased benefits relating to uncertain tax positions recognized in fiscal year 2013 compared to fiscal year 2012.

Income from continuing operations was $108,922,000, or $2.37 per common share ($2.36 per diluted share), in fiscal year 2013. Income from continuing operations was $126,566,000, or $2.71 per common share ($2.70 per diluted share), in fiscal year 2012.

Income from discontinued operations of $37,087,000, or $0.81 per common share ($0.80 per diluted share) in fiscal year 2013 included a gain on sale of $33,029,000, or $0.72 per common share ($0.71 per diluted share), net of income taxes of $19,145,000, and income from operations of $4,058,000, or $0.09 per common share ($0.09 per diluted share), net of income taxes of $2,615,000. Income from discontinued operations was $3,215,000, or $0.07 per common share ($0.07 per diluted share), net of income taxes of $1,905,000, in fiscal year 2012.

Net income was $146,009,000, or $3.17 per common share ($3.16 per diluted share), in fiscal year 2013. Net income was $129,781,000, or $2.78 per common share ($2.77 per diluted share), in fiscal year 2012.

Capital Resources and Liquidity

Working capital and the ratio of current assets to current liabilities were $321,877,000 and 1.8 to 1, respectively, at December 27, 2014, compared with $306,808,000 and 1.8 to 1, respectively, at December 28, 2013, and $247,605,000 and 1.7 to 1, respectively, at December 29, 2012. 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 of continuing operations was $101,869,000, $152,645,000, and $120,331,000 in 2014, 2013 and 2012, respectively. The decrease in cash flow provided by operating activities of continuing operations for 2014 compared to 2013 was primarily attributable to the increase in trade receivables since the beginning of the fiscal year 2014 generally driven by the significant growth in revenue in 2014. The increase in cash flow provided by operating activities of continuing operations for 2013 compared to 2012 was primarily attributable to the timing of payments.

The Company declared and paid $0.26 per share, or $11,685,000 in the aggregate, in cash dividends during 2014 and, during such period, also paid $15,921,000 of dividends payable which were declared during fiscal year 2013 and included in current liabilities in the consolidated balance sheet at December 28, 2013. In addition, on December 4, 2014, the Company announced that its Board of Directors declared a special cash dividend of $1.00 per share, or $44,794,000 in the aggregate, payable on January 26, 2015, to stockholders of record as of January 12, 2015. Dividends payable of $44,794,000 related to this special dividend was included in current liabilities in the consolidated balance sheet at December 27, 2014. The Company did not pay any cash dividends during 2013. The Company paid $0.73 per share, or $33,981,000 in the aggregate, in cash dividends during 2012. During 2014, the Company purchased 939,872 shares of its Common Stock at a total cost of $56,393,000. During 2013 and 2012, the Company purchased 1,116,673 and 524,674 shares of its Common Stock at a total cost of $59,496,000 and $25,826,000, respectively. The Company has used cash provided by operating activities and borrowings on the Company's revolving credit facilities to fund the purchases. Since January 1997, the Company has purchased approximately $1,167,000,000 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 27, 2014, the Company may purchase up to an additional 1,827,782 shares of its Common Stock under its authorized stock purchase program. Long-term debt, including current maturities, was $111,321,000 at December 27, 2014, compared to $101,505,000 at December 28, 2013 and $114,141,000 at December 29, 2012.

Shareholders' equity was $488,261,000, or 81% of total capitalization (defined as long-term debt including current maturities plus equity), at December 27, 2014, compared to $454,481,000, or 82% of total capitalization, at December 28, 2013 and $379,454,000, or 77% of total capitalization, at December 29, 2012. The increase in equity in 2014 over 2013 was primarily a result of net income, partially offset by purchases of shares of the Company's Common Stock and dividends declared by the Company. The increase in equity in 2013 over 2012 was primarily a result of net income, including the gain on the sale of discontinued operations, partially offset by purchases of shares of the Company's Common Stock and dividends declared by the Company.

On June 29, 2012, Landstar entered into a credit agreement with a syndicate of banks and JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement, which matures on June 29, 2017, provides $225,000,000 of borrowing capacity in the form of a revolving credit facility, $75,000,000 of which may be utilized in the form of letter of credit guarantees.

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 defined 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 25% or more of the outstanding capital stock of the Company or obtains power to elect a majority of the Company's directors. 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 27, 2014, the Company had no borrowings outstanding and $33,042,000 of letters of credit outstanding under the Credit Agreement. At December 27, 2014, there was $191,958,000 available for future borrowings under the Credit Agreement. In addition, the Company has $63,761,000 in letters of credit

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outstanding as collateral for insurance claims that are secured by investments totaling $70,846,000 at December 27, 2014. Investments, all of which are carried at fair value, include primarily investment-grade bonds 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 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 internal 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 2014, 2013 and 2012, the Company's continuing operations purchased $10,539,000, $6,373,000 and $5,388,000, respectively, of operating property and acquired $47,232,000, $49,138,000 and $43,077,000, respectively, of trailing equipment by entering into capital leases. Landstar anticipates acquiring approximately $73,000,000 in operating property, primarily new trailing equipment to replace older trailing equipment and information technology equipment, during fiscal year 2015 either by purchase or lease financing. The Company does not currently anticipate any other significant capital requirements in 2015.

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 program and meet working capital needs.

Contractual Obligations and Commitments

At December 27, 2014, the Company's obligations and commitments to make future payments under contracts, such as debt and lease agreements, were as follows (in thousands):

	Payments Due By Period				
Contractual Obligation	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Capital lease obligations	$115,897	$37,234	$58,709	$19,954	—
Operating lease obligations	1,815	916	730	169	—
Purchase obligations	9,161	3,000	5,027	866	268
	$126,873	$41,150	$64,466	$20,989	$ 268

Capital lease obligations above include $4,576,000 of imputed interest. At December 27, 2014, the Company has gross unrecognized tax benefits of $2,620,000. This amount is excluded from the table above as the Company cannot reasonably estimate the period of cash settlement with the respective taxing authorities. At December 27, 2014, the Company has insurance claims liabilities of $46,002,000. This amount is excluded from the table above as the Company cannot reasonably estimate the period of cash settlement on these liabilities. The short-term portion of the insurance claims liability is reported on the consolidated balance sheets primarily on an actuarially determined basis.

Off-Balance Sheet Arrangements

As of December 27, 2014, the Company had no off-balance sheet arrangements, other than operating leases as disclosed in the table of Contractual Obligations and Commitments above, that have or are reasonably likely to have a current or future material effect on the Company's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Legal Matters

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

Critical Accounting Policies and Estimates

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. Historically, management's estimates for uncollectible receivables have been materially correct. Although management believes the amount of the allowance for both trade and other receivables at December 27, 2014 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. In addition, liquidity concerns and/or unanticipated bankruptcy proceedings at any of the Company's larger customers in which the Company is carrying a significant receivable could result in an increase in the provision for uncollectible receivables and have a significant impact on the Company's results of operations in a given quarter or year. However, it is not expected that an uncollectible accounts receivable resulting from an individual customer would have a significant impact on the Company's financial condition. Conversely, a more robust economic environment or the recovery of a previously provided for uncollectible receivable from an individual customer may result in the realization of some portion of the estimated uncollectible receivables.

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. During fiscal year 2014, insurance and claims costs included $6,664,000 of net unfavorable adjustments to prior years' claims estimates. During fiscal years 2013 and 2012, insurance and claims costs included $10,909,000 and $11,000 of net unfavorable adjustments to prior years' claims estimates, respectively. The majority of the unfavorable development of prior years' claims in the 2013 and 2014 fiscal years related to four claims. It is reasonably likely that the ultimate outcome of settling all outstanding claims will be more or less than the estimated claims reserve at December 27, 2014.

The Company utilizes certain income tax planning strategies to reduce its overall cost of income taxes. If the Company were to be subject to an audit, it is possible that certain strategies might be disallowed resulting in an increased liability for income taxes. Certain of these tax planning strategies result in a level of uncertainty as to whether the related tax positions taken by the Company would result in a recognizable benefit. The Company has provided for its estimated exposure attributable to such tax positions due to the corresponding level of uncertainty with respect to the amount of income tax benefit that may ultimately be realized. Management believes that the provision for liabilities resulting from the uncertainty in certain income tax positions is appropriate. To date, the Company has not experienced an examination by governmental revenue authorities that would lead management to believe that the Company's past provisions for exposures related to the uncertainty of such income tax positions are not appropriate.

Significant variances from management's estimates for the amount of uncollectible receivables, the ultimate resolution of self-insured claims and the provision for uncertainty in income tax positions could each 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.

Effects of Inflation

Management does not believe inflation has had a material impact on the results of operations or financial condition of Landstar in the past five years. However, inflation in excess of historical trends might have an adverse effect on the Company's results of operations in the future.

Seasonality

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than for the quarters ending June, September and December.

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, and investing activities with respect to investments held by the insurance segment.

On June 29, 2012, Landstar entered into a credit agreement with a syndicate of banks and JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement, which matures on June 29, 2017, provides $225,000,000 of borrowing capacity in the form of a revolving credit facility, $75,000,000 of which may be utilized in the form of letter of credit guarantees.

Depending upon the specific type of borrowing, borrowings under the Credit Agreement bear interest based on either (a) the prime rate, (b) the federal funds effective rate, (c) the rate at the time offered to JPMorgan Chase Bank, N.A. in the Eurodollar market or (d) the London Interbank Offered Rate, plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Credit Agreement. As of December 27, 2014 and during all of the fourth quarter of 2014, the Company had no borrowings outstanding under the Credit Agreement. As of December 28, 2013, the weighted average interest rate on borrowings outstanding was 1.42%. During the fourth quarter of 2013, the average outstanding balance under the Credit Agreement was approximately $10,824,000. The Credit Agreement maturity date is June 29, 2017.

Long-term investments, all of which are available-for-sale and are carried at fair value, include primarily investment-grade bonds and U.S. Treasury obligations having maturities of up to five years. Assuming that the long-term portion of investments remains at $66,462,000, the balance at December 27, 2014, a hypothetical increase or decrease in interest rates of 100 basis points would not have a material impact on future earnings on an annualized basis. Short-term investments consist of short-term investment-grade instruments and the current maturities of investment-grade corporate bonds and 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 operation 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 subsidiary at December 27, 2014 were, as translated to U.S. dollars, approximately 1.5% of total consolidated assets. Accordingly, any translation gain or loss related to the Canadian operation 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. 27, 2014	Dec. 28, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 163,944	$ 180,302
Short-term investments	37,007	34,939
Trade accounts receivable, less allowance of $4,338 and $3,773	492,642	378,732
Other receivables, including advances to independent contractors, less allowance of $4,189 and $4,253	15,132	73,903
Deferred income taxes and other current assets	23,603	14,592
Total current assets	732,328	682,468
Operating property, less accumulated depreciation and amortization of $160,681 and $157,985	202,203	177,329
Goodwill	31,134	31,134
Other assets	78,547	79,765
Total assets	$1,044,212	$ 970,696
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash overdraft	$ 34,629	$ 27,780
Accounts payable	220,077	157,796
Current maturities of long-term debt	35,064	27,567
Insurance claims	24,233	92,280
Dividends payable	44,794	15,921
Other current liabilities	51,654	54,316
Total current liabilities	410,451	375,660
Long-term debt, excluding current maturities	76,257	73,938
Insurance claims	21,769	24,171
Deferred income taxes and other noncurrent liabilities	47,474	42,446
Shareholders' Equity		
Common stock, $0.01 par value, authorized 160,000,000 shares, issued 67,268,817 and 67,017,858 shares	673	670
Additional paid-in capital	189,012	179,807
Retained earnings	1,255,374	1,173,044
Cost of 22,474,331 and 21,528,693 shares of common stock in treasury	(955,613)	(899,028)
Accumulated other comprehensive loss	(1,185)	(12)
Total shareholders' equity	488,261	454,481
Total liabilities and shareholders' equity	$1,044,212	$ 970,696

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share amounts)

	Fiscal Years Ended		
	Dec. 27, 2014	Dec. 28, 2013	Dec. 29, 2012
Revenue	$ 3,184,790	$ 2,664,780	$ 2,770,799
Investment income	1,381	1,475	1,563
Costs and expenses:			
Purchased transportation	2,461,143	2,046,927	2,130,323
Commissions to agents	250,780	211,355	218,122
Other operating costs, net of gains on asset dispositions	25,771	21,568	22,582
Insurance and claims	46,280	50,438	37,289
Selling, general and administrative	150,250	131,710	138,094
Depreciation and amortization	27,575	27,667	25,213
Total costs and expenses	2,961,799	2,489,665	2,571,623
Operating income	224,372	176,590	200,739
Interest and debt expense	3,177	3,211	3,110
Income from continuing operations before income taxes	221,195	173,379	197,629
Income taxes	82,386	64,457	71,063
Income from continuing operations	138,809	108,922	126,566
Discontinued operations:			
Income from discontinued operations, net of income taxes	—	4,058	3,215
Gain on sale of discontinued operations, net of income taxes	—	33,029	—
Income from discontinued operations, net of income taxes	—	37,087	3,215
Net income	$ 138,809	$ 146,009	$ 129,781
Earnings per common share:			
Income from continuing operations	$ 3.09	$ 2.37	$ 2.71
Income from discontinued operations	—	0.81	0.07
Earnings per common share	3.09	3.17	2.78
Diluted earnings per share:			
Income from continuing operations	$ 3.07	$ 2.36	$ 2.70
Income from discontinued operations	—	0.80	0.07
Diluted earnings per share	3.07	3.16	2.77
Average number of shares outstanding:			
Earnings per common share	44,956,000	46,039,000	46,698,000
Diluted earnings per share	45,169,000	46,210,000	46,877,000
Dividends per common share	$ 1.26	$ 0.35	$ 0.73

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Fiscal Years Ended		
	Dec. 27, 2014	Dec. 28, 2013	Dec. 29, 2012
Net income	$138,809	$146,009	$129,781
Other comprehensive (loss) income:			
Unrealized holding (losses) gains on available-for-sale investments, net of tax benefit (expense) of $76, $365 and ($221)	(139)	(664)	400
Foreign currency translation (losses) gains	(1,034)	(718)	243
Other comprehensive (loss) income	(1,173)	(1,382)	643
Comprehensive income	$137,636	$144,627	$130,424

See accompanying notes to consolidated financial statements.

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Fiscal Years Ended		
	Dec. 27, 2014	Dec. 28, 2013	Dec. 29, 2012
OPERATING ACTIVITIES OF CONTINUING OPERATIONS			
Net income	$ 138,809	$ 146,009	$ 129,781
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Discontinued operations	—	(37,087)	(3,215)
Depreciation and amortization of operating property	27,575	27,667	25,213
Non-cash interest charges	218	219	218
Provisions for losses on trade and other accounts receivable	5,315	3,755	4,886
Gains on sales/disposals of operating property	(2,143)	(3,352)	(2,815)
Deferred income taxes, net	5,434	4,700	4,261
Stock-based compensation	6,797	4,911	6,149
Changes in operating assets and liabilities, net of discontinued operations:			
Increase in trade and other accounts receivable	(60,454)	(28,584)	(35,140)
(Increase) decrease in other assets	(9,046)	(1,214)	2,547
Increase in accounts payable	62,281	8,881	13,018
Decrease in other liabilities	(2,468)	(3,308)	(6,857)
(Decrease) increase in insurance claims	(70,449)	30,048	(17,715)
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	101,869	152,645	120,331
INVESTING ACTIVITIES OF CONTINUING OPERATIONS			
Sales and maturities of investments	34,701	38,777	33,028
Purchases of investments	(36,473)	(50,613)	(56,897)
Purchases of operating property	(10,539)	(6,373)	(5,388)
Proceeds from sales of operating property	7,465	9,711	9,730
Proceeds from sale of discontinued operations	—	74,505	—
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(4,846)	66,007	(19,527)
FINANCING ACTIVITIES OF CONTINUING OPERATIONS			
Increase (decrease) in cash overdraft	6,849	2,617	(339)
Dividends paid	(27,606)	—	(33,981)
Proceeds from exercises of stock options	3,760	2,323	4,383
Taxes paid in lieu of shares issued related to stock-based compensation plans	(4,041)	(1,766)	(3,023)
Excess tax effect on stock option exercises	2,500	349	751
Borrowings on revolving credit facility	—	—	60,000
Purchases of common stock	(56,393)	(59,496)	(25,826)
Principal payments on long-term debt and capital lease obligations	(37,416)	(61,774)	(121,278)
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(112,347)	(117,747)	(119,313)
Cash flows from discontinued operations:			
Operating activities of discontinued operations	—	9,368	5,253
Investing activities of discontinued operations	—	(168)	(1,684)
Financing activities of discontinued operations	—	(3,369)	8,081
Net cash provided by discontinued operations	—	5,831	11,650
Effect of exchange rate changes on cash and cash equivalents	(1,034)	(718)	243
(Decrease) increase in cash and cash equivalents	(16,358)	106,018	(6,616)
Cash and cash equivalents at beginning of period	180,302	74,284	80,900
Cash and cash equivalents at end of period	$ 163,944	$ 180,302	$ 74,284

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 27, 2014,
December 28, 2013 and December 29, 2012
(Dollars in thousands)

	Common Stock		Additional		Treasury Stock at Cost		Accumulated Other	
	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Comprehensive Income (Loss)	Total
Balance December 31, 2011	66,602,486	$ 666	$165,712	$ 947,156	19,882,289	$(813,684)	$ 727	$300,577
Net income				129,781				129,781
Dividends paid ($0.73 per share)				(33,981)				(33,981)
Purchases of common stock					524,674	(25,826)		(25,826)
Issuance of stock related to stock-based compensation plans, including excess tax effect	257,378	3	2,115		4,773	(7)		2,111
Stock-based compensation			6,149					6,149
Other comprehensive income							643	643
Balance December 29, 2012	66,859,864	$ 669	$173,976	$1,042,956	20,411,736	$(839,517)	$ 1,370	$379,454
Net income				146,009				146,009
Dividends ($0.35 per share)				(15,921)				(15,921)
Purchases of common stock					1,116,673	(59,496)		(59,496)
Issuance of stock related to stock-based compensation plans, including excess tax effect	157,994	1	920		284	(15)		906
Stock-based compensation			4,911					4,911
Other comprehensive loss							(1,382)	(1,382)
Balance December 28, 2013	67,017,858	$ 670	$179,807	$1,173,044	21,528,693	$(899,028)	$ (12)	$454,481
Net income				138,809				138,809
Dividends ($1.26 per share)				(56,479)				(56,479)
Purchases of common stock					939,872	(56,393)		(56,393)
Issuance of stock related to stock-based compensation plans, including excess tax effect	250,959	3	2,408		5,766	(192)		2,219
Stock-based compensation			6,797					6,797
Other comprehensive loss							(1,173)	(1,173)
Balance December 27, 2014	67,268,817	$ 673	$189,012	$1,255,374	22,474,331	$(955,613)	$ (1,185)	$488,261

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 inter-company accounts have been eliminated in consolidation.

On December 28, 2013, the Company completed the sale of Landstar Supply Chain Solutions, Inc., a Delaware corporation, including its wholly owned subsidiary, Landstar Supply Chain Solutions LLC (collectively, "LSCS"), which was part of the Company's transportation logistics segment, to XPO Logistics, Inc. ("XPO"). The gain on the sale of LSCS and the operating results of LSCS for fiscal year 2013 and prior periods have been reclassified in the consolidated financial statements to discontinued operations.

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

When providing the physical transportation of freight, the Company is the primary obligor with respect to freight delivery and assumes the related credit risk. Accordingly, transportation revenue billed to customers for the physical transportation of freight and the related direct freight expenses are recognized on a gross basis upon completion of freight delivery. 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.

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 for individual commercial trucking claims up to $5,000,000 per occurrence. The Company also retains liability of up to $1,000,000 for each general liability claim, $250,000 for each workers' compensation claim and up to $250,000 for each cargo claim.

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 and Cash Equivalents

Included in cash and cash equivalents are all investments, except those provided for collateral, with an original maturity of 3 months or less.

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, current and non-current insurance claims 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 approximate 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 the "Investments" footnote below. The carrying value of non-current insurance claims approximate fair value as the Company generally has the ability to, but is not required to, settle claims in a short term. The Company's Debt includes borrowings under the Company's revolving credit facility, to the extent there are any, plus borrowings relating to capital lease obligations used to finance trailing equipment. The interest rates on borrowings under the revolving credit facility are typically tied to short-term LIBOR rates that adjust monthly and, as such, carrying value approximates fair value. Interest rates on borrowings under capital 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 27, 2014, December 28, 2013 and December 29, 2012 (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 27, 2014				
Trade receivables	$ 3,773	$ 2,893	$ (2,328)	$ 4,338
Other receivables	4,994	2,414	(2,305)	5,103
Other non-current receivables	222	8	—	230
	$ 8,989	$ 5,315	$ (4,633)	$ 9,671
For the Fiscal Year Ended December 28, 2013				
Trade receivables	$ 8,650	$ 1,801	$ (6,678)	$ 3,773
Other receivables	5,612	1,929	(2,547)	4,994
Other non-current receivables	239	6	(23)	222
	$14,501	$ 3,736	$ (9,248)	$ 8,989
For the Fiscal Year Ended December 29, 2012				
Trade receivables	$ 6,591	$ 4,368	$ (2,309)	$ 8,650
Other receivables	7,768	610	(2,766)	5,612
Other non-current receivables	274	6	(41)	239
	$14,633	$ 4,984	$ (5,116)	$14,501

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 included in other equipment 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 one reporting unit within the transportation logistics segment that reports goodwill. The Company reviews its goodwill balance annually for impairment as a single reporting unit, unless circumstances dictate more frequent assessments, and in accordance with Accounting Standards Update ("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 two-step goodwill impairment test required by ASC Topic 350. In the fourth quarter of 2014, the Company performed the qualitative assessment of goodwill and determined it was more likely than not that the fair value of its reporting unit would be greater than its carrying amount. Therefore, the Company determined it was not necessary to perform the two-step 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 and stock options. 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 value of each share of non-vested restricted stock is based on the fair value of such share on the date of grant and compensation costs for non-vested restricted stock are recognized on a straight-line basis over the requisite service period for the award. The fair value of each RSU is 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 compensation costs for RSUs are recognized over the life of the award based on an estimated number of shares that will vest over the life of the award, multiplied by the fair value of an RSU.

Earnings Per Share

Earnings per common share are based on the weighted average number of shares outstanding, including outstanding non-vested restricted stock. 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.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides a reconciliation of the average number of common shares outstanding used to calculate earnings per common share to the average number of common shares and common share equivalents outstanding used to calculate diluted earnings per share (in thousands):

	Fiscal Year		
	2014	2013	2012
Average number of common shares outstanding	44,956	46,039	46,698
Incremental shares from assumed exercises of stock options	213	171	179
Average number of common shares and common share equivalents outstanding	45,169	46,210	46,877

For the fiscal year ended December 27, 2014, no options outstanding to purchase shares of common stock were antidilutive. For the fiscal years ended December 28, 2013 and December 29, 2012, there were 143,000 and 321,000 options outstanding, respectively, to purchase shares of Common Stock excluded from the calculation of diluted earnings per share because they were antidilutive. Outstanding RSUs were excluded from the calculation of diluted earnings per share for all periods because the performance metric requirements for vesting had not been satisfied.

Dividends Payable

On December 4, 2014, the Company announced that its Board of Directors declared a special cash dividend of $1.00 per share payable on January 26, 2015, to stockholders of record of its Common Stock as of January 12, 2015. Dividends payable of $44,794,000 related to this special dividend are included in current liabilities in the consolidated balance sheet at December 27, 2014. On December 11, 2013, in connection with the sale of LSCS, the Company announced that its Board of Directors declared a special cash dividend of $0.35 per share payable on January 16, 2014, to stockholders of record of its Common Stock as of December 27, 2013. Dividends payable of $15,921,000 related to this special dividend were included in current liabilities in the consolidated balance sheet at December 28, 2013.

Foreign Currency Translation

Assets and liabilities of the Company's Canadian operation 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) Discontinued Operations

On December 28, 2013, the Company completed the sale of Landstar Supply Chain Solutions, Inc., a Delaware corporation, including its wholly owned subsidiary, Landstar Supply Chain Solutions LLC (collectively, "LSCS"), which was part of the Company's transportation logistics segment, to XPO Logistics, Inc. ("XPO"). XPO paid a purchase price of $87.0 million in cash as consideration for LSCS. The net assets of LSCS acquired by XPO were $32.5 million. Direct transaction costs related to the transaction, primarily legal and other professional fees and payments made to certain executives of LSCS in connection with the transaction, were approximately $2.4 million. Net of income taxes of $19.1 million, the sale resulted in a gain on the sale of

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

discontinued operations of $33.0 million, or $0.71 per diluted share in fiscal year 2013. There were no interest costs or corporate overhead expenses allocated in the gain calculation. The gain on the sale of LSCS and the operating results of LSCS for fiscal year 2013 and prior periods have been reclassified in the consolidated financial statements to discontinued operations.

The following table summarizes specific financial components of discontinued operations presented in the consolidated statements of income for the fiscal years ended December 28, 2013 and December 29, 2012 (in thousands):

	Fiscal Year	
	2013	2012
Revenue	$ 21,173	$22,621
Income from discontinued operations before income taxes	$ 6,673	$ 5,120
Gain on sale of discontinued operations before income taxes	52,174	—
Income from discontinued operations before income taxes	58,847	5,120
Income taxes on income from discontinued operations	(2,615)	(1,905)
Income taxes on gain on sale of discontinued operations	(19,145)	—
Income from discontinued operations, net of income taxes	$ 37,087	$ 3,215

(3) Other Comprehensive Income

The following table presents the components of and changes in accumulated other comprehensive income, net of related income taxes, as of and for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 (in thousands):

	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation	Total
Balance as of December 31, 2011	$ 508	$ 219	$ 727
Other comprehensive income	400	243	643
Balance as of December 29, 2012	908	462	1,370
Other comprehensive loss	(664)	(718)	(1,382)
Balance as of December 28, 2013	244	(256)	(12)
Other comprehensive loss	(139)	(1,034)	(1,173)
Balance as of December 27, 2014	$ 105	$ (1,290)	$(1,185)

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 27, 2014, December 28, 2013 and December 29, 2012.

(4) Investments

Investments include primarily investment-grade corporate bonds and U.S. Treasury obligations having maturities of up to five years (the “bond portfolio”). 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 such losses are other-than-temporary. 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 other-than-temporary, are to be included as a charge in the statement of income, while unrealized losses considered to be temporary 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 gains, net of unrealized losses, on the investments in the bond portfolio were $163,000 and $378,000 at December 27, 2014 and December 28, 2013, respectively.

The amortized cost and fair values of available-for-sale investments are as follows at December 27, 2014 and December 28, 2013 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 27, 2014				
Money market investments	$ 1,729	$ —	$ —	$ 1,729
Asset-backed securities	5,106	1	50	5,057
Corporate bonds and direct obligations of government agencies	76,964	491	284	77,171
U.S. Treasury obligations	19,507	14	9	19,512
Total	$103,306	$ 506	$ 343	$103,469
December 28, 2013				
Money market investments	$ 2,499	$ —	$ —	$ 2,499
Asset-backed securities	4,350	19	72	4,297
Corporate bonds and direct obligations of government agencies	76,786	783	370	77,199
U.S. Treasury obligations	18,524	31	13	18,542
Total	$102,159	$ 833	$ 455	$102,537

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For those available-for-sale investments with unrealized losses at December 27, 2014 and December 28, 2013, 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 27, 2014						
Asset-backed securities	$ 2,006	$ 13	$ 2,447	$ 37	$ 4,453	$ 50
Corporate bonds and direct obligations of government agencies	19,354	135	11,373	149	30,727	284
U.S. Treasury obligations	6,992	1	760	8	7,752	9
Total	$28,352	$ 149	$14,580	$ 194	$42,932	$ 343
December 28, 2013						
Asset-backed securities	$ 3,429	$ 72	$ —	$ —	$ 3,429	$ 72
Corporate bonds and direct obligations of government agencies	22,169	370	—	—	22,169	370
U.S. Treasury obligations	757	13	—	—	757	13
Total	$26,355	$ 455	$ —	$ —	$26,355	$ 455

The Company believes that unrealized losses on investments were primarily caused by rising interest rates rather than changes in credit quality. The Company expects to recover 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, the Company does not consider the unrealized losses on these securities to be other-than-temporary at December 27, 2014.

Short-term investments include $37,007,000 in current maturities of investments held by the Company at December 27, 2014. The non-current portion of the bond portfolio of $66,462,000 is included in other assets. The short-term investments, together with $33,839,000 of non-current investments, provide collateral for the $63,761,000 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.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(5) Income Taxes

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

	Fiscal Year 2014	2013	2012
Current:			
Federal	$68,722	$53,089	$64,148
State	7,031	4,643	2,305
Canadian	1,199	683	1,013
Total current	$76,952	$58,415	$67,466
Deferred:			
Federal	$ 5,234	$ 5,758	$ 3,462
State	200	284	135
Total deferred	$ 5,434	$ 6,042	$ 3,597
Income taxes	$82,386	$64,457	$71,063

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

	Dec. 27, 2014	Dec. 28, 2013
Deferred tax assets:		
Receivable valuations	$ 3,623	$ 3,354
Share-based payments	2,939	3,458
Self-insured claims	5,353	5,180
Other	3,616	3,863
Total deferred tax assets	$15,531	$15,855
Deferred tax liabilities:		
Operating property	$46,745	$41,933
Goodwill	5,619	5,553
Other	2,192	1,960
Total deferred tax liabilities	$54,556	$49,446
Net deferred tax liability	$39,025	$33,591

Income from discontinued operations included a deferred tax benefit of $1,342,000 in 2013 and a deferred tax expense of $664,000 in 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the differences between income taxes calculated at the federal income tax rate of 35% on income from continuing operations before income taxes and the provisions for income taxes (in thousands):

	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Income taxes at federal income tax rate	$77,418	$60,683	$69,170
State income taxes, net of federal income tax benefit	4,532	3,260	1,486
Meals and entertainment exclusion	777	919	919
Share-based payments	(239)	184	(122)
Other, net	(102)	(589)	(390)
Income taxes	$82,386	$64,457	$71,063

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 2010 and prior years. The Company's wholly owned Canadian subsidiary, Landstar Canada, Inc., is subject to Canadian income and other taxes.

As of December 27, 2014 and December 28, 2013, the Company had $1,836,000 and $1,583,000, 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 27, 2014 and December 28, 2013 there was $744,000 and $628,000, 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 2015.

The following table summarizes the rollforward of the total amounts of gross unrecognized tax benefits for fiscal years 2014 and 2013 (in thousands):

	Fiscal Year 2014	Fiscal Year 2013
Gross unrecognized tax benefits — beginning of the year	$2,261	$2,329
Gross increases related to current year tax positions	373	303
Gross increases related to prior year tax positions	310	111
Gross decreases related to prior year tax positions	(109)	(104)
Settlements	(34)	(72)
Lapse of statute of limitations	(181)	(306)
Gross unrecognized tax benefits — end of the year	$2,620	$2,261

Landstar paid income taxes of $98,506,000 in 2014, $64,255,000 in 2013 and $71,033,000 in 2012.

(6) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 27, 2014	Dec. 28, 2013
Land	$ 9,148	$ 9,148
Buildings and improvements	38,790	33,160
Trailing equipment	267,685	245,430
Other equipment	47,261	47,576
Total operating property, gross	362,884	335,314
Less accumulated depreciation and amortization	160,681	157,985
Total operating property, net	$202,203	$177,329

Included above is $188,311,000 in 2014 and $144,503,000 in 2013 of operating property under capital leases, $143,311,000 and $116,379,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering into capital leases in the amount of $47,232,000 in 2014, $49,138,000 in 2013 and $43,077,000 in 2012.

(7) Retirement Plan

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full-time employees who have completed one year 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 from continuing operations for the Company-sponsored defined contribution plan included in selling, general and administrative expense was $1,718,000 in 2014, $1,693,000 in 2013 and $1,660,000 in 2012.

(8) Debt

Long-term debt is summarized as follows (in thousands):

	Dec. 27, 2014	Dec. 28, 2013
Capital leases	$111,321	$ 96,505
Revolving credit facility	—	5,000
	111,321	101,505
Less current maturities	35,064	27,567
Total long-term debt	$ 76,257	$ 73,938

On June 29, 2012, Landstar entered into a credit agreement with a syndicate of banks and JPMorgan Chase Bank, N.A., as administrative agent (the "Credit Agreement"). The Credit Agreement, which matures on June 29, 2017, provides $225,000,000 of borrowing capacity in the form of a revolving credit facility, $75,000,000 of which may be utilized in the form of letter of credit guarantees. Borrowings under the Credit Agreement are unsecured, however, all but two of the Company's subsidiaries guarantee the obligations under the Credit Agreement. Any future amounts that may become outstanding under the Credit Agreement are payable on June 29, 2017, the maturity date of the Credit Agreement.

Depending upon the specific type of borrowing, borrowings under the Credit Agreement bear interest based on either (a) the prime rate, (b) the federal funds effective rate, (c) the rate at the time offered to JPMorgan Chase Bank, N.A. in the Eurodollar market or (d) the London Interbank Offered Rate, plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Credit Agreement. The unused portion of the revolving credit facility under the Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio. The commitment fee for the unused portion of the revolving credit facility under the Credit Agreement ranges from .15% to .35%, based on achieving certain levels of the Leverage Ratio. As of December 27, 2014, the Company had no borrowings outstanding under the Credit Agreement. As of December 28, 2013, the weighted average interest rate on borrowings outstanding was 1.42%.

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 defined 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 25% or more of the outstanding capital stock of the Company or obtains power to elect a majority of the Company's directors. 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 LIBOR rates that adjust monthly and, as such, carrying value approximates fair value. Interest rates on borrowings under capital 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 $3,229,000 in 2014, $3,175,000 in 2013 and $3,156,000 in 2012.

(9) Leases

The future minimum lease payments under all noncancelable leases at December 27, 2014, principally for trailing equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
2015	$ 37,234	$ 916
2016	34,453	532
2017	24,256	198
2018	14,111	115
2019	5,843	54
	115,897	$ 1,815
Less amount representing interest (2.0% to 3.9%)	4,576	
Present value of minimum lease payments	$111,321	

Total rent expense/income from continuing operations, net of sublease income, was $587,000 income in 2014, $1,238,000 income in 2013 and $497,000 expense in 2012.

(10) Share-Based Payment Arrangements

As of December 27, 2014, the Company had two employee equity incentive plans, the 2002 employee stock option and stock incentive plan (the “ESOSIP”) and the 2011 equity incentive plan (the “2011 EIP”). No further grants can be made under the ESOSIP. The Company also has two stock compensation plans for members of its Board of Directors, the 2003 Directors Stock Compensation Plan (the “2003 DSCP”) and the 2013 Directors Stock Compensation Plan (the “2013 DSCP”). The provisions of the 2013 DSCP are substantially similar to the provisions of the 2003 DSCP. 115,000 shares of the Company’s Common Stock were authorized for issuance under the 2013 DSCP. No further grants can be made under the 2003 DSCP. The ESOSIP, 2011 EIP, 2003 DSCP and 2013 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		
	2014	2013	2012
Total cost of the Plans during the period	$ 6,797	$ 4,911	$ 6,149
Amount of related income tax benefit recognized during the period	(3,171)	(1,305)	(2,398)
Net cost of the Plans during the period	$ 3,626	$ 3,606	$ 3,751

Included in income tax benefits recognized in the fiscal years ended December 27, 2014 and December 28, 2013 were income tax benefits of $659,000 and $502,000, respectively, recognized on disqualifying dispositions of the Company’s Common Stock by employees who obtained shares of Common Stock through exercises of incentive stock options.

As of December 27, 2014, there were 95,531 shares of the Company’s Common Stock reserved for issuance under the 2013 DSCP and 5,925,501 shares of the Company’s Common Stock reserved for issuance in the aggregate under the ESOSIP and 2011 EIP.

Stock Options

Options granted 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 with the following weighted average assumptions for grants made in 2014, 2013 and 2012:

	2014	2013	2012
Expected volatility	26.0%	32.0%	34.0%
Expected dividend yield	0.43%	0.41%	0.42%
Risk-free interest rate	1.50%	0.75%	0.90%
Expected lives (in years)	4.0	4.0	4.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company utilizes 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 weighted average grant date fair value of stock options granted during 2014, 2013 and 2012 was $12.70 per share, $14.21 per share and $13.99 per share, respectively.

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 31, 2011	2,326,776	$ 40.11	1,110,743	$ 39.74
Granted	329,500	$ 52.03		
Exercised	(846,294)	$ 39.47		
Forfeited	(28,800)	$ 43.23		
Options at December 29, 2012	1,781,182	$ 42.56	661,865	$ 40.64
Granted	152,500	$ 56.40		
Exercised	(421,066)	$ 40.52		
Forfeited	(57,800)	$ 43.90		
Options at December 28, 2013	1,454,816	$ 44.55	693,516	$ 42.29
Granted	1,000	$ 58.06		
Exercised	(615,077)	$ 41.27		
Forfeited	(66,900)	$ 47.51		
Options at December 27, 2014	773,839	$ 46.92	379,389	$ 44.61

The following tables summarize stock options outstanding and exercisable at December 27, 2014:

	Options Outstanding		
Range of Exercise Prices Per Share	Number Outstanding	Weighted Average Remaining Contractual Term (years)	Weighted Average Exercise Price per Share
$35.64 - $ 40.00	110,312	4.7	$ 37.13
$40.01 - $ 45.00	275,921	4.4	$ 42.29
$45.01 - $ 58.06	387,606	7.1	$ 53.00
	773,839	5.8	$ 46.92

	Options Exercisable		
Range of Exercise Prices Per Share	Number Exercisable	Weighted Average Remaining Contractual Term (years)	Weighted Average Exercise Price per Share
$35.64 - $ 40.00	67,362	4.4	$ 36.85
$40.01 - $ 45.00	184,121	3.6	$ 42.56
$45.01 - $ 56.40	127,906	6.2	$ 51.64
	379,389	4.6	$ 44.61

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At December 27, 2014, the total intrinsic value of options outstanding was $21,264,000. At December 27, 2014, the total intrinsic value of options outstanding and exercisable was $11,303,000. The total intrinsic value of stock options exercised during 2014, 2013 and 2012 was $14,573,000, $6,095,000 and $12,476,000, respectively.

As of December 27, 2014, there was $2,916,000 of total unrecognized compensation cost related to non-vested stock options granted under the Plans. The unrecognized compensation cost related to these non-vested options is expected to be recognized over a weighted average period of 2.2 years.

Non-vested Restricted Stock

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"). Shares of restricted stock generally are granted under the 2011 EIP subject to vesting in three equal annual installments or 100% on the fifth anniversary of the date of grant and the shares of restricted stock remain subject to forfeiture unless the grantee remains continuously employed with the Company or a subsidiary thereof through the applicable vesting date. The fair value of each share of non-vested restricted stock issued under the Plans is based on the fair value of a share of the Company's Common Stock on the date of grant.

The following table summarizes information regarding the Company's outstanding non-vested restricted stock under the Plans:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	40,993	$ 42.03
Granted	4,151	$ 54.20
Vested	(8,732)	$ 44.35
Forfeited	(1,693)	$ 45.21
Outstanding at December 29, 2012	34,719	$ 42.75
Granted	15,449	$ 54.85
Vested	(11,975)	$ 45.61
Outstanding at December 28, 2013	38,193	$ 46.75
Granted	7,124	$ 63.17
Vested	(19,196)	$ 41.85
Forfeited	(2,768)	$ 54.20
Outstanding at December 27, 2014	23,353	$ 54.90

As of December 27, 2014, there was $827,000 of total unrecognized compensation cost related to non-vested shares of restricted stock granted under the Plans. The unrecognized compensation cost related to these non-vested shares of restricted stock is expected to be recognized over a weighted average period of 1.9 years.

Restricted Stock Units

A restricted stock unit ("RSU") award issued under the 2011 EIP represents a contractual right to receive one share of the Company's Common Stock upon achievement of certain performance objectives. RSU awards have contractual lives of three or five years from the date of grant and requirements for continuous employment. The fair value of an RSU 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. The discount rate due to lack of marketability used for RSU award grants for all periods was 7%. In addition, no dividends are paid on RSUs and RSUs have no voting rights.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information regarding the Company's outstanding RSU awards under the Plans:

	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	—	$ —
Granted	113,000	$ 44.78
Outstanding at December 29, 2012	113,000	$ 44.78
Granted	244,500	$ 51.19
Vested	(21,901)	$ 44.78
Forfeited	(27,592)	$ 47.45
Outstanding at December 28, 2013	308,007	$ 49.63
Granted	146,000	$ 53.11
Vested	(24,641)	$ 51.47
Forfeited	(3,736)	$ 49.53
Outstanding at December 27, 2014	425,630	$ 50.72

RSU awards have contractual lives of three or five years from the date of grant. In general, for RSUs with five-year contractual lives, the number of RSUs that vest is determined annually, for each year in the five-year period from date of grant, by multiplying the number of RSUs granted by the sum of (a) the average of the percentage change (positive or negative) in operating income and diluted earnings per share in each of the five years as compared to operating income and diluted earnings per share reported in the base year (base year being the year immediately preceding the year in which the RSUs were granted), plus (b) 5%, rounded to the nearest whole number, less (c) the number of RSUs from that grant that have previously vested. For RSUs granted in 2014, the number of RSUs that vest will be determined annually, for each year in the five-year period from date of grant, by multiplying the number of RSUs granted by the sum of (a) the average of the percentage change (positive or negative) in operating income and diluted earnings per share in each of the five years as compared to the results from continuing operations in the 2013 fiscal year (that is the average of the change in operating income and diluted earnings per share for the year ended as compared to the 2013 fiscal year results from continuing operations, which reflects the treatment of Landstar Supply Chain Solutions, Inc. and its wholly owned subsidiary, Landstar Supply Chain Solutions LLC as a discontinued operation effective December 28, 2013) plus (b) 5%, rounded to the nearest whole number, less (c) the number of RSUs from that grant that have previously vested. On January 23, 2013, the Company granted 100,000 RSUs to the Company's then Chairman and Chief Executive Officer. These 100,000 RSUs have three-year contractual lives with vesting dates of January 31 of 2014, 2015, and 2016, with the number of RSUs that vest on each vesting date determined by multiplying 100,000 by the sum of (1) the percentage increase in operating income in the most recently completed fiscal year as compared to the results from the immediately preceding fiscal year, plus (2) the percentage increase in diluted earnings per share in the most recently completed fiscal year as compared to the results from the preceding fiscal year. The Company reports compensation expense over the life of the award based on an estimated number of shares that will vest over the life of the award, multiplied by the fair value of an RSU. The Company recognized approximately $4,443,000, $1,276,000 and $964,000 of share-based compensation expense related to RSU awards in 2014, 2013 and 2012, respectively. As of December 27, 2014, there was a maximum of $17.1 million of total unrecognized compensation cost related to RSU awards granted under the Plans with an expected average remaining life of approximately 2.7 years. The amount of future compensation expense to be recognized will be determined based on future operating results.

Directors' Stock Compensation Plan

Upon election or re-election to the Board of Directors for a three year term, outside members of the Board of Directors may receive a grant of such number of restricted shares of the Company's Common Stock equal to the quotient of $225,000 divided by the fair market value of a share of Common Stock on the date immediately following the date of such Director's re-election or election to the Board. In 2014, 2013 and 2012, 7,124, 13,449 and 4,151 restricted shares, respectively, were granted to outside Directors upon their re-election or election to the Board. Restricted shares generally vest in three equal annual installments on the first three annual anniversary dates of the date of grant. During 2014, 2013 and 2012, $331,000, $442,000 and $292,000, respectively, of compensation cost was recorded for the grant of these restricted shares.

(11) Equity

On December 11, 2013, Landstar System, Inc. announced that it had been authorized by its Board of Directors to increase the number of shares of the Company's Common Stock that the Company is authorized to purchase from time to time in the open market and in privately negotiated transactions under a previously announced purchase program to 3,000,000 shares. As of December 27, 2014, the Company has authorization to purchase 1,827,782 shares of its Common Stock under this program. No specific expiration date has been assigned to the December 11, 2013 authorization. During 2014, Landstar purchased a total of 939,872 shares of its Common Stock at a total cost of $56,393,000 pursuant to its previously announced stock purchase program.

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

(12) Commitments and Contingencies

At December 27, 2014, in addition to the $63,761,000 letters of credit secured by investments, Landstar had $33,042,000 of letters of credit outstanding under the 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.

(13) Segment Information

Landstar markets its integrated transportation management solutions primarily through independent commission sales agents and exclusively utilizes third party capacity providers to transport and store 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 information technology systems, Landstar operates an integrated transportation management solutions business primarily throughout North America with revenue of $3.2 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.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The transportation logistics segment provides a wide range of integrated transportation management solutions. Transportation services offered by the Company include truckload and less-than-truckload 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, project cargo and customs brokerage. Industries serviced by the transportation logistics segment include automotive products, building products, metals, chemicals, foodstuffs, heavy machinery, retail, electronics, ammunition and explosives and military equipment. In addition, the transportation logistics segment provides transportation services to other transportation companies, including logistics and less-than-truckload service providers. Each of the independent commission sales agents has the opportunity to market all of the 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.

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 2014, 2013 or 2012. Substantially all of the Company's revenue is generated in North America, primarily through customers located in the United States.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize information about the Company's reportable business segments as of and for the fiscal years ending December 27, 2014, December 28, 2013 and December 29, 2012 (in thousands):

	Transportation Logistics	Insurance	Total
2014			
External revenue	$ 3,145,413	$ 39,377	$3,184,790
Internal revenue		28,164	28,164
Investment income		1,381	1,381
Interest and debt expense	3,177		3,177
Depreciation and amortization	27,575		27,575
Operating income	193,914	30,458	224,372
Expenditures on long-lived assets	10,539		10,539
Goodwill	31,134		31,134
Capital lease additions	47,232		47,232
Total assets	917,789	126,423	1,044,212
2013			
External revenue from continuing operations	$ 2,628,225	$ 36,555	$2,664,780
Internal revenue		28,811	28,811
Investment income		1,475	1,475
Interest and debt expense from continuing operations	3,211		3,211
Depreciation and amortization from continuing operations	27,667		27,667
Operating income from continuing operations	151,188	25,402	176,590
Expenditures on long-lived assets from continuing operations	6,373		6,373
Goodwill	31,134		31,134
Capital lease additions	49,138		49,138
Total assets	754,904	215,792	970,696
2012			
External revenue from continuing operations	$ 2,734,938	$ 35,861	$2,770,799
Internal revenue		28,446	28,446
Investment income		1,563	1,563
Interest and debt expense from continuing operations	3,110		3,110
Depreciation and amortization from continuing operations	25,213		25,213
Operating income from continuing operations	167,626	33,113	200,739
Expenditures on long-lived assets from continuing operations	5,388		5,388
Goodwill	57,470		57,470
Capital lease additions	43,077		43,077
Total assets	708,233	171,188	879,421

Included in total assets in the Transportation Logistics segment at December 29, 2012 are assets of $100,972,000, including goodwill of $26,336,000, from the LSCS discontinued operations.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(14) 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 effect of the increase in the cost of insurance claims resulting from unfavorable development of prior year self-insured claims estimates on operating income, income from continuing operations and earnings per share from continuing operations amounts in the consolidated statements of income for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012 (in thousands, except per share amounts):

	Fiscal Years Ended		
	December 27, 2014	December 28, 2013	December 29, 2012
Operating income	$ 6,664	$ 10,909	$ 11
Income from continuing operations	4,118	6,742	7
Earnings per share from continuing operations	$ 0.09	$ 0.15	$ —
Diluted earnings per share from continuing operations	$ 0.09	$ 0.15	$ —

(15) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09—Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. ASU 2014-09 is not expected to have a material impact on the Company's financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Landstar System, Inc.:

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary (the Company) as of December 27, 2014 and December 28, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 27, 2014 and December 28, 2013, and the results of their operations and their cash flows for each of the fiscal years ended December 27, 2014 and December 28, 2013 and December 29, 2012, 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), Landstar System, Inc.'s internal control over financial reporting as of December 27, 2014, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 20, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG LLP

February 20, 2015
Jacksonville, Florida
Certified Public Accountants

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
QUARTERLY FINANCIAL DATA
(Dollars in thousands, except per share amounts)
(Unaudited)

	Fourth Quarter 2014	Third Quarter 2014	Second Quarter 2014	First Quarter 2014
Revenue	$862,830	$819,320	$814,443	$688,197
Operating income	$ 61,209	$ 59,577	$ 58,572	$ 45,014
Income before income taxes	$ 60,292	$ 58,803	$ 57,854	$ 44,246
Income taxes	21,801	22,048	21,929	16,608
Net income	$ 38,491	$ 36,755	$ 35,925	$ 27,638
Earnings per common share(1)	$ 0.86	$ 0.82	$ 0.80	$ 0.61
Diluted earnings per share(1)	$ 0.86	$ 0.82	$ 0.80	$ 0.61
Dividends per common share	$ 1.07	$ 0.07	$ 0.06	$ 0.06

	Fourth Quarter 2013	Third Quarter 2013	Second Quarter 2013	First Quarter 2013
Revenue	$691,975	$675,535	$674,390	$622,880
Operating income	$ 39,741	$ 46,614	$ 48,427	$ 41,808
Income from continuing operations before income taxes	$ 38,897	$ 45,758	$ 47,656	$ 41,068
Income taxes	13,721	17,255	18,164	15,317
Income from continuing operations	25,176	28,503	29,492	25,751
Income from discontinued operations, net of income taxes	34,381	743	934	1,029
Net income	$ 59,557	$ 29,246	$ 30,426	$ 26,780
Earnings per common share(1):				
Income from continuing operations	$ 0.55	$ 0.62	$ 0.64	$ 0.55
Income from discontinued operations	0.75	0.02	0.02	0.02
Earnings per common share	1.30	0.64	0.66	0.58
Diluted earnings per share(1):				
Income from continuing operations	$ 0.55	$ 0.62	$ 0.64	0.55
Income from discontinued operations	0.75	0.02	0.02	0.02
Diluted earnings per share	1.30	0.64	0.66	0.57
Dividends per common share	$ 0.35	$ —	$ —	$ —

(1) Due to the changes in the number of average common shares and common stock equivalents outstanding during the year, the sum of earnings per share amounts for each quarter do not necessarily sum in the aggregate to the earnings per share amounts for the full year.

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 27, 2014 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 and principal financial officers, assessed the effectiveness of the Company's internal control over financial reporting as of December 27, 2014. 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 27, 2014.

KPMG LLP, 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 27, 2014, 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

The Board of Directors and Shareholders
Landstar System, Inc.:

We have audited Landstar System, Inc.'s internal control over financial reporting as of December 27, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Landstar System, Inc.'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, Landstar System, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 27, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 27, 2014 and December 28, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, and our report dated February 20, 2015, expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

February 20, 2015
Jacksonville, Florida
Certified Public Accountants

(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*

None

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 of Directors,” “Compensation of Executive Officers,” “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Option Exercises and Stock Vested,” “Outstanding Equity Awards at Fiscal Year End,” “Nonqualified Deferred Compensation,” “Report of the Compensation Committee on Executive Compensation” 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 by reference herein.

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 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 March 6, 2006, including Certificate of Designation of Junior Participating Preferred Stock dated February 10, 1993. (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (Commission File No. 0-21238))
3.2	The Company's Bylaws, as amended and restated on February 21, 2011. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for fiscal year ended December 25, 2010 (Commission File No. 0-21238))
(4)	**Instruments defining the rights of security holders, including indentures:**
4.1	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	Amended and Restated Credit Agreement, dated as of June 29, 2012, among Landstar System Holding, 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 99.1 to the Registrant's Form 8-K filed on July 5, 2012 (Commission File No. 0-21238))
4.3	First Amendment to Amended and Restated Credit Agreement, dated as of November 1, 2013, by and among Landstar System Holdings, Inc., Landstar System, Inc. and the other parties thereto. (Incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for fiscal year ended December 28, 2013 (Commission File No. 0-21238))
(10)	**Material contracts:**
10.1+	Landstar System, Inc. Executive Incentive Compensation Plan (Incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed on April 12, 2012 (Commission File No. 0-21238))
10.2+*	Landstar System, Inc. Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2015
10.3+	Amended and Restated Landstar System, Inc. 2002 Employee Stock Option and Stock Incentive Plan (Incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed on March 23, 2009 (Commission File No. 0-21238))

Exhibit No.	Description
10.4+	Landstar System, Inc. 2011 Equity Incentive Plan, as amended through November 29, 2011 (Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (Commission File No. 0-21238))
10.5+	Directors Stock Compensation Plan, as amended and restated as of February 22, 2010 (Incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 2009 (Commission File No. 0-21238))
10.6+	Landstar System, Inc. 2013 Directors Stock Compensation Plan (Incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed on April 11, 2013 (Commission File No. 0-21238))
10.7+	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))
10.8+	Form of Key Executive Employment Protection Agreement between Landstar System, Inc. and each of the Executive Officers of the Company (Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 30, 2006 (Commission File No. 0-21238))
10.9+	Form of Amendment to Key Executive Employment Protection Agreement between Landstar System, Inc. and each of the Executive Officers of the Company (Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for fiscal year ended December 27, 2008 (Commission File No. 0-21238))
10.10+	Form of Amendment to Key Executive Employment Protection Agreement between Landstar System, Inc. and each of the Executive Officers of the Company (Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2012 (Commission File No. 0-21238))
10.11+	Letter Agreement, dated January 3, 2012, between Landstar System, Inc. and Henry H. Gerkens (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on January 3, 2012 (Commission File No. 0-21238))
10.12+	Amendment, dated January 23, 2013, to the Letter Agreement dated January 3, 2012, between Landstar System, Inc. and Henry H. Gerkens (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on January 25, 2013 (Commission File No. 0-21238))
10.13+	Performance Related Stock Award Agreement, dated January 23, 2013, between Landstar System, Inc. and Henry H. Gerkens (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on January 25, 2013 (Commission File No. 0-21238))
10.14+	Stock Purchase Agreement, dated as of December 10, 2013, by and among XPO Logistics, Inc., Landstar Supply Chain Solutions, Inc. and Landstar System Holdings, Inc. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 12, 2013 (Commission File No. 0-21238))
10.15+	Letter Agreement, dated December 27, 2013, by and among Landstar System Holdings, Inc., Landstar Supply Chain Solutions, Inc. and XPO Logistics, Inc., (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on January 3, 2014 (Commission File No. 0-21238))
(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

Exhibit No.	Description
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
101 *	The following materials from the Company’s Annual Report on Form 10-K for the fiscal year ended December 27, 2014, formatted in Extensible Business Reporting Language (XBRL): (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 and (vi) Notes to Consolidated Financial Statements

+ 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 20, 2015

LANDSTAR SYSTEM, INC.

By: /S/ JAMES B. GATTONI
James B. Gattoni
President and Chief Executive Officer

By: /S/ L. KEVIN STOUT
L. Kevin Stout
Vice President and Chief Financial Officer

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/ JAMES B. GATTONI James B. Gattoni	President and Chief Executive Officer; Principal Executive Officer	February 20, 2015
/S/ L. KEVIN STOUT L. Kevin Stout	Vice President and Chief Financial Officer; Principal Accounting Officer	February 20, 2015
* Homaira Akbari	Director	February 20, 2015
* David G. Bannister	Director	February 20, 2015
* Henry H. Gerkens	Executive Chairman	February 20, 2015
* Michael A. Henning	Director	February 20, 2015
* Diana M. Murphy	Director	February 20, 2015
* Larry J. Thoele	Director	February 20, 2015

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

Exhibit 10.2

LANDSTAR SYSTEM, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
ADOPTION AGREEMENT

(Including Code §409A provisions)

Effective January 1, 2015

NONQUALIFIED
DEFERRED COMPENSATION PLAN
ADOPTION AGREEMENT

Landstar System, Inc. heretofore established the Landstar System, Inc. Supplemental Executive Retirement Plan (the "Plan"), effective February 1, 1994, to provide a select group of management or highly compensated employees of the Employer and its designated affiliates the opportunity to save for retirement through deferrals of salary and bonuses. Sponsorship of the Plan was transferred to Landstar System Holdings, Inc. (the "Employer") effective February 25, 2008.

The provisions of the Plan as amended and restated herein shall be effective January 1, 2015. The Plan was originally effective February 1, 1994 and was amended and restated effective January 1, 1999, January 1, 2008 (to bring it into compliance with Code Section 409A), January 1, 2010 and again as of January 1, 2012.

In accordance with Article VII of the Basic Plan Document: (1) the terms of this Plan shall apply to amounts subject to Code §409A (generally compensation deferred after December 31, 2004 and earnings thereon); and (2) the terms of the Plan as in effect before January 1, 2005 shall continue to apply to Grandfathered Amounts (generally compensation deferred prior to January 1, 2005 and earnings thereon).

The undersigned Employer by execution of this Adoption Agreement hereby amends and restates the Plan, such amendment and restatement consisting of the Basic Plan Document, this Adoption Agreement and all other Exhibits and documents to which they refer.

The Employer makes the following elections concerning this Plan. All capitalized terms used in the Adoption Agreement have the same meaning given in the Basic Plan Document. References to "Section" followed by a number in this Adoption Agreement are references to the Basic Plan Document.

PREAMBLE

ERISA/Code Plan Type: The Employer establishes this Plan as (*choose one of (a) or (b)*):

☒ (a) **Nonqualified Deferred Compensation Plan**. An unfunded nonqualified deferred compensation plan which is (*choose only one of (i), (ii), (iii) or (iv)*):

- ☐ (i) **Excess benefit plan.** An "excess benefit plan" under ERISA§3(36) and exempt from Title I of ERISA.
- ☒ (ii) **Top-hat plan.** A "SERP" or other plan primarily for a "select group of management or highly compensated employees" under ERISA and partially exempt from Title I of ERISA.
- ☐ (iii) **Contractors only.** A plan benefiting only Contractors (non-Employees) and exempt from Title I of ERISA.
- ☐ (iv) **Church plan**. A church plan as described in Code §414(e) and ERISA §3(33) and maintained by a church or church controlled organization under Code §3121(w)(3) and exempt from Title I of ERISA.

☐ (b) **Ineligible 457 Plan**. An ineligible 457 Plan subject to Code §457(f). The Employer is (*choose only one of (i), (ii) or (iii)*):

☐ (i) **Governmental Plan.** A State.

☐ (ii) **Tax-Exempt Plan.** A Tax-Exempt Organization. The Plan is intended to be a "top-hat" plan or an excess benefit plan as described in (a)(ii) and (a)(ii) above *or* the Plan benefits only Contractors.

☐ (iii) **Church plan**. A church plan as described in Code §414(e) and ERISA §3(33) but which is not maintained by a church or church controlled organization under Code §3121(w)(3).

Note: If the Employer elects (a)(i), the Plan benefits only Employees. If the Employer elects (a)(ii), the Plan generally may not benefit Contractors based on the "primarily" requirement. If the Employer elects (a)(iii), the Plan benefits only Contractors. If the Employer elects (a)(iv), (b)(i), or (b)(iii) the Plan may benefit Employees and Contractors. If the Employer elects (b)(ii), the plan is either a top-hat plan, an excess benefit plan or benefits only Contractors.

409A Plan Type: The Employer establishes this Plan (*choose one of (a) or (b)*):

☒ (a) **Account Balance Plan.** As the following type(s) of Account Balance Plan(s) under Section 1.02 (*choose one of (i), (ii) or (iii)*):

☐ (i) **Elective Deferral Account Balance Plan**. See Section 2.02.

☐ (ii) **Employer Contribution Account Balance Plan.** See Sections 2.03 and 2.04.

☒ (iii) **Both.** Both an Elective Deferral Account Balance Plan and an Employer Contribution Account Balance Plan.

Note: For purposes of aggregation under Section 1.05, a Separation Pay Plan based only on Voluntary Separation from Service is treated as an Account Balance Plan. Nevertheless, if the Employer maintains this Plan as any type of Separation Pay Plan, the Employer should elect (b) below.

☐ (b) **Separation Pay Plan.** As the following type(s) of Separation Pay Plan(s) under Section 1.42 (*choose one of (i) through (iv)*):

☐ (i) **Involuntary Separation**.

☐ (ii) **Window Program**.

☐ (iii) **Voluntary Separation.**

☐ (iv) **Combination**: ____ (*specify*)

Note: Under a Separation Pay Plan, the Employer must limit its payment election to Separation from Service but it may also include death. Electing death as a separate payment event would permit a different payment election for death versus any other Separation from Service.

Uniformity or Nonuniformity: The nonuniformity provisions described in the Preamble to the Basic Plan Document (*choose one of (a) or (b)*):

☒ (a) **Do not apply.** All Adoption Agreement elections and Plan provisions apply to all Participants.

☐ (b) **Apply**. See Exhibit A to the Adoption Agreement.

ARTICLE I
DEFINITIONS

1.11 **Change in Control.** Change in Control means (*choose (a) or choose one of (b), (c) or (d)*):

☒ (a) **Not applicable.** Change in Control does not apply for purposes of this Plan.

☐ (b) **All events.** Change in Control means all events under Section 1.11.

☐ (c) **Limited events.** Change in Control means only the following events under Section 1.11 (*choose one or two of (i), (ii) and (iii)*):

☐ (i) Change in ownership of the Employer.

☐ (ii) Change in the effective control of the Employer.

☐ (iii) Change in the ownership of a substantial portion of the Employer's assets.

☐ (d) *(Specify):* ____________________.

Note: The Employer may not use the blank in (d) to specify events not described in Treas. Reg. §1.409A-3(i)(5). However, the Employer may increase the percentages required to trigger a Change in Control under one or all three of the listed events.

1.15 **Compensation.** The Employer makes the following modifications to the "gross W-2" definition of Compensation (*choose (a) or at least one of (b) – (e)*):

☐ (a) **No modifications**.

☐ (b) **Net Compensation.** Exclude all elective deferrals to other plans of the Employer described in Section 1.15.

☐ (c) **Base Salary only.** Exclude all Compensation other than Base Salary.

☐ (d) **Bonus only.** Exclude all Compensation other than Bonus.

☒ (e) (*Specify*): Base Salary and Bonus only. Exclude all Compensation other than Base Salary and Bonus.

Note: See Section 1.15(B) as to Contractor Compensation.

1.17 **Disability.** Disability means (*choose one of (a) or (b)*): N/A, Disability does not apply for purposes of the Plan.

☐ (a) **All impairments.** All impairments constituting Disability.

☐ (b) **Limited.** Only the following impairments constituting Disability: ______________________________________.

1.20 **Effective Date.** The effective date of the Plan is (*choose one of (a) or (b)*):

☐ (a) **New Plan.** This Plan is a new Plan and is effective ____.

Note: The effective date should be no earlier than January 1, 2009.

☒ (b) **Restated Plan.** This Plan is a restated Plan and is restated effective as of January 1, 2015 (*specify a date no later than January 1, 2009 if this is the first restatement intended to comply with Code Section 409A*). The Plan was originally effective February 1, 1994.

Note: If the Plan (whether or not in written form) was in effect before January 1, 2009, the Plan is a restated Plan.

1.38 **Plan Name**. The name of the Plan as adopted by the Employer is: Landstar System, Inc. Supplemental Executive Retirement Plan.

1.39 **Retirement Age.** A Participant's Retirement Age under the Plan is (*choose only one of (a)-(d)*):

☒ (a) **Not applicable.** Retirement Age does not apply for purposes of this Plan.

☐ (b) **Age.** The Participant's attainment of age: ______.

☐ (c) **Age and service.** The Participant's attainment of age ____ with ____ Years of Service (defined under 1.57) with the Employer.

☐ (d) (*Specify*): ____.

1.40 **Separation from Service.** In determining whether a Participant has incurred a Separation from Service under the Plan (*choose one or both or (a) and (b)*):

☒ (a) **Determination of "Employer."** In determining the "Employer" under Section 1.40(E) and Code §§414(b) and (c), apply the following percentage: 80% (*specify percentage*).

Note: The specified percentage may not be more than 80% and may not be less than 20%. If the percentage is less than 50%, there must be legitimate business criteria.

☐ (b) **Collectively Bargained Multiple Employer Plan.** Under Section 1.40(H), the following reasonable definition of Separation from Service applies: ____ (*specify*).

1.44 **Specified Employees-Elections.** The Employer makes the following elections relating to the determination of Specified Employees (*choose (a) or choose one or more of (b)-(e)*):

☒ (a) **Not applicable.** The Employer does not have any Specified Employees or none which benefit under the Plan. Alternatively, the Employer makes no special elections under Section 1.44.

☐ (b) **Alternative Code §415 Compensation.** The Employer elects the following alternative definition of Code §415 Compensation: ________________________________ (*specify*).

☐ (c) **Alternative Specified Employee identification date.** The Employer elects the following alternative Specified Employee identification date: ________________________________ (*specify*).

☐ (d) **Alternative Specified Employee effective date.** The Employer elects the following alternative Specified Employee effective date: ________________________________ (*specify*).

☐ (e) **Other elections.** The Employer makes the following other elections relating to Specified Employees: ________________________________ (specify).

Note: See Treas. Reg. 1.409A-1(i)(8) as to uniformity requirements affecting the above Specified Employee elections.

1.51 **Unforeseeable Emergency.** Unforeseeable Emergency means (*choose (a) or choose one of (b) or (c)*):

☒ (a) **Not applicable.** Unforeseeable Emergency does not apply for purposes of this Plan.

☐ (b) **All events.** All events constituting Unforeseeable Emergency.

☐ (c) **Limited.** Only the following events constituting Unforeseeable Emergency: ________________________________.

1.56 **Wraparound Election.** The Plan (*choose one of (a) or (b)*):

☐ (a) **Permits.** Permits Participants who participate in a 401(k) or 403(b) plan of the Employer to make Wraparound Elections.

☒ (b) **Not permitted.** Does not permit Wraparound Elections (or the Employer does not maintain a 401(k) or 403(b) plan covering any Participants).

1.57 **Year of Service.** The following apply in determining credit for a Year of Service under the Plan (*choose (a) or choose one or more of (b) – (e)*):

☒ (a) **Not applicable.** Year of Service does not apply for purposes of this Plan.

☐ (b) **Year of continuous service.** To receive credit for one Year of Service, the Participant must remain in continuous employment with the Employer (or render contract service to the Employer) for the Participant's entire Taxable Year.

☐ (c) **Service on any day.** To receive credit for one Year of Service, the Participant only need be employed by the Employer (or render contract service to the Employer) on any day of the Participant's Taxable Year.

☐ (d) **Pre-Plan service.** The Employer will treat service before the Plan's Effective Date for determining Years of Service as follows *(choose one of (i) or (ii))*:

☐ (i) **Include.**

☐ (ii) **Disregard.**

☐ (e) *(Specify)*: ____.

ARTICLE II
PARTICIPATION

2.01 **Participant Designation.** The Employer designates the following Employees or Contractors as Participants in the Plan (*choose one of (a), (b) or (c)*):

☐ (a) **All top-hat Employees.** All Employees whom the Employer from time to time designates in writing as part of a select group of management or highly compensated employees.

☐ (b) **All Employees with maximum qualified plan additions or benefits.** All Employees who have reached or will reach their limit under Code §§415(b) or (c) in the Employer's qualified plan for the Taxable Year, or for the 415 limitation year ending in the Taxable Year.

☒ (c) **Specified Employees/Contractors by name, job title or classification:** Employees who are officers of the Employer; having the job title of Vice President or above; whom the administrative committee of the Employer designates in writing as being eligible to participate. Employees who are newly hired or promoted into a Specified Employee position will become eligible to participate in the Plan on the first day of the month following attainment of such position. (*e.g.,* Joe Smith, Executive Vice President or those Employees/Contractors specified in Exhibit B).

Note: An Employer might elect (c) and reference Exhibit B to maintain confidentiality within the workforce as to the identity of some or all Participants.

2.02 **Elective Deferrals.** Elective Deferrals by Participants are (*choose one of (a), (b) or (c)*):

☒ (a) **Permitted.** Participants may make Elective Deferrals.

☐ (b) **Not permitted.** Participants may not make Elective Deferrals.

☐ (c) **Frozen Elective Deferrals.** The Plan does not permit Elective Deferrals as of: ____________________.

2.02(A) **Amount limitation/conditions.** A Participant's Elective Deferrals for a Taxable Year are subject to the following amount limitation(s) or other conditions (*choose (a) or choose at least one of (b) – (d)*):

☐ (a) **No limitation.**

☒ (b) **Maximum Elective Deferral amount:** 75% of base pay and 75% of bonuses. Deferral elections of bonuses require a separate election which must comply with the election timing requirements of Section 2.02(B)(4) of the Basic Plan Document.

☐ (c) **Minimum Elective Deferral amount:** ________________________________.

☐ (d) *(Specify)*: ________________________________.

2.02(B) **Election timing.** A Participant must provide the Elective Deferral election under Section 2.02 to the Employer (*choose one of (a) or (b)*):

☒ (a) **By the deadline.** No later than the applicable election deadline under Section 2.02(B).

☐ (b) **Specified date.** No later than ____________ days before the applicable election deadline under Section 2.02(B).

2.02(B)(6) **Final payroll period.** The Plan treats final payroll period Compensation under Section 2.02(B)(6) as (*choose one of (a) or (b)*):

☒ (a) **Current Year.** As Compensation for the current Taxable Year in which the payroll period commenced.

☐ (b) **Subsequent Year.** As Compensation for the subsequent Taxable Year in which the Employer pays the Compensation.

2.02(C) **Election changes/Irrevocability.** A Participant who makes an Elective Deferral election before the applicable deadline under Section 2.02(B) (*choose one of (a) or (b)*):

☐ (a) **May change.** May change the election until the applicable election deadline.

☒ (b) **May not change.** May not change the election as to the first Taxable Year to which the election applies.

Note: A payment election under Section 4.02(A) or (B) is a separate election which is not controlled by this Section 2.02(C). See Section 4.06(B).

2.02(D) **Election duration.** A Participant's Elective Deferral election (*choose one of (a) or (b)*):

☒ (a) **Taxable Year(s) only.** Applies only to the Participant's Compensation for the Taxable Year or Taxable Years for which the Participant makes the election.

☐ (b) **Continuing.** Applies to the Participant's Compensation for all Taxable Years, commencing with the Taxable Year for which the Participant makes the election, unless the Participant makes a new election or revokes or modifies an existing election.

2.03 **Nonelective Contributions.** During each Taxable Year the Employer will contribute a Nonelective Contribution for each Participant equal to (*choose (a) or (f) or choose one or more of (b) – (e)*):

☒ (a) **None.** The Employer will not make Nonelective Contributions to the Plan.

☐ (b) **Fixed percentage.** __% of the Participant's Compensation.

☐ (c) **Fixed dollar amount.** $____ per Participant.

☐ (d) **Discretionary.** Such Nonelective Contributions (or additional Nonelective Contributions) as the Employer may elect, including zero.

☐ (e) *(Specify)*: ____.

☐ (f) **Frozen Nonelective Contributions.** The Employer will not make any Nonelective Contributions as of: ____________________ ____.

2.04 **Matching Contributions.** During each Taxable Year, the Employer will contribute a Matching Contribution equal to (*choose (a) or (i) or choose one or more of (b) – (h)*):

☐ (a) **None.** The Employer will not make Matching Contributions to the Plan.

☐ (b) **Fixed match-flat.** An amount equal to __% of each Participant's Elective Deferrals for each Taxable Year.

☒ (c) **Fixed match-tiered.** An amount equal to the following percentages for each specified level of a Participant's Elective Deferrals or Years of Service for each Taxable Year:

Elective Deferrals *	Matching Percentage
1% to 3% of base pay	100%
4% to 5% of base pay	50%
Reduced by matching contributions actually made to the Landstar System, Inc. 401(k) Savings Plan for such year.	

* Elective Deferrals for this purpose include the sum of Elective Deferrals under this Plan and the Landstar System, Inc. 401(k) Savings Plan for such year. There is no Matching Contribution on Elective Deferrals from bonus pay.

Note: Specify Elective Deferrals subject to match as a percentage of Compensation or a dollar amount.

Years of Service	Matching Percentage
________	________%
________	________%
________	________%
________	________%

☐ (d) **No other caps.** The Employer in applying the Matching Contribution formula under 2.04(b) or (c) above will not limit the Participant's Elective Deferrals taken into account (except as indicated above) and otherwise will not limit the amount of the match.

☐ (e) **Limit on Elective Deferrals matched.** The Employer in making Matching Contributions will disregard a Participant's Elective Deferrals exceeding __________________ (*specify percentage or dollar amount of Compensation*) for the Taxable Year.

☐ (f) **Limit on matching amount.** The Matching Contribution for any Participant for a Taxable Year may not exceed: __________________ (*specify percentage or dollar amount of Compensation*).

☐ (g) **Discretionary.** Such Matching Contributions as the Employer may elect, including zero.

☐ (h) (*Specify*): ____.

☐ (i) **Frozen Matching Contributions.** The Employer will not make any Matching Contributions as of: ____.

2.05 **Actual or Notional Contribution**. The Employer's Contributions will be (*choose one of (a) or (b) and choose (c) as applicable*):

☒ (a) **Actual.** Made in cash or property to Participant Accounts or to the Trust.

☐ (b) **Notional.** Credited to Participant Accounts only as a bookkeeping entry.

☐ (c) (*Specify*): ____.

2.06 **Allocation Conditions.** To receive an allocation of Employer Contributions, a Participant must satisfy the following conditions during the Taxable Year (*choose (a) or choose one or both of (b) and (c)*):

☒ (a) **No allocation conditions.**

☐ (b) **Year of continuous service.** The Participant must remain in continuous employment with the Employer (or render contract service to the Employer) for the entire Taxable Year.

☐ (c) *(Specify)*: ____.

ARTICLE III
VESTING AND SUBSTANTIAL RISK OF FORFEITURE

3.01 **Vesting Schedule/Other Substantial Risk of Forfeiture.** The following vesting schedule or other Substantial Risk of Forfeiture applies to a Participant's Accrued Benefit (*choose (a) or choose one or more of (b) – (f)*):

☐ (a) **Not applicable.** The Plan does not apply a vesting schedule or other Substantial Risk of Forfeiture.

☒ (b) **Immediate vesting.** 100% Vested at all times with respect to the entire Accrued Benefit.

☐ (c) **Immediate vesting (Elective Deferrals)/vesting schedule (Employer Contributions)**. A Participant's Elective Deferral Account is 100% Vested at all times. A Participant's Nonelective Contributions Account and/or Matching Contributions Account are subject to the following vesting schedule:

Years of Service	Vesting %
______or less	____0%
______	____%
______	____%
______	____%
______or more	100%

☐ (d) **Vesting schedule - entire Accrued Benefit.** The Participant's entire Accrued Benefit is subject to the following vesting schedule:

Years of Service	Vesting %
______or less	____0%
______	____%
______	____%
______	____%
______	____%
______	____%
______or more	100%

☐ (e) **Vesting schedule – class year or all years.** The Plan's vesting schedule applies as follows (*Choose one of (i) or (ii)*):

☐ (i) **Class year.** Apply the vesting schedule separately to the Deferred Compensation for each Taxable Year.

☐ (ii) **All years.** Apply the vesting schedule to all Deferred Compensation.

☐ (f) **Other Substantial Risk of Forfeiture.** *(Specify):* ____.

Note: An Employer may elect both a vesting schedule and an additional Substantial Risk of Forfeiture. In such event, a Participant failing to satisfy the conditions resulting in a Substantial Risk of Forfeiture will forfeit his/her Account, even if 100% Vested under any vesting schedule. If the Plan is an Ineligible 457 Plan, the Employer must specify a Substantial Risk of Forfeiture, which may be a vesting schedule provided that under any "graded" vesting schedule, an Ineligible 457 Plan Participant will be taxed as and when each portion of his/her Deferred Compensation vests.

3.02 **Immediate Vesting upon Specified Events.** A Participant's entire Accrued Benefit is 100% Vested without regard to Years of Service if the Participant's Separation from Service with the Employer on or following or as a result of (*choose (a) or choose one or more of (b) – (e)*):

☒ (a) **Not Applicable.**

☐ (b) **Retirement Age.** On or following Retirement Age.

☐ (c) **Death.** As a result of death.

☐ (d) **Disability.** As a result of Disability.

☐ (e) *(Specify)*: ____.

Note: An early vesting provision generally does not result in prohibited acceleration of benefits under Code §409A. See Section 4.02(C)(2).

3.03 **Application of Forfeitures.** The Employer will (*choose only one of (a) – (d)*):

☒ (a) **Not Applicable.** Not apply any provision regarding allocation of forfeitures since there are no Plan forfeitures.

☐ (b) **Retain.** Keep all forfeitures for the Employer's account.

☐ (c) **Allocate.** Allocate (in the year in which the forfeiture occurs) any forfeiture to the Accounts of the remaining (nonforfeiting) Participants, in accordance with one of the following methods (*choose one of (i) or (ii)*):

- ☐ (i) **Per Compensation.** In the same ratio each Participant's Compensation for the Taxable Year bears to the total Compensation of all Participants sharing in the forfeiture allocation for the Taxable Year.
- ☐ (ii) **Per Account balances.** In the same ratio each Participant's Account balance at the beginning of the Taxable Year bears to the total Account balances of all Participants sharing in the forfeiture allocation for the Taxable Year.

☐ (d) (*Specify*): ____.

Note: If the Employer elects to create the Trust under Section 5.03, the Employer should coordinate its forfeiture application elections with the provisions of the Trust.

ARTICLE IV
BENEFIT PAYMENTS

4.01 **Payment Events/Elections.** The Plan payment events are (*choose one or more of (a) through (i) as applicable*):

Note: The Employer must elect the Plan permitted payment events. The Employer may elect all of the 409A permitted events or limit the payment events, but the Employer must elect at least one payment event. If the Plan is a separation pay plan, the Employer must elect 4.01(a) and the Employer also may elect 4.01(b). If the Plan permits initial payment elections, change payment elections, or both, as to any or all of the Plan permitted payment events, the Employer should elect 4.01(d)(iv), (e)(ii) and (i) as applicable. The Employer also should elect under 4.02(A) and 4.02(B) as to who has election rights and to specify any limitations on such rights. If the Plan will not offer any initial or change payment elections, the Employer should not elect 4.01(d)(iv), (e)(ii) or (i). If the Plan will not offer any initial payment elections the Employer also should elect 4.02(A)(a). If the Plan will not offer change payment elections, the Employer also should elect 4.02(B)(a).

☒ (a) **Separation from Service.** Applies on and after the effective date of this restated Plan.

☐ (b) **Death.**

☐ (c) **Disability.**

☒ (d) **Specified Time.** The Plan permits payment to a Participant at a Specified Time (*choose one of (i) - (iv)*): (Applies on and after the effective date of this restated Plan)

☐ (i) **Forfeiture Lapse**. At the time that the Deferred Compensation no longer is subject to a Substantial Risk of Forfeiture.

☐ (ii) **Stated Age**. Upon attainment of age: _________ (*specify age*).

☒ (iii) (*Specify*): On: At the Participant's election, one of the following: (1) a specified date; (2) one year after Separation from Service; or (3) the later of Separation from Service or a specified date. (*e.g*., January 1, 2015).

☒ (iv) **Election**. In accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06. Payment at a Specified Time will be a lump-sum payment.

☐ (e) **Fixed Schedule.** The Plan Permits payment to a Participant in accordance with the following Fixed Schedule (*choose one of (i) or (ii)*):

☐ (i) **Schedule**: ____.

☐ (ii) **Election.** In accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06. Payment pursuant to a Fixed Schedule will be installments or an annuity commencing at a specific time.

☐ (f) **Change in Control.** The Plan permits payment to a Participant based on a Change in Control.

☐ (g) **Unforeseeable Emergency.** The Plan permits payment to a Participant who has an Unforeseeable Emergency.

☒ (h) *(Specify)*: Participant elections made for a Taxable Year beginning before the effective date of this restated Plan will continue to apply to amounts contributed (and earnings on such contributions) for such Taxable Year. (*e.g.,* based on Unforeseeable Emergency, but only as the Elective Deferral Accounts).

Note: The Employer in (h) may modify any of (a)-(g) but only if such modifications are consistent with Code §409A.

☒ (i) **Election.** As to 4.01 (a), (b), (c), (f), (g) and/or (h), in accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06.

4.01(E) **Contractor deemed Separation from Service.** In making any payment to a Contractor based on Separation from Service, the Plan (*choose (a) or choose one of (b) or (c)*):

☒ (a) **Not applicable.** Only Employees are Participants in the Plan.

☐ (b) **Applies deemed Separation from Service.** Applies the deemed Separation from Service provisions of Section 4.01(E).

☐ (c) **Does not apply.** Does not apply the deemed Separation from Service provisions of Section 4.01(E).

4.02 **Timing, Form and Medium of Payment/Elections.** The Plan will pay a Participant's Vested Accrued Benefit as follows (*complete (a), (b) and (c)*):

(a) **Timing.** Payment will commence or be made (*choose only one of (i) - (vi)*):

☐ (i) **30 days.** On a date which is 30 days following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

☐ (ii) **90 days**. On a date which is within 90 days following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

Note: A Participant may not designate the Taxable Year of Payment under (a)(ii).

☐ (iii) **6 months.** On a date that is 6 months following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

☐ (iv) **Specified Time/Fixed Schedule.** At the Specified Time under Section 4.01(d) or pursuant to the Fixed Schedule under Section 4.01(e).

☐ (v) (*Specify*): ______________________________.

☒ (vi) **Election.** In accordance with a Participant or Employer election under Sections 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06(C).

Note: See Section 4.01(D) as to restrictions on timing of payments to Specified Employees.

(b) **Form.** The Plan will make payment in the form of (*choose one or more of (i) – (v)*):

☒ (i) **Lump-sum**. A single payment.

☒ (ii) **Installments.** In installments as follows: Substantially equal annual installments over a period not to exceed 10 years; subject to a $25,000 post-2004 minimum account balance.

☐ (iii) **Annuity.** An immediate annuity contract.

☐ (iv) (*Specify*): ______________________________.

☒ (v) **Election.** In accordance with a Participant or Employer election under Sections 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06.

(c) **Medium.** The form of payment will be (*choose only one of (i) - (iv)*):

☒ (i) **Cash only.**

☐ (ii) **Property only.**

☐ (iii) **Property or cash (**or both).

☐ (iv) **Election.** In accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve all Participant payment elections. See Section 4.06.

Note: A choice between cash or property is not subject to Code §409A. See Treas. Reg. §1.409A-2(a)(1). The Plan treats this election as not being subject to the timing rules applicable to payment elections.

4.02(A) **Initial payment elections.** The Plan (*choose only one of (a) - (d)*):

☐ (a) **No initial payment elections.** The Plan and Adoption Agreement specify the payment events and the timing, form and medium of payment. If there are multiple payment events, the Plan will make payment based on the earliest event to occur except as follows: ____________________ ____ (*indicate no exceptions or specify sequencing*).

☒ (b) **Participant initial payment election.** Permits a Participant initially to elect the payment event and the timing, form and medium of payment of his/her Deferred Compensation in accordance with Section 4.02(A) (*choose only one of (i) or (ii)*):

☒ (i) **All Accounts.** The Plan applies a Participant's elections to all of the Participant's Accounts under the Plan.

☐ (ii) **Elective Deferral Account.** The Plan applies a Participant's elections only to the Participant's Elective Deferral Account. The Employer will make all payment elections as to Nonelective and Matching Contribution Accounts.

Note: A Participant must elect a payment event from those which the Employer has elected under 4.01 above, which might include all of the 409A permissible payment events. A Participant in his/her election form may limit the payment election to Compensation Deferred at the time of the election or also may apply the payment election to all future Deferred Compensation.

☐ (c) **Employer initial payment election**. Permits the Employer (and not the Participant) initially to elect the payment events and the timing, form and medium of payment of all Participant Accounts in accordance with Section 4.02(A).

☐ (d) (*Specify*): ____ (*e.g.*, the Participant may make an election only as to the Participant's Grandfathered Amounts).

Note: If a Participant or the Employer does not make an initial payment election, see Sections 4.01(B) and 4.02(A)(5).

4.02(B) **Change payment elections.** The Plan (*choose only one of (a) or (b); choose (c) if (b) applies and choose (d) if applicable)*:

Note: Even if the Employer under 4.02(A)(a) elects not to permit any Participant or Employer initial payment elections, the Plan under Section 4.02(A)(1)treats a Plan designation of the payment events and of the timing, form and medium of payment as an initial election for purposes of applying any change election the Plan permits.

☐ (a) **Change payment elections not permitted.** Does not permit a Participant, a Beneficiary or the Employer to make a change payment election in accordance with Section 4.02(B).

☒ (b) **Permits change payment elections.** Permits change payment elections or changes to change payment elections in accordance with Section 4.02(B) and as follows (*choose one or more of (i) -(iv)*):

- ☒ (i) **Participant election.** Permits a Participant to make change payment elections.
- ☐ (ii) **Employer election.** Permits the Employer to make change payment elections.
- ☐ (iii) **Beneficiary election.** Permits a Beneficiary following the Participant's death to make change payment elections.
- ☐ (iv) *(Specify):* ______________________________ (*e.g.*, a Beneficiary may make a change payment election only if the Participant had the right to do so, OR a Participant may make a change payment election only after attaining age 60).

☒ (c) **Limit on number of change payment elections**. The number of change payment elections (as to any initial payment election) that a Participant, a Beneficiary or the Employer (as applicable) may make is (*choose one of (i) or (ii)*):

- ☒ (i) **Unlimited.** Not limited except as required under Section 4.02(B).
- ☐ (ii) **Limited.** Limited to: _________ (*specify number*).

☐ (d) (*Specify*): ______________________________ (*e.g.,* permits change payment elections only as to Elective Deferral Account).

4.02(B)(3)(b) **Installment payments.** The Plan under Section 4.02(B)(3)(b) for purposes of application of the change payment election provisions treats an installment payment as a (*choose one of (a) or (b) or choose (c) if applicable*):

☒ (a) **Single payment.**

☐ (b) **Series of payments.**

Note: If the Plan is a restated Plan, and the Employer otherwise before January 1, 2008, did not make a written designation regarding the treatment of installment payments, the installments under the Plan as to pre-2008 deferrals must be treated as a single payment. See Treas. Reg. 1.409A-2(b)(2)(iv).

☐ (c) **Not applicable.** The Plan does not permit installment payments.

4.06(B) **Election changes/Irrevocability.** A Participant who makes an initial payment election or a change payment election which the Employer has accepted (*complete (a) and (b)*):

(a) **Initial payment elections.** (*choose one of (i), (ii) or (iii)*):

☒ (i) **May change.** May change the initial payment election as to the Deferred Compensation to which the election applies, until the applicable election deadline under 4.02(A)(2)(a). Any change to an initial payment election made after the initial payment election becomes irrevocable is a change payment election.

☐ (ii) **May not change.** May not change the initial election as to the Deferred Compensation to which the election applies.

☐ (iii) **Not applicable.** As elected above, a Participant may not make an initial payment election.

(b) **Change payment elections.** (*choose one of (i), (ii) or (iii)*):

☒ (i) **May change.** May change the change payment election as to the Deferred Compensation to which the election applies. Where the payment event is a Specified Time or a Fixed Schedule, the Participant may change the election until the applicable deadline under Section 4.02(B)(1)(a). Where the change payment election relates to any other payment event (not a Specified Time or a Fixed Schedule), the Participant must make the change within 30 days following the Participant's making of the change payment election which the Participant seeks to change. Any change to a change payment election made after the change payment election becomes irrevocable is a new change payment election.

☐ (ii) **May not change.** May not change the change payment election as to the Deferred Compensation to which the election applies.

☐ (iii) **Not applicable.** As elected above, a Participant may not make a change payment election.

Note: An Elective Deferral election under Section 2.02(C) is a separate election which is not controlled by this election 4.06(B).

ARTICLE V
TRUST ELECTION AND INVESTMENTS

5.02 **No Trust.** The Employer by electing (a) or (b) below does not create the Trust described in Section 5.03. Section 5.02 applies. The Employer will credit each Participant's Account with (*choose one or both of (a) or (b)*):

☐ (a) **Actual Earnings** (*choose only one of (i) through (iv)*):

☐ (i) **Employer direction.** As a result of the Employer's directed investment of the ____ Account.

☐ (ii) **Participant direction.** As a result of the Participant's directed investment of his/her own Account.

☐ (iii) **Participant direction over Elective Deferrals.** As a result of the Participant's directed investment of his/her own Elective Deferral Account, and the Employer's directed investment of the balance of the Participant's Account.

☐ (iv) (*Specify*): ____.

☐ (b) **Notional Earnings.** (*choose one or both of (i) or (ii)*):

☐ (i) **Fixed/floating interest.** Interest at the rate of __________ and applied to *(choose only one of (A), (B) or (C))*:

Note: Use blank to specify rate, fixed or floating with index, time interval, simple or compounded interest, etc.

☐ (A) **Total Account.** The Participant's entire Account.

☐ (B) **Deferrals only.** The Participant's Elective Deferral Account, with the balance of the Account being subject to actual Earnings as specified in 5.02(a).

☐ (C) **Employer Contribution only.** The Participant's Employer Contribution Accounts with the balance of the Account being subject to actual Earnings as specified in 5.02(a).

☐ (ii) *(Specify)*: ____.

5.03 **Trust.** The Employer by electing (a) or (b) below will establish the Trust described in Section 5.03 and designated as Exhibit C. The Trust will be identical in form to the Model Rabbi Trust issued by the Internal Revenue Service under Rev. Proc. 92-64 or any successor thereto. The Employer also may modify the Trust if necessary to comply with Applicable Guidance. The Employer will select among the optional and alternative features available under the Trust, and the Employer will not establish or adopt any other trust under the Plan. The version of the Trust the Employer adopts is (*choose one of (a) or (b)*):

☒ (a) **Individually designed version**.

☐ (b) **Adoption agreement version.**

EMPLOYER SIGNATURE

The Employer hereby agrees to the provisions of this Plan, and in witness of its agreement, the Employer, by its duly authorized officer, has executed this Adoption Agreement on _________, 20__.

Name of Employer: Landstar System Holdings, Inc.

Employer's EIN: 06-1245498

Signed: /s/ James B. Gattoni

President [Name/Title]

TRUSTEE SIGNATURE
[If Trust created under Section 5.03]

The Trustee(s), by executing this Adoption Agreement on __________, 20__ accept(s) the appointment as Trustee of the Trust created under Section 5.03 of the Plan and attached hereto as Exhibit C.

Name of Trustee(s): ________________________________

Signed: ________________________________

Signed: ________________________________

________________________________ [Name/Title]

________________________________ [Name/Title]

LANDSTAR SYSTEM, INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

BASIC PLAN DOCUMENT
(Including Code §409A provisions)

NONQUALIFIED
DEFERRED COMPENSATION PLAN
BASIC PLAN DOCUMENT

By execution of the Adoption Agreement associated with this Basic Plan Document, the Employer establishes this Nonqualified Deferred Compensation Plan ("Plan") for the benefit of certain Employees and Contractors the Employer designates in its Adoption Agreement. The primary purpose of the Plan is to provide additional compensation to Participants upon termination of employment or service with the Employer. The Employer will pay benefits under the Plan only in accordance with the terms and conditions set forth in the Plan.

PREAMBLE

ERISA/Code Plan Type. The Employer in its Adoption Agreement will specify whether it establishes the Plan as a nonqualified deferred compensation plan or as an ineligible Code §457(f) plan. A nonqualified deferred compensation plan is an unfunded plan that may be: (i) an "excess benefit plan" under ERISA §3(36); (ii) a plan maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" ("top-hat plan") under ERISA §§201(2), 301(a)(3) and 401(a)(1); (iii) a plan only for Contractors and exempt from Title I of ERISA; or (iv) a church plan under Code §414(e) and ERISA §3(33) and maintained by a church or church-controlled organization under Code §3121(w)(3). A top-hat plan includes a supplemental executive retirement plan ("SERP"). A tax-exempt Code §457(f) plan may include a church plan under Code §414(e) and ERISA §3(33) but which is not sponsored by a church or church-controlled organization under Code §3121(w)(3).

409A Plan Type. The Employer in its Adoption Agreement will specify whether it establishes the Plan as an Account Balance Plan or as a Separation Pay Plan.

Possible Nonuniformity. The Employer in its Adoption Agreement will specify such Plan terms as will apply to all Participants uniformly or as may apply to a given Participant. Except where the Plan or Applicable Guidance require uniformity in order to comply with Code §409A, the Employer need not provide the same Plan benefits or apply the same Plan terms and conditions to all Participants, even as to Participants who are of similar pay, title and other status with the Employer. The elections the Employer makes in its Adoption Agreement apply uniformly to all Participants, except to the extent the Employer adopts inconsistent provisions with respect to one or more Participants in a separate attachment designated as "Exhibit A" and attached to the Adoption Agreement. The Employer may create a separate Exhibit A for one or more Participants, specifying such terms and conditions as are applicable to a given Participant. The Employer, in Exhibit A, may modify any Plan provision or any Adoption Agreement election as to one or more Participants.

I. DEFINITIONS

1.01 **"Account"** means the account the Employer establishes under the Plan for each Participant and, as applicable, means a Participant's Elective Deferral Account, Nonelective Contribution Account or Matching Contribution Account.

1.02 **"Account Balance Plan"** means an Elective Deferral Account Balance Plan or an Employer Contribution Account Balance Plan, or a combination of both, as the Employer elects in its Adoption Agreement.

(A) <u>Elective Deferral Account Balance Plan</u>. An Elective Deferral Account Balance Plan is a plan comprised of an Elective Deferral Account as described under Treas. Reg. §1.409A-1(c)(2)(i)(A).

(B) <u>Employer Contribution Account Balance Plan</u>. An Employer Contribution Account Balance Plan is a plan comprised of Employer Nonelective Contribution Accounts, Matching Contribution Accounts, or both, as described under Treas. Reg. §1.409A-1(c)(2)(i)(B).

1.03 **"Accrued Benefit"** means the total dollar amount credited to a Participant's Account.

1.04 **"Adoption Agreement"** means the document the Employer executes to establish the Plan and includes all Exhibits and other documents referenced therein.

1.05 **"Aggregated Plans"** means this Plan and any other like-type plan of the Employer in which a given Participant participates and as to which the Plan (see Sections 2.02(B)(2) and 6.03(B)) or Treas. Reg. §1.409A-1(c)(2) requires the aggregation of all such nonqualified deferred compensation in applying Code §409A. For this purpose, the following rules apply:

(A) Participants in Separate Plans. The plan for a Participant is treated as a separate plan from the plan for any other Participant, even though such plans may be incorporated into a single written plan in this Plan and covering all Participants.

(B) Plan Types. The following plans under clauses (i), (ii) and (iii) are not "like-type plans" and are treated as separate from each other: (i) all Elective Deferral Account Balance Plans (including for aggregation purposes only, Separation Pay Plans based on Voluntary Separation from Service); (ii) all Employer Contribution Account Balance Plans (including for aggregation purposes only, Separation Pay Plans based on Voluntary Separation from Service); and (iii) all Separation Pay Plans based on Involuntary Separation from Service or under a Window Program.

(C) Dual Status. If a Participant in two like-type plans participates in one plan as an Employee and in the other as a Contractor, the plans are not Aggregated Plans. If an Employee also serves on the Employer's board of directors (or in a similar capacity with regard to a non-corporate entity) and participates in like-type plans but participates in one plan as an Employee and in the other as a director (or similar capacity with regard to a non-corporate entity) [a "director plan"], the plans are not Aggregated Plans provided that the director plan is substantially similar to a plan the maintains for non-employee directors. If the director plan is not substantially similar, for purposes of aggregation, the director plan is treated as a plan for Employees. Director plans and plans for Contractors are subject to aggregation under this Section 1.05.

1.06 **"Applicable Guidance"** means as the context requires Code §§83, 409A and 457, Treas. Reg. §1.83, Treas. Reg. §§1.409A-1 through -6, Treas. Reg. §1.457-11, or other written Treasury or IRS guidance regarding or affecting Code §§83, 409A or 457(f), including, as applicable, any Code §409A guidance in effect prior to January 1, 2009.

1.07 **"Base Salary"** means a Participant's Compensation consisting only of regular salary and excluding any other Compensation.

1.08 **"Basic Plan Document"** means this Nonqualified Deferred Compensation Plan document.

1.09 **"Beneficiary"** means the person or persons entitled to receive Plan benefits in the event of a Participant's death.

1.10 **"Bonus"** means a Participant's Compensation consisting only of bonus and excluding any other Compensation. A Bonus also may be Performance-Based Compensation under Section 1.37.

1.11 **"Change in Control"** means, as to an Employer which is a corporation, a change: (i) in the ownership of the Employer (acquisition by one or more persons acting as a group of more than 50% of the total voting power or fair market value of the Employer); (ii) in the effective control of the Employer (acquisition or acquisition during a 12-month period ending on the date of the latest acquisition, by one or more persons acting as a group of 30% or more of the total voting power of the Employer or replacement of a majority of the members of the board of directors of the Employer [described below, but including only the entity for which no other corporation is a majority shareholder] during any 12-month period by directors not endorsed by a majority of the board before the appointment or election); or (iii) in the ownership of a substantial portion of the assets of the Employer (acquisition or acquisition during a 12-month period ending on the date of the latest acquisition, by one or more persons [other than related persons described in Treas. Reg. §1.409A-3(i)(5)(vii)(B)] acting as a group of assets with a total gross fair market value of 40% or more of the total gross fair market value of all assets of the Employer immediately before such acquisition or acquisitions), each within the meaning of Treas. Reg. §1.409A-3(i)(5) or in Applicable Guidance. For this purpose, the Employer includes the Employer, the corporation which is liable for the payment of the Deferred Compensation, a majority shareholder (more than 50% of total fair market value and voting power) of the foregoing or a corporation in a chain of corporations in which each is a majority owner of another corporation in the chain, ending in the Employer or in the corporation that is liable for payment of the Deferred Compensation, all in accordance with Treas. Reg. §1.409A-3(i)(5)(ii). An event constituting a Change in Control must be objectively determinable and any certification thereof by the Employer or its agents may not subject to the discretion of such person. For purposes of applying this Section 1.11, stock ownership is determined in accordance with Code §318(a) as modified under Treas. Reg. §1.409A-3(i)(5)(iii). The Employer in its Adoption Agreement will elect whether a Change in Control includes any or all the events described in clauses (i), (ii) or (iii) and also may elect to increase the percentage change required under any such event to constitute a Change in Control. Pending the issuance of Applicable Guidance as to the application of the Change in Control provisions to partnerships (or other non-corporate entities), if the Employer elects in its Adoption Agreement to permit Change in Control as a payment event, the Employer will apply clauses (i) and (iii) and clause (ii) as it relates to a change in the composition of the board of directors by analogy in accordance with Treas. Reg. §1.409A, Preamble, III.G and Notice 2007-86.

1.12 **"Change in the Employer's Financial Health"** means an adverse change in the Employer's financial condition as described in Applicable Guidance.

1.13 **"Code"** means the Internal Revenue Code of 1986, as amended.

1.14 **"Commissions"** means Compensation or portions of Compensation consisting of Sales Commissions or of Investment Commissions. See Section 2.02(B)(5).

(A) Sales Commissions. Sales Commissions means Compensation or portions of Compensation a Participant earns if: (i) a substantial portion of Participant's services to the Employer consists of the direct sale of a product or a service to a customer that is not related or treated as related to the Employer or to the Participant (under Treas. Reg. §§1.409A-1(f)(2)(ii) and (iv)); (ii) the Compensation the Employer pays to the Participant consists either of a portion of the purchase price for the product or service or of an amount substantially all of which is calculated by reference to volume of sales; and (iii) payment is either contingent upon the Employer receiving payment from an unrelated customer (as described in clause (i) above) for the product or services or, if consistently applied as to all similarly situated service providers, is contingent upon the closing of a sales transaction and such other requirements as the Employer may specify before the closing of the sales transaction.

(B) Investment Commissions. Investment Commissions means Compensation or portions of Compensation a Participant earns if: (i) a substantial portion of the Participant's services to the Employer to which the Compensation relates consists of sales of financial products or other direct customer services to a customer that is not related or treated as related to the Employer or to the Participant (under Treas. Reg. §§1.409A-1(f)(2)(ii) and (iv)) as to customer assets or customer asset accounts; (ii) the customer retains the right to terminate the relationship and to move or liquidate the assets or asset accounts without undue delay (but subject to a reasonable notice period); (iii) the Compensation is based on a portion of the value of the overall assets or asset account balance, substantially all of the Compensation is calculated by reference to the increase in value of the overall assets of account balance, or both; and (iv) the value of the overall assets or account balance and Investment Commissions are determined at least annually.

(C) Related Customer Commissions. This Section 1.14 also applies to Sales Commissions and to Investment Commissions involving a related customer provided: (i) the Employer as to unrelated customers makes substantial sales or provides substantial services giving rise to Commissions; and (ii) the sales, service and Commission arrangements with the related customer are bona fide, arise from the Employer's ordinary course of business and are substantially the same, in terms and in practice, as those terms and practices that apply to unrelated customers to which substantial sales are made or substantial services are rendered.

1.15 **"Compensation"**

(A) Employees. Compensation means as to an Employee, gross W-2 compensation. "W-2 Compensation" means wages for Federal income tax withholding purposes, as defined under Code §3401(a), plus all other payments to an Employee in the course of the Employer's trade or business, for which the Employer must furnish the Employee a written statement under Code §§6041, 6051 and 6052, disregarding any rules limiting the remuneration included as wages under this definition based on the nature or location of the employment or service performed. "Gross W-2 compensation" means W-2 compensation plus all amounts excludible from a Participant's gross income under Code §§125,132(f)(4), 402(e)(3), 402(h)(2), 403(b), and 408(p), contributed by the Employer, at the Participant's election, to a cafeteria plan, a qualified transportation fringe benefit plan, a 401(k) arrangement, a SEP, a tax sheltered annuity, or a SIMPLE plan.

(B) Contractors. Compensation as to a Contractor means all payments by the Employer to the Contractor for services during a Taxable Year.

(C) Modifications. The Employer in its Adoption Agreement will elect whether to modify the definition of Compensation. The Employer may modify the definition of Compensation or may specify a different definition of Compensation either as to Employees, as to Contractors or both.

1.16 **"Contractor"** means a person or entity providing services to the Employer (not as an Employee) as described in Treas. Reg. §1.409A-1(f)(1) and which for any Taxable Year of the Contractor that the Contractor is on the cash receipts and disbursements method of accounting for Federal income tax purposes. A person serving on a board of directors is a Contractor as to Compensation for such service without regard to whether the person is an Employee for other purposes. A Contractor is not subject to this Plan or to Code §409A if in the Taxable Year in which the Legally Binding Right to Compensation arises: (i) the Contractor is actively engaged in the trade or business of performing services other than as an Employee or as a director (or similar position as to a non-corporate Employer); (ii) the Contractor provides significant services to the Employer and to at least one other unrelated service recipient, where the Contractor, the Employer and the other service recipient(s) are all unrelated to each other within the meaning of Treas. Reg. §§1.409A-1(f)(2)(i)(B) and (C) as applicable; and (iii) the services are not "management services" within the meaning of Treas. Reg. §1.409A-1(f)(2)(iv). For purposes of clause (ii), "significant services" means as described in Treas. Reg. §1.409A-1(f)(2)(iii). This Plan and Code §409A also do not apply to certain other "related" Contractor services as described in Treas. Reg. §1.409A-1(f)(2)(v).

1.17 **"Disability"** except as the Plan otherwise provides means a condition of a Participant who by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (i) is unable to engage in any substantial gainful activity; or (ii) is receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering Employees. The Employer in its Adoption Agreement will elect whether Disability includes all impairments constituting Disability under this Section 1.17, or only certain specified Disabilities which satisfy the foregoing definition. The Employer will determine whether a Participant has incurred a Disability based on its own good faith determination and may require a Participant to submit to reasonable physical and mental examinations for this purpose. A Participant will be deemed to have incurred a Disability if: (i) the Social Security Administration or Railroad Retirement Board determines that the Participant is totally disabled; or (ii) the applicable insurance company providing disability insurance to the Participant under an Employer sponsored disability program determines that a Participant is disabled under the insurance contract definition of disability, provided such definition complies with the definition in this Section 1.17.

1.18. **"Deferred Compensation"** means the Participant's Account Balance attributable to Elective Deferrals and Employer Contributions and includes Earnings on such amounts except where the Plan otherwise provides. "Compensation Deferred" is Compensation that the Participant or the Employer has deferred under this Plan. Compensation is Deferred Compensation if: (i) under the terms of the Plan and the relevant facts and circumstances, the Participant has a Legally Binding Right to Compensation during a Taxable Year that the Participant has not actually or constructively received and included in gross income; and (ii) pursuant to the Plan terms, the Compensation is or may be payable to or on behalf of the Participant in a later Taxable Year. Deferred Compensation includes Separation Pay paid pursuant to a Separation Pay Plan except as otherwise described in Treas. Reg. §1.409A-1(b)(9) relating to certain excluded Involuntary or Voluntary Separation from Service or Window Programs and certain reimbursements, medical benefits, in-kind benefits and limited payments. Deferred Compensation excludes certain "short-term deferrals" and all other items described in Treas. Reg. §§1.409A-1(b)(3), (4), (5), (6), (8), (10), (11) and (12) or in other Applicable Guidance.

1.19 **"Earnings"** means earnings, gain or loss applicable to a Participant's Account provided that such amounts reflect actual predetermined investments or notional amounts which do not exceed a reasonable rate of interest. Amounts credited to an Account that do not reflect actual predetermined investments or a reasonable rate of interest are Deferred Compensation and are not Earnings. For purposes of making the determination of whether an amount is Earnings or is Deferred Compensation, the principles of Treas. Reg. §31.3121(v)(2)-1(d)(2) apply.

1.20 **"Effective Date"** of the Plan is the date the Employer specifies in the Adoption Agreement, but which is not earlier than January 1, 2009 unless the Employer specifies an earlier date. If this Plan restates a Plan (written or otherwise) which was in effect before January 1, 2009, for periods before January 1, 2009, as to 409A Amounts, the standards and transition rules in effect under Applicable Guidance applies. See for example, Notice 2007-86.

1.21 **"Elective Deferral"** means Compensation a Participant elects to defer into the Participant's Account under the Plan.

1.22 **"Elective Deferral Account"** means the portion of a Participant's Account attributable to Elective Deferrals and Earnings thereon.

1.23 **"Employee"** means a person providing services to the Employer as a common law employee (and not as a Contractor) as described in Treas. Reg. §1.409A-1(f)(1) and who, for any Taxable Year of the Employee, is on the cash receipts and disbursements method of accounting for Federal income tax purposes.

1.24 **"Employer"** means the person or entity: (i) receiving the services of the Participant (even if another person pays the Deferred Compensation); (ii) with respect to whom the Legally Binding Right to Compensation arises; and (iii) who or which executes an Adoption Agreement establishing the Plan. The Employer includes all persons with whom the Employer would be considered a single employer under Code §§414(b) or (c). In the case of an Ineligible 457 Plan, Employer means a State or a Tax-Exempt Organization. For purposes of this Plan, "Employer" means "service recipient" as that term in used in Treas. Reg. §1.409A-1 through -6.

1.25 **"Employer Contribution"** means amounts the Employer contributes or credits to an Account under the Plan, including Nonelective Contributions and Matching Contributions but not including Elective Deferrals.

1.26 **"Employer Contribution Account"** means the portion of a Participant's Account attributable to Employer Contributions and Earnings thereon.

1.27 **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.

1.28 **"409A Amount"** means: (i) any Compensation Deferred prior to January 1, 2005, unless such Deferred Compensation is a Grandfathered Amount; and (ii) any Compensation Deferred in Taxable Years beginning after December 31, 2004. In determining 409A Amounts, the rules of Section 1.05 regarding Aggregated Plans apply.

1.29 **"Grandfathered Amount"** means an amount of Deferred Compensation hereunder as to which, prior to January 1, 2005, a Participant: (i) had a Legally Binding Right to be paid Deferred Compensation; and (ii) was Vested. However, if the Employer after October 3, 2004, materially modifies the Plan as described in Treas. Reg. 1.409A-6(a)(4), then such amount ceases to be a Grandfathered Amount. In determining Grandfathered Amounts, the rules of Section 1.05 regarding Aggregated Plans apply.

1.30 **"Ineligible 457 Plan"** means this Plan which is subject to Code §457(f) and that is not an eligible 457 plan under Code §457(b).

1.31 **"Legally Binding Right"** means, in reference to Compensation, the grant by the Employer to the Participant of an enforceable right (under contract, statute or other applicable law) to Compensation where, after the Participant has performed the services which created the Legally Binding Right, the Compensation is not subject to unilateral reduction or elimination by the Employer or any other person. The Employer, based on the facts and circumstances and in accordance with Treas. Reg. §1.409A-1(b)(1), will determine: (i) whether a

Legally Binding Right exists; or (ii) whether a Legally Binding Right does not exist on account of the existence of negative discretion which has substantive significance to reduce or eliminate the Compensation. Negative discretion does not exist where the Participant has effective control over the person with the negative discretion, has effective control over any portion of compensation of the decision maker or is a family member of the decision maker (within the meaning of Code §267(c)(4) applied as if the family of an individual includes the spouse of any member of the family). Compensation is not subject to unilateral reduction or elimination merely because: (i) it may be reduced or eliminated by operation of objective Plan terms, such as a Substantial Risk of Forfeiture; (ii) the Compensation is determined under a formula that provides for an offset based on benefits provided under another plan, including a qualified plan; or (iii) benefits are reduced on account of actual or notional investment losses, or, in a final average pay plan, because of subsequent decreases in compensation.

1.32 **"Matching Contribution"** means a fixed or discretionary Employer contribution made with respect to a Participant's Elective Deferral.

1.33 **"Matching Contribution Account"** means the portion of a Participant's Account attributable to Matching Contributions and Earnings thereon.

1.34 **"Nonelective Contribution"** means a fixed or discretionary Employer Contribution that is unrelated to a Participant's Elective Deferrals.

1.35 **"Nonelective Contribution Account"** means the portion of a Participant's Account attributable to Nonelective Contributions and Earnings thereon.

1.36 "**Participant"** means an Employee or Contractor the Employer designates under Adoption Agreement Section 2.01 or in Exhibit "B" to the Adoption Agreement to participate in the Plan. For purposes of this Plan, "Participant" means a "service provider" as that term is used in Treas. Reg. 1.409A-1 through-6, who is a participant in the Plan. A reference herein to "service provider" means another service provider to the Employer, whether or not that person is a Participant.

1.37 **"Performance-Based Compensation"** means Compensation (including a Bonus) where the amount of, or entitlement to, the Compensation is contingent on satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. The Employer must establish the organizational or individual performance criteria in writing not later than 90 days after commencement of the performance period and the outcome must be substantially uncertain at the time that the Employer establishes the performance criteria. The Employer may establish performance criteria without the necessity of action by its shareholders, board of directors, compensation committee or similar entities in the case of a non-corporate Employer. Performance-Based Compensation does not include any amount that will be paid regardless of performance or that will be paid based on a level of performance that is substantially certain to be met at the time the criteria are established. If the Plan will pay the Participant's Performance-Based Compensation in the event of the Participant's death or disability or if a Change in Control occurs, without regard to whether the performance criteria have been satisfied, the Compensation is not Performance-Based Compensation (and therefore is not entitled to the election timing under Section 2.02(B)(4)) if payment occurs as a result of any of such events. "Disability" for purposes of this Section 1.37 means any medically determinable physical or mental impairment resulting from the Participant's inability to perform the duties of his/her position or of any substantially similar position, where such impairment can be expected to result in death or to last for a continuous period of not less than 6 months. Performance-Based Compensation does not include an amount of Compensation which is based on a specified number of shares of stock multiplied by the share price at the end of the performance period, but may include an amount of Compensation based on an increase in share price over the performance period or which is not payable unless the share price is at or above a specified price. Performance-Based Compensation may be based on subjective performance criteria provided: (i) the criteria are bona fide and relate the Participant's performance, a group of service providers that includes the Participant or a business unit for which the Participant provides services which may include the Employer; and (ii) the person who decides whether the subjective performance criteria have been met is someone other than the Participant, the Participant's family member (within the meaning of Code §267(c)(4) applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member. In addition, the decision maker's compensation may not be controlled in whole or in part by the Participant or such a family member. The Employer will determine the status of Compensation as Performance-Based Compensation in accordance with Treas. Reg. §1.409A-1(e) and Applicable Guidance.

1.38 "**Plan**" means the Nonqualified Deferred Compensation Plan of the Employer established by and including the Adoption Agreement, the Basic Plan Document, the Trust, if any, and all notices, forms, elections and other written documentation to which the Plan refers. The Employer will set forth the name of the Plan in its Adoption Agreement**.** For purposes of applying Code §409A requirements this Plan, as the Employer elects in its Adoption Agreement, is an Elective Deferral Account Balance Plan, an Employer Contribution Account Balance Plan or both, or is a Separation Pay Plan. This Plan does not constitute: (i) a Code §401(a) plan with an exempt trust under Code §501(a); (ii) a Code §403(a) annuity plan; (iii) a Code §403(b) annuity; (iv) a Code §408(k) SEP; (v) a Code §408(p) Simple IRA; (vi) a Code §501(c)(18) trust to which an active participant makes deductible contributions; (vii) a Code §457(b) plan; or (viii) a Code §415(m) plan.

1.39 **"Retirement Age"** means the date (if any) the Employer elects in the Adoption Agreement.

1.40 **"Separation from Service"**

(A) Employees. Separation from Service means in the case of an Employee, the Employee's termination of employment with the Employer whether on account of death, retirement, Disability or otherwise.

(1) Insignificant or Significant Service/Presumptions. The Employer will determine whether an Employee has terminated employment (and incurred a Separation from Service) based on whether the facts and circumstances as described in Treas. Reg. §1.409A-1(h)(1)(ii). An Employee incurs a Separation from Service if the parties reasonably anticipate, based on the facts and circumstances, the Employee will not perform any additional services after a certain date or that the level of bona fide services (whether performed as an Employee or as a Contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed (whether performed as an Employee or as a Contractor) over the immediately preceding 36-month period (or, if less, the period the employee has rendered service to the Employer) ("average prior service"). An Employee is presumed to have incurred a Separation from Service if the Employee's service level decreases to 20% or less than the average prior service and an Employee is presumed to not have incurred a Separation from Service if the Employee's service level continues at a rate which is 50% or more of the average prior service. No presumption applies where the Employee's service level is more than 20% and less than 50% of the average prior service.

(2) Effect of Leave. An Employee does not incur a Separation from Service if the Employee is on military leave, sick leave, or other bona fide leave of absence if such leave does not exceed a period of 6 months, or if longer, the period for which a statute or contract provides the Employee with the right to reemployment with the Employer. If a Participant's leave exceeds 6 months but the Participant is not entitled to reemployment under a statute or contract, the Participant incurs a Separation from Service on the next day following the expiration of 6 months. A leave of absence constitutes a bona fide leave of absence for this Section 1.40 only if there is a reasonable expectation that the Employee will return to perform services for the Employer. Where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least 6 months, and where the Participant cannot perform his/her duties or the duties of any substantially similar position, in determining when a Separation from Service occurs, the above 6-month period is 29 months unless the Employer or the Employee terminate the leave sooner. For purposes of determining average prior service under Section 1.40 (A)(1), during a paid leave of absence which is not a Separation From Service, the Employee is treated as rendering bona fide services at a level that would have been required to earn the amount paid during the leave. If the leave of absence is unpaid, the leave period is disregarded in determining average prior service.

(3) Alternative Definition. In lieu of applying Section 1.40(A)(1), the Employer or Participant in an initial payment election or in a change payment election may elect a percentage of reduced bona fide services resulting in a Separation from Service which percentage must be greater than 20% and less than 50% of prior average service, determined over the immediately preceding 36 months.

(B) Contractors. Separation from Service, in the case of a Contractor, means the expiration of the contract (or all contracts) under which the Contractor performs services for the Employer provided that the expiration constitutes a good-faith and complete termination of the contractual relationship between the Contractor and the Employer. A good-faith and complete termination does not occur if the Employer anticipates a renewal of the service contract or the Employer anticipates the Contractor becoming an Employee. The Employer anticipates the renewal of the contract if the Employer intends to contract again for the services provided under the expired contract and neither the Employer nor the Contractor has eliminated the Contractor as a possible provider of such additional services. The Employer is deemed to intend renewal of the Contractor's expired contract if renewal is conditioned only upon incurring a need for services, the Employer's ability to pay for the services, or both. See Section 4.01(E) as to Contractor "deemed" Separation from Service provisions.

(C) Involuntary Separation from Service (including for "good reason"). "Involuntary Separation from Service" means a Separation from Service due to the Employer's independent exercise of unilateral authority to terminate the Participant's services (other than due the Participant's implicit or explicit request), where the Participant was willing and able to continue performing services for the Employer. Involuntary Separation from Service may include the Employer's failure to renew the service contract at the time the contract expires provided that the Participant was willing and able to execute a new contract on substantially the same terms and conditions as the expiring contract and to continue providing such services. The Employer will make the determination as to whether an Involuntary Separation from Service has occurred based on all of the facts and circumstances and in accordance with Treas. Reg. §1.409A-1(n). For this purpose, a Participant's voluntary Separation from Service is treated as an Involuntary Separation from Service if it is for "good reason" as described in Treas. Reg. §§1.409A-1(n)(2). A Separation from Service is deemed to be for a good reason if it occurs during a limited period not to exceed 2 years following the initial existence of the following without the Participant's consent: (i) a material reduction in the Participant's base compensation (including Base Salary); (ii) a material reduction in the Participant's authority, duties or responsibilities; (iii) a material reduction in the authority, duties or responsibilities of the Participant's supervisor, including a change in the Participant's reporting responsibilities to a lower level than the board of directors or similar authority in a non-corporate entity; (iv) a material reduction in the Participant's budget; (v) a material change in the location at which the Participant renders service; or (vi) any other action or inaction that constitutes the Employer's material breach of the agreement under which the Participant provides services to the Employer. In addition, to be a deemed "good reason" the amount, time and form of payment upon Separation from Service must be substantially identical to the amount payable upon an actual Involuntary Separation from Service, if such right exists, and the Participant must provide notice to the Employer within 90 days of the initial existence of the condition and afford the Employer at least 30 days to remedy the condition without having to pay the Compensation.

(D) Voluntary Separation from Service. "Voluntary Separation from Service" means a Separation from Service which is not an Involuntary Separation from Service under Section 1.40(C).

(E) "Employer" for Purposes of Separation Rules. The "Employer" for purposes of applying this Section 1.40 (determining Separation from Service under the Plan) means as defined under Section 1.24 but by applying 50% in lieu of 80% in applying Code §§414(b) and (c). The Employer in lieu of applying the previous sentence may elect in its Adoption Agreement to use a percentage equal to not less than 20% and not more than 80% in determining related employers under Code §§414(b) and (c); provided that the Employer may not elect to apply a percentage which is less than 50% unless there are legitimate business criteria for doing so.

(F) Dual Capacity. If a Participant renders service to the Employer both in the capacity as an Employee and as a Contractor (or changes status from Employee to Contractor or vice versa), the Participant must incur a Separation from Service in both capacities to constitute a Separation from Service. For this purpose, if a Participant renders service both as an Employee and as a member of the Employer's board of directors (or an analogous position in the case of a non-corporate Employer) the director services (or the Employee services if this Plan relates to director services) are disregarded in determining whether the Participant has incurred a Separation from Service as to this Plan provided that the plans are not Aggregated Plans.

(G) Certain Asset Sales. In accordance with and subject to Treas. Reg. §1.409A-1(h)(4), if the Employer sells its assets to an unrelated party purchaser where the Participants otherwise would incur a Separation from Service and where such Participants will provide services to the purchaser after the sale closing, the Employer and the purchaser retain discretion no later than the asset sale closing date to specify in writing whether the Participants will incur a Separation from Service. In making such determination, the Employer and the purchaser must treat all affected Participants consistently.

(H) Collectively Bargained Multiple Employer Plan. If the Plan is established pursuant to a bona fide collective bargaining agreement covering services rendered for multiple employers, the Employer (which for this purpose means the employer which executes the Adoption Agreement) in its Adoption Agreement may elect to define Separation from Service in a reasonable manner that treats an Employee as not having separated during periods in which the Employee is not providing services covered by the collective bargaining agreement but is available to do so for one or more employers. However, such alternative definition must also provide that the Employee is deemed to have incurred a Separation from Service at a specified date not later than the end of any period of at least 12 consecutive months during which time the Employee has not provided any service covered by the collective bargaining agreement to any participating employer. The Employer will apply this section in accordance with the requirements of Treas. Reg. §1.409A-1(h)(6).

1.41 "**Separation Pay"** means any Deferred Compensation (applied before application of any exclusion applicable to Separation Pay Plans under Treas. Reg. §1.409A-1(b)(9)) that will not be paid under any circumstances unless the Participant incurs a Separation from Service, whether voluntary or involuntary, including payments in the form of reimbursements for expenses incurred and provision of in-kind benefits. Deferred Compensation that a Participant may receive without incurring a Separation from Service is not Separation Pay merely because the Participant elects to receive or receives payment upon or after Separation from Service. Deferred Compensation does not fail to constitute Separation Pay merely because the Participant must execute a release of claims, noncompetition agreement or nondisclosure agreement or is subject to similar requirements. Any amount or entitlement that acts as a substitute for, or replacement of, Deferred Compensation is a payment of Deferred Compensation and is not Separation Pay.

1.42 **"Separation Pay Plan"** means any plan that provides for Separation Pay, including the portion of any plan that provides for Separation Pay, under Treas. Reg. §§1.409A-1(m). The Employer in its Adoption Agreement will elect whether this Plan is a Separation Pay Plan and will elect whether the plan pays benefits in the event of Involuntary Separation from Service, Voluntary Separation from Service, pursuant to a Window Program or a combination thereof.

1.43 **"Service Year"** means a Participant's Taxable Year in which the Participant performs services which give rise to Compensation. A "service period" or "performance period" means a Service Year or such other period in which a Participant performs services for the Employer giving rise to Compensation.

1.44 **"Specified Employee"** means a Participant who is a key employee as described in Code §416(i)(1)(A), disregarding paragraph (5) thereof and using compensation as defined under Treas. Reg. §1.415(c)-2(a). However, a Participant is not a Specified Employee unless any stock of the Employer is publicly traded on an established securities market or otherwise and the Participant is a Specified Employee on the date of his/her Separation from Service. If a Participant is a key employee at any time during the 12 months ending on the Specified Employee identification date, the Participant is a Specified Employee for the 12 month period commencing on the Specified Employee effective date. The Specified Employee identification date is December 31. The Specified Employee effective date is the April 1 following the Specified Employee identification date. The Employer, in determining whether this Section 1.44 and all related Plan provisions apply, will determine whether the Employer has any publicly traded stock as of the date of a Participant's Separation from Service. In the case of certain corporate transactions (a merger, acquisition, spin-off or initial public offering), or in the case of nonresident alien Employees, the Employer will apply the Specified Employee provisions of the Plan in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance. Notwithstanding the foregoing, the Employer in its Adoption Agreement, and in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance, may make the following elections: (i) use of any Code §415 definition of compensation for Specified Employee determination; (ii) designation of an alternative Specified Employee identification date; (iii) designation of an alternative Specified Employee effective date; (iv) use of an alternative method to identify Participants who will be subject to the 6 month delay rule in Section 4.01(D); (v) certain elections in the context of corporate transactions; and (vi) certain elections regarding nonresident alien Employees. The Employer's election under clauses (ii) or (iii) regarding an identification date or effective date made on or before December 31, 2007, applies to any Separation from Service occurring on or after January 1, 2005, unless the Employer subsequently changes the identification date and/or effective date. Such elections are effective as of the date that all necessary corporate action has been taken to make the election binding as to all nonqualified deferred compensation plans in which service providers of the Employer who would become a Specified Employees participate. The Employer must apply all such elections consistently as to all service providers. The Employer will apply the Specified Employee provisions of the Plan, including the elections described in this Section 1.44, in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance.

1.45 **"Specified Time or Fixed Schedule"** means, in reference to a payment of Deferred Compensation, the Employer, at the time of the deferral of the Compensation can objectively determine: (i) the amount payable; and (ii) the payment date or dates. An amount is objectively determinable if the deferral election specifically identifies the amount or if the Employer can determine the amount at the time it is due pursuant to an objective, nondiscretionary formula specified at the time of deferral.

(A) Dates and Period(s). A payment is scheduled to occur at a specified time if it is a lump sum payment on a specific date, or a specific, objectively determinable date, including following the lapse of a substantial risk of forfeiture. A payment is scheduled to occur on a fixed schedule if it is a series of payments (which may include an annuity or a series of installments) payable on specific dates or on objectively determinable specific dates including following the lapse of a substantial risk of forfeiture. The designation of a Taxable Year of the Participant, or a defined period within a Taxable Year of the Participant, in which payment will occur is adequate designation of a specific date. For purposes of Sections 4.02 and 4.05, if the date specified is only a designated Taxable Year of the Participant, or a period of time during such a Taxable Year, the date specified under the plan is treated as the first day of such Taxable Year or the first day of the period of time, as applicable.

(B) Limitations and Link to Employer Receipts. A Fixed Schedule may include certain: (i) limitations on the amount payable at a specified time of during a specified period expressed either as a stated limit or based on an objective nondiscretionary formula; and (ii) payment schedules based on the timing of payments received by the Employer as described in Treas. Reg. §§1.409A-3(i)(1)(ii) and (iii) and other Applicable Guidance.

(C) Tax Gross-Up Payments. A Specified Time or Fixed Schedule may include tax gross-up payments made by the end of the Participant's Taxable Year which follows the Taxable Year in which the Participant remits the related taxes resulting from compensation paid or made available to the Participant by the Employer, as described in Treas. Reg. §1.409A-3(i)(1)(v) and other Applicable Guidance.

1.46 **"State"** means: (i) one of the fifty states of the United States or the District of Columbia, or (ii) a political subdivision of a State, or any agency or instrumentality of a State or its political subdivision. A State does not include the Federal government or an agency or instrumentality thereof.

1.47 **"Substantial Risk of Forfeiture"**

(A) 409A Amounts. Substantial Risk of Forfeiture means as to 409A Amounts, and other than for purposes of application of Code §457(f), Compensation which is payable conditioned: (i) on the performance of substantial future services by any person including the Participant; or (ii) on the occurrence of a condition related to a purpose of the Compensation, and where under clause (i) or (ii) the possibility of forfeiture is substantial. A condition related to the purpose of the Compensation relates to the Participant's performance for the Employer or to the Employer's business activities or organizational goals. A Substantial Risk of Forfeiture includes conditioning payment on the Participant's Involuntary Separation from Service without cause provided the possibility of not incurring such a Separation from Service is substantial. Except as to payment of Compensation related to a Change in Control, a Substantial Risk of Forfeiture does not include any addition of a condition after a Legally Binding Right to the Compensation arises or any extension of a period during which the Compensation is subject to a Substantial Risk of Forfeiture. Compensation is not subject to a Substantial Risk of Forfeiture merely because payment is conditioned on the Participant's refraining from performing services. Compensation is not subject to a Substantial Risk of Forfeiture beyond the date or time that the

Participant otherwise could have elected to receive the Compensation unless the present value of the amount subject to the Substantial Risk of Forfeiture (determined without regard to the Substantial Risk of Forfeiture) is materially greater than the present value of the amount that the Participant otherwise could have elected to receive, absent the Substantial Risk of Forfeiture. As such, a Participant's Elective Deferrals generally may not be made subject to a Substantial Risk of Forfeiture if the Participant could have elected to receive an equivalent amount in cash. In addition, Compensation the Participant would receive for continuing to perform service for the Employer (such as through the extension of an employment contract) is disregarded in determining whether the present value of such nonvested payment amount is materially greater than the Compensation which the Participant could have elected to receive presently. In determining whether the possibility of forfeiture is substantial in the case of rights to Compensation granted to a Participant who owns significant voting power or value in the Employer, the Employer in accordance with Treas. Reg. §1.409A-1(d)(3) and Applicable Guidance, will take into account all relevant facts and circumstances.

(B) Grandfathered Amounts. A Substantial Risk of Forfeiture for Grandfathered Amounts is defined in Treas. Reg. §1.83-3(c) and in Notice 2005-1, Q/A-16(b) or in Applicable Guidance.

(C) Ineligible 457 Plan. A Substantial Risk of Forfeiture for purposes of application of Code §457(f) under an Ineligible 457 Plan is described in Code §457(f)(3)(B), Treas. Reg. §1.83-3(c) and Applicable Guidance, including any such Guidance which may apply the same or a substantially similar definition as under Section 1.47(A)

1.48 **"Tax-Exempt Organization"** means any tax-exempt organization other than: (i) a governmental unit; or (ii) a church or a qualified church-controlled organization within the meaning of Code §§3121(w)(3)(A) and 3121(w)(3)(B).

1.49 "**Taxable Year"** means as to the Participant, the Participant's taxable year and means as to the Employer, the Employer's taxable year, in each case as the Plan provides or as the context otherwise requires.

1.50 "**Trust"** means the trust, if any, described in Section 5.03 of the Basic Plan Document and which the Employer in its Adoption Agreement elects to create.

1.51 **"Unforeseeable Emergency"** means: (i) a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, a Beneficiary or the Participant's dependent (as defined in Code §152 but without regard to Code §§152(b)(1), (b)(2) and (d)(1)(B)); (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The Employer in its Adoption Agreement will elect whether to permit payment based on a Participant's Unforeseeable Emergency. The Employer will determine whether a Participant incurs an Unforeseeable Emergency based on the relevant facts and circumstances and in accordance with Treas. Reg. §1.409A-3(i)(3) or Applicable Guidance, but in any case, the Plan may not make payment to the extent that the Unforeseeable Emergency may be relieved: (i) through reimbursement or compensation from insurance or otherwise; (ii) by liquidation of the Participant's assets to the extent that such liquidation of assets would not itself cause severe financial hardship; or (iii) by the Participant's cessation of Elective Deferrals under the Plan. The Plan must limit the amount of any payment based on Unforeseeable Emergency to the amount that is reasonably necessary to satisfy the emergency need, which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the payment. The Employer in making the determination as to the amount of payment must take into account any additional Compensation available to the Participant upon cancellation of an Elective Deferral election under Section 2.02(D). However, the Employer in determining "necessity" may disregard amounts available as a hardship distribution or a loan from a qualified plan or as an unforeseeable emergency distribution from another nonqualified plan, regardless of whether such amount is 409A Amount or is a Grandfathered Amount. If the Employer in its Adoption Agreement elects to permit payment based on Unforeseeable Emergency, the Employer further will elect whether to permit payment based on all events that will constitute an Unforeseeable Emergency or to limit such events to a subset of specific events which will so qualify. The Employer will not pay a Participant any Deferred Compensation based an Unforeseeable Emergency unless the Participant requests such payment on a form the Employer provides for this purpose, the Employer determines that the payment would qualify under the Plan terms as being based on the Participant's Unforeseeable Emergency, and the Employer in its sole discretion otherwise approves the payment. Neither a Participant's request, or failure to request, an Unforeseeable Emergency payment, nor the Employer's acceptance or rejection of such a request is a change payment election under Section 4.02(B).

1.52 **"USERRA"** means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

1.53 "**Valuation Date"** means the last day of each of the Employer's Taxable Year and such other dates as the Employer may determine.

1.54 **"Vested"** means an amount of Deferred Compensation which is not subject to a Substantial Risk of Forfeiture or to a requirement to perform further services for the Employer. For purposes of determining whether an amount satisfies the vesting requirement for Grandfathered Amounts under Article VII, the definition of Substantial Risk of Forfeiture in Section 1.47(B) applies.

1.55 **"Window Program"** means a program the Employer establishes in connection with an impending Separation from Service to provide Separation Pay to separated Participants and which program is available only for a period of up to 12 months for Participants who separate during such period or who separate during such period under specified circumstances. A Window Program does not include a program the Employer establishes under which there is a pattern of repeated provision of similar Separation Pay in similar situations for substantially consecutive limited periods of time. Whether a recurrent program constitutes such a pattern depends upon all of the facts and circumstances, including whether the benefits are account of a specific event or condition, the degree to which the separation pay relates to the event or condition and whether the event or condition is temporary or discrete or is a permanent aspect of the Employer's business.

1.56 **"Wraparound Election"** means as to a Participant who also is a participant in a 401(k) or 403(b) plan of the Employer, an election (or elections, if made separately) to defer compensation under both plans with the result that the Participant will achieve under the 401(k) or 403(b) plan, the maximum amount of elective deferrals and matching contributions, if any, as is permissible under the 401(k) or 403(b) plan terms and under Code §§402(g), 401(k)(3), 401(m), 415 and 414(v). For any Participant's Taxable Year, the maximum amount of Elective Deferrals the Plan will transfer as to the Participant (and corresponding decrease in amounts of Compensation Deferred to this Plan) may not exceed the Code §402(g) limit (but increased by catch-up contributions under Code §§414(v) and 402(g)(7) for any year in which the Participant is catch-up eligible). For any Participant's Taxable Year, the maximum amount of Matching Contributions the Plan will transfer as to the Participant (and corresponding decrease in amounts of Compensation Deferred to this Plan) may not exceed the maximum amount of matching contributions that would be provided under the 401(k) or 403(b) plan absent any plan-based restrictions which reflect Code limits on qualified plan or 403(b) contributions. Under a Wraparound Election, the Plan promptly following completion of 401(k) or 403(b) plan testing and within any time required under Applicable Guidance, will transfer from the Participant's Account such Elective Deferrals and related Matching Contributions for the Taxable Year (but without Earnings thereon) as are consistent with the Wraparound Election, to the Participant's account under the 401(k) or 403(b) plan to be held and administered in accordance with the 401(k) or 403(b) plan. Any remaining amounts not transferred to the 401(k) or 403(b) plan will remain in and be administered in accordance with this Plan. The Employer in its Adoption Agreement will specify whether a participant may make a Wraparound Election. A Participant will make a Wraparound Election subject to any timing requirements of Applicable Guidance and on a form the Employer provides for this purpose.

1.57 **"Year of Service"** means the requirements, if any, the Employer specifies in its Adoption Agreement.

II. PARTICIPATION

2.01 Participants Designated. The Employer will designate from time to time in its Adoption Agreement those Employees or Contractors (by name, job title or other classification) who are Participants in the Plan.

2.02 Elective Deferrals. The Employer will specify in its Adoption Agreement whether Participants may elect to make Elective Deferrals to their Accounts.

(A) Limitations. The Employer will specify in its Adoption Agreement any amount limitations or conditions applicable to Elective Deferrals.

(B) Election Form and Timing. A Participant must make his/her Elective Deferral election on an election form the Employer provides for that purpose. The Participant must make the election no later than the latest of the applicable times specified below. The Employer in its Adoption Agreement will elect that a Participant must make and deliver his/her election to the Employer no later than: (i) such applicable time; or (ii) the number of days prior to such applicable time as the Employer sets forth in its Adoption Agreement. The Employer will disregard any Elective Deferral election which is not timely under this Section 2.02(B). See Section 6.04.

(1) General Timing Rule. Except as otherwise provided in this Section 2.02(B), a Participant must deliver to the Employer his/her Elective Deferral election regarding Service Year Compensation no later than the end of the Participant's Taxable Year which is prior to the Service Year.

(2) New Participant/New Plan. As to the Service Year in which an Employee or a Contractor first becomes a Participant (a "newly eligible Participant"), the Participant must make and deliver an Elective Deferral election for that Service Year not later than 30 days after the Employee or Contractor becomes a Participant. All Participants who are eligible to participate on the Effective Date of a new plan are newly eligible Participants as of the Effective Date.

(a) Participant status. For purposes of this Section 2.02(B)(2), an Employee or Contractor is eligible to participate in the Plan at any time during which, under the Plan terms and without further amendment or action by the Employer, the Employee or Contractor is eligible to accrue Deferred Compensation under the Plan (other than Earnings on prior Deferred Compensation), even if the Employee or Contractor has elected not to accrue any such Deferred Compensation (or has made no election).

(b) Changes in status. For purposes of this Section 2.02(B)(2), if a Participant has been paid all Deferred Compensation and on or before the last payment ceases to be eligible to participate in the Plan, but thereafter becomes eligible to participate, the Employee or Contractor is treated as a newly eligible Participant. If a Participant ceases to be eligible to participate, other than as to Earnings, regardless of whether the Participant has been fully paid all Deferred Compensation under the Plan, and subsequently becomes eligible to participate, the Employee or Contractor is treated as a newly eligible Participant provided that the period during which the Employee or Contractor was ineligible was at least 24 months.

(c) Compensation to which election applies. Under this Section 2.02(B)(2), a Participant's election may apply only to Compensation for services the Participant performs subsequent to the date the Participant delivers the election to the Employer. For Compensation that is earned for a specified performance period, including an annual bonus, if the newly eligible Participant makes an Elective Deferral election after the performance period commences, the Employer will pro rate the election by multiplying the performance period Compensation by the ratio of the number of days left in the performance period at the time of the election, over the total number of days in the entire performance period.

(d) Excess benefit plan. For purposes of this Section 2.02(B)(2), if this Plan is an excess benefit plan, an Employee is a newly eligible Participant in the Plan as of the first day of the Employee's Taxable Year immediately following the first year in which he or she accrues a benefit under the Plan. Any election the Employee makes within 30 days following such date applies to any benefits accrued for services provided before the election. An excess benefit plan for purposes of this Section 2.02(B)(2)(d) means a plan under which all Deferred Compensation is attributable to Employer Contributions and is based on the amount the Participant would have accrued under the Employer's qualified plan(s) but for one or more Code limits which apply to the qualified plan(s) over the benefits the Participant actually accrues in such plan(s). Once a Participant has accrued a benefit or deferred Compensation in any year, the Participant is not eligible to use the delayed election in this Section 2.02(B)(2)(d).

(e) Aggregated Plans. All references to the Plan in this Section 2.02(B)(2) include Aggregated Plans. As such, an Employee or Contractor who participates in an Aggregated Plan is not a newly eligible Participant and this Section 2.02(B)(2) does not apply.

(3) Certain Forfeitable Rights. If payment of Deferred Compensation is subject to a condition requiring the Participant to perform services for the Employer for at least 12 months after the Participant obtains the Legally Binding Right to the Compensation to avoid forfeiture of the payment, the Participant may make an Elective Deferral election no later than 30 days after the Participant obtains the Legally Binding Right to the Compensation, provided the Participant makes the election at least 12 months prior to the earliest date on which the service forfeiture condition could lapse. If the Plan provides for a waiver of the service condition upon the Participant's death, Disability or upon a Change in Control, and such event occurs before the end of the 12 month minimum service period, the Participant's elective Deferral election is valid only if the election is timely under the Plan without regard to this Section 2.02(B)(3).

(4) Performance-Based Compensation. As to any Performance-Based Compensation, a Participant may elect no later than 6 months before the end of the performance period to defer such Compensation, provided that the Participant: (i) continuously performs services from the later of the beginning of the performance period or the date the Employer establishes the performance criteria and at least through the date of the Participant's election; and (ii) may not make an election after the Compensation has become readily ascertainable. For purposes of this Section 2.02(B)(4), if the Performance-Based Compensation is a specified or calculable amount, the Compensation is readily ascertainable if and when the amount is first substantially certain to be paid. If the Performance-Based Compensation is not a specified or calculable amount, the Compensation or any portion thereof is readily ascertainable when the amount is first both calculable and substantially certain to be paid. In applying this Section 2.02(B)(4), the Employer will bifurcate any right to payment as between amounts which are readily ascertainable and amounts which are not readily ascertainable.

(5) Commissions.

(a) Sales Commissions. For purposes of election timing under this Section 2.02(B), if Compensation consists of Sales Commissions, the Participant is treated as providing the services giving rise to the Commissions in the Participant's Taxable Year in which the customer remits payment to the Employer, or, if applied consistently to all similarly situated service providers, the Participant's Taxable Year in which the sale occurs.

(b) Investment Commissions. For purposes of election timing under this Section 2.02(B), if Compensation consists of Investment Commissions, the Participant is treated as providing the services giving rise to the Commissions over the 12 months preceding the date as of which the overall value of the assets or the asset accounts is determined for purposes of calculation of the Investment Commissions.

(6) Final Payroll Period. If Compensation is payable after the last day of the Participant's Taxable Year, but is Compensation for the Participant's services during the final payroll period within the meaning of Code §3401(b) (or, as to a Contractor, a period not longer than such period) which contains the last day of the Participant's Taxable Year, the Compensation is treated for purposes of an election under this Section 2.02(B), as Compensation: (i) for the current Taxable Year in which the final payroll period commenced; or (ii) for the subsequent Taxable Year in which the Employer pays the Compensation, as the Employer elects in its Adoption Agreement. This Section 2.02(B)(6) does not apply to Compensation for services performed over any period other than the final payroll period as described herein, including an annual bonus. If the Employer amends its Adoption Agreement after December 31, 2007, to alter the timing rule of this Section 2.02(B)(6), any such amendment may not take effect until 12 months after the later of the date the amendment is executed and is effective.

(7) Separation Pay/Window Program. If the Participant's election relates to Separation Pay (based on voluntary or involuntary Separation from Service) and the Separation Pay is the subject of bona-fide, arm's length negotiations at the time of Separation from Service, the Participant may make an election under this Section 2.02(B) at any time up to the time that the Participant has a Legally Binding Right to the Separation Pay. This Section 2.02(B)(7) does not apply to any Separation Pay to which the Participant obtained a Legally Binding Right before the negotiations at the time of Separation from Service, including a right to payment subject to a condition. If the Separation Pay results from a Window Program, the Participant may make the election at any time up to the time that the Participant's election to participate in the Window Program becomes irrevocable.

(8) Fiscal Year Employer. In the event that the Employer's Taxable Year is a not the same as the Participant's Taxable Year, a Participant may elect to defer Compensation which is co-extensive with one or more of the Employer's consecutive Taxable Years, and no amount of which is paid or payable during the Employer's Taxable Year or Years constituting the period of service, by making an election no later than the end of the Employer's Taxable Year which precedes the Employer's first Taxable Year in which the Participant performs the service for which the Compensation is payable.

(C) Election Changes/ Irrevocability. The Employer in its Adoption Agreement will elect whether a Participant's Elective Deferral election made prior to the Section 2.02(B) deadline becomes irrevocable as to a Taxable Year: (i) following the last day on which a Participant may make an election under Section 2.02(B) for such Taxable Year; or (ii) if earlier, when the Participant makes the election for a Taxable Year. For this purpose, a Participant's Elective Deferral election is considered made when the Employer accepts the election. If the Employer elects to permit changes to an election up to the Section 2.02(B) election deadline, a Participant may make any number of changes to his/her Elective Deferral election during the period prior to the election becoming irrevocable. If the Employer elects in its Adoption Agreement and under Section 2.02(D) that a Participant's election is continuing, the Participant is deemed to have made an irrevocable election as to each Taxable Year on the last day that the Participant could have made an election under Section 2.02(B). As such, the Participant may revoke or modify a continuing election for a Taxable Year up to the date that such election is deemed made and irrevocable for that Taxable Year. A change payment election under Section 4.02(B) or a permissible acceleration under Section 4.02(C)(3) does not render an Elective Deferral election and an accompanying initial payment election under Section 4.02(A) revocable within the meaning of this Section 2.02(C).

(D) Election Duration/Cancellation. As the Employer elects in its Adoption Agreement, a Participant's Elective Deferral election remains in effect: (i) only for the duration of the Taxable Year or Taxable Years for which the Participant makes the election; or (ii) for the duration of the Taxable Year for which the Participant makes the election and for all subsequent Taxable Years unless the Participant executes a subsequent timely election, modification or revocation. A Participant, subject to Plan requirements regarding election timing, may make a new election, or may revoke or modify an existing election effective no earlier than for the next Taxable Year, provided that under Section 4.02(C)(3), the Employer may cancel an existing and otherwise irrevocable election for a Taxable Year at any time following the Participant's receipt of an Unforeseeable Emergency distribution or of a distribution from the Employer's 401(k) plan based upon hardship within the meaning of Treas. Reg. §1.401(k)-1(d)(3).

(E) "Non-Elections" or Deemed Compliance.

(1) Linkage to Qualified or Certain Foreign Plans. The following as described in Treas. Reg. §1.409A-2(a)(9) are not elections under Section 2.02(B): (i) the amount of Compensation Deferred under this Plan is determined under a formula for determining benefits under the Employer's qualified plan or broad-based foreign retirement plan (but applied without regard to Code or foreign law imposed limitations); or (ii) the amount of Compensation Deferred under this Plan is offset by some or all benefits provided under the Employer's qualified plan or broad-based foreign plan and where in either case the amount of Compensation Deferred under the Plan increases on account of changes in the Code or foreign law imposed benefit limitations applicable to the qualified plan or foreign plan, provided in either case such operation does not result in a change in the time or form for payment under this Plan and that the change in the amounts of Compensation Deferred do not exceed the change in amounts deferred under the qualified plan or foreign plan.

(2) Actions/Inactions (including Wraparound Elections). As described in Treas. Reg. §1.409A-2(a)(9), the following Participant actions or in actions are not elections under Section 2.02(B), even if they result in an increase in Compensation Deferred under the Plan: (i) election or non-election under the Employer's qualified plan or broad-based foreign plan as to receipt of a subsidized or ancillary benefit under such plans; (ii) an amendment of such other plans' benefits to add or remove a subsidized or ancillary benefit or to freeze or limit future accruals under the qualified plan or foreign plan or to reduce existing benefits under the foreign plan; or (iii) a Participant's Wraparound Election, provided in all cases such action or inaction does not result in a change in the time or form for payment under this Plan and that under clauses (i) and (ii) above, the change in the amounts of Compensation Deferred do not exceed the change in amounts deferred under the qualified plan or foreign plan.

(3) Elections under a Cafeteria (125) Plan. As described in Treas. Reg. §1.409A-2(a)(10), -if a Participant who is also a participant in a cafeteria (Code §125) plan of the Employer, changes an election under the cafeteria plan with the result that the amount of Compensation Deferred under this Plan changes on account of an increase or decrease in Compensation under this Plan as a result of the cafeteria plan election, the cafeteria plan election is not an election for purposes of Section 2.02(B).

(4) USERRA Rights. The requirements of Section 2.02(B) are deemed satisfied as to any Elective Deferral election (including an initial payment election) which the Plan provides to satisfy the requirements of USERRA.

(5) Annualizing Recurrent Partial Year Compensation. If a Participant is receiving recurring part-year Compensation, the Participant's election to defer all or a portion of such Compensation to be earned during a particular service period is deemed to satisfy the requirements of Section 2.02(B) if the Participant makes the election before the services giving rise to the Compensation begin and the election does not defer payment of any of such Compensation to a date beyond the last day of the 13th month following the first date of the service period. For purposes of this Section 2.02(E)(5), recurring part-year Compensation means Compensation paid for services rendered as to a position the Participant and the Employer reasonably anticipate will continue on similar terms and on similar conditions in subsequent years, and will require services to be provided in successive service periods, each of which comprises less than 12 months and each of which begins in one Taxable Year of the Participant and ends in the next Taxable Year. This Section 2.02(E)(5) applies only once to Compensation Deferred such that the same amount may not again be treated as recurring part-year Compensation and subject to a second deferral election.

2.03 Nonelective Contributions. The Employer will specify in its Adoption Agreement whether the Employer will or may make Nonelective Contributions to the Plan, and the terms and conditions applicable to any Nonelective Contributions.

2.04 Matching Contributions. The Employer will specify in its Adoption Agreement whether the Employer will or may make Matching Contributions to the Plan, and the terms and conditions applicable to any Matching Contributions.

2.05 Actual or Notional Contribution. The Employer will specify in its Adoption Agreement whether it will make any Employer Contribution as a notional contribution or as an actual contribution. If the Employer establishes the Trust, any Employer Contributions to the Trust will be actual contributions.

2.06 Allocation Conditions. The Employer will specify in its Adoption Agreement any employment or other condition applicable to the allocation of Employer Contributions for a Taxable Year.

2.07 Timing. The Employer may elect to make any Employer Contribution for a Taxable Year at such times as Code §409A or Applicable Guidance may permit. The Employer is not required to contribute any actual contribution (or to post any notional contribution) to an Account at the time that the Employer makes its contribution election.

2.08 Administration. The Employer will administer all Employer Contributions in the same manner as Elective Deferrals, and will treat the Employer's election to make Employer Contributions as an Elective Deferral election, except as the Plan otherwise provides. If the Employer establishes the Trust, the Employer will remit any Elective Deferrals to the Trust and will make any Employer Contributions to the Trust. Any Employer Contribution is not subject to an immediate Participant right to elect a cash payment in lieu of the Employer Contribution and such amounts are payable only in accordance with the Plan terms.

III. VESTING AND SUBSTANTIAL RISK OF FORFEITURE

3.01 Vesting Schedule or other Substantial Risk of Forfeiture. The Employer will specify in its Adoption Agreement any vesting schedule or other Substantial Risk of Forfeiture applicable to Participant Accounts. If the Plan is an Ineligible 457 Plan, the Employer must specify a Substantial Risk of Forfeiture.

3.02 Immediate Vesting on Specified Events. The Employer will specify in its Adoption Agreement whether a Participant's Account is Vested without regard to Years of Service if the Participant Separates from Service on or following Retirement Age, or as a result of death, Disability, or other events.

3.03 Application of Forfeitures. A Participant will forfeit any non-Vested Accrued Benefit (where vesting is based on a service condition) upon Separation from Service. A Participant will forfeit any other non-Vested Accrued Benefit when the condition constituting a Substantial Risk of Forfeiture can no longer be satisfied, such as its expiration date. The Employer will specify in its Adoption Agreement how it will apply Participant forfeitures under the Plan.

IV. BENEFIT PAYMENTS

4.01 Payment Events. The Employer in its Adoption Agreement will specify the Plan permissible payment events as all or some of the following payment events affecting a Participant: (i) Separation from Service; (ii) death; (iii) Disability; (iv) a Specified Time or pursuant to a Fixed Schedule; (v) Change in Control; or (vi) Unforeseeable Emergency. As to payment events (i), (ii),(iii), (v) and (vi), the Plan will pay to the Participant the Vested Accrued Benefit held in the Participant's Account on the applicable payment event or on another specified payment date as provided in Section 4.01(A). Payment will commence at the time and payment will be made in the form and medium specified under Section 4.02. See Section 4.02 as to payment elections, including as to payment events under this Section 4.01.

(A) Payment on Objective and Nondiscretionary (Specified) Payment Date(s). The Plan or an initial payment election or change payment election must provide for a payment date that the Employer, at the time of the payment event, can determine objectively and without the exercise of discretion. Such payment date may, but need not, coincide with a payment event, but any payment date must be on or following and must relate to a Plan payment event.

(1) Payment Schedule as Payment Date. A specified payment date as required under this Section 4.01(A) may include a payment schedule which is objectively determinable and nondiscretionary based on the date of the payment event and that would qualify as a Fixed Schedule if the payment event were a fixed date. An election of a payment schedule must be made at the time of the election of the payment event.

(2) Designation of Year or Other Period. A specified payment date or a specified payment schedule as required under this Section 4.01(A) with regard to any payment event other than a Specified Time or pursuant to a Fixed Schedule may include: (i) a Participant's Taxable Year or Years; or (ii) a designated period of time but only if the designated period both begins and ends within one Taxable Year of the Participant or the designated period is not more than 90 days and the Participant does not have the right to designate the Taxable Year of payment except under a change payment election under Section 4.02(B). For purposes of clause (ii), this includes designation of payment on or before the last date of the designated (maximum 90 day) period but after the payment event occurs.

(3) Deemed Payment Date. If the Adoption Agreement or any such election provides for payment only in a designated Taxable Year or Years, the payment date is deemed to be January 1 of that Taxable Year or Years. If the Adoption Agreement or any such election provides for payment only in a designated period, the payment date is deemed to be the first day in the relevant period.

(B) Payment Event Default. This Section 4.01(B) applies if the Employer in its Adoption Agreement fails to elect one or more payment events described in this Section 4.01, if a Participant or the Employer under Section 4.02 fails to elect one of more payment events where the Adoption Agreement affords them such an election, or if the Employer under Section 4.06 rejects the election and the Participant does not timely file a new election the Employer accepts. In such event, the Plan will pay the affected Participant's Vested Benefit held in the Participant's Account following the earlier of the Participant's Separation from Service or death. See Section 4.02(A)(5) as to the applicable default for the time, form and medium of such payments. If this default provision applies, the default payment is deemed to be an initial payment election under the Plan.

(C) Multiple Payment Events; Sequencing. The Plan or an initial payment election or a change payment election may provide for more than one permissible payment event and may provide for payment upon the earliest or latest of more than one permissible payment event. See Section 4.02(A)(4) as to limitations on the number of time and form of payment elections which may apply to a single payment event. In a Separation Pay Plan, the Plan or any election may provide for any payment only upon Separation from Service (including as a result of death or Disability).

(D) Payment to Specified Employees. Notwithstanding anything to the contrary in the Plan or in a Participant or Employer payment election, the Plan may not make payment based on Separation from Service to a Participant who, on the date of Separation from Service is a Specified Employee, earlier than 6 months following Separation from Service (or if earlier, upon the Specified Employee's death), except as permitted under this Section 4.01(D). This limitation applies regardless of the Participant's status as a Specified Employee or otherwise on any other date including the next Specified Employee effective date had the Participant continued to render services through such date. The Employer, operationally and without any direct or indirect Participant election, will elect whether any payments that otherwise would be payable to the Specified Employee during the foregoing 6 month period: (i) will be accumulated and payment delayed until the first day of the seventh month that is after the 6 month period; or (ii) will be delayed by 6 months as to each installment otherwise payable during the 6 month period. This Section 4.01(D) does not apply to payments made on account of a domestic relations order, payments made because of a conflict of interest, or payment of employment taxes, all as described in Treas. Reg. §1.409A-3(i)(2)(i). This Section 4.01(D) also does not apply to any reimbursement or in-kind benefit which is Separation Pay but which is not Deferred Compensation under Section 1.18.

(E) Deemed Separation of Contractor. The Employer in its Adoption Agreement may elect to apply the special payment timing rules in this Section 4.01(E) as to Contractors. Compliance with this Section 4.01(E) results in the Contractor being deemed to have incurred a Separation from Service under Section 1.40. Under this Section 4.01(E): (i) the Plan will not pay a Contractor's Account, or any portion thereof, before a date that is at least 12 months after the expiration of the contract (or all contracts) under which the Contractor performs services for the Employer; and (ii) no amount payable under clause (i) will be paid to the Contractor if the Contractor (whether as a Contractor or an Employee) performs services for the Employer after the contract(s)' expiration and before the payment date.

4.02 Timing, Form and Medium/ Payment Elections. Unless the Employer under Section 4.02(A) and/or 4.02(B) permits Employer or Participant elections, the Employer (in addition to its election of permissible payment events under Section 4.01) will elect in its Adoption Agreement the permissible: (i) payment timing; (ii) payment form (lump-sum, installments, annuity or other form, including a combination thereof); and (iii) payment medium (cash or property) applicable to Plan Accounts (all of which elections are collectively, "payment elections"). Until the Plan pays a Participant's entire Vested Accrued Benefit, the Plan will continue to credit the Participant's Account with Earnings, in accordance with Section 5.02(A) or Section 5.03(B) as applicable. A permissible payment medium election may, but is not required to be, made at the same time as the initial payment election or change payment election, but must be made a reasonable time before any payment date. No election as to payment medium may change the time or form of payment except in accordance with Section 4.02(B).

(A) Initial Payment Election. The Employer will elect in its Adoption Agreement: (i) whether a Participant or the Employer may make an initial payment election from the payment events, timing, form and medium options available under the Adoption Agreement or whether there are no Participant or Employer initial payment elections; and (ii) whether any Participant payment election applies to all Account types or only applies to a Participant's Elective Deferral Account. A Participant must make any permissible initial payment election on a form the Employer provides for that purpose.

(1) No elections are a Deemed Initial Election. If the Employer elects in its Adoption Agreement not to provide any Participant or Employer initial payment elections, the elected Adoption Agreement and applicable Plan provisions constitute an initial payment election under the Plan.

(2) Timing.

(a) Participant Election. A Participant must make an initial payment election at the time of the Participant's Elective Deferral election under Section 2.02(B), or in the absence of such an Elective Deferral election but where the Participant may make an initial payment election as to Employer Contributions, within the same time period as such an Elective Deferral election would be permitted.

(b) Employer Election. The Employer must make an initial payment election as to a Participant at the time that the Employer grants a Legally Binding Right to Deferred Compensation to the Participant, or, if later, by the time that the Participant would have had to make such election, if the Plan had permitted the Participant to make such an election. In the case of a newly eligible Participant or a new Plan described under Section 2.02(B)(2), the Employer must make the initial payment election no later than 30 days after the date the Employee or Contractor becomes a Participant and the proration provisions of Section 2.02(B)(2)(c) do not apply to such Employer election.

(3) Future Deferred Compensation and Earnings. A payment election may apply only to the Deferred Compensation that is the subject of the Elective Deferral election or the Employer Contribution or may apply to such Deferred Compensation and to all future Deferred Compensation, as the payment election indicates. A payment election separately may apply to Deferred Compensation and to the Earnings thereon provided that the Plan credits Earnings at least annually.

(4) Limitations on Payment Time and Form; Multiple Payment Events. Except as otherwise provided in this Section 4.02(A)(4), the Plan or a payment election may designate only one time and form of payment for each of the following payment events: Separation from Service, Disability, death or Change in Control.

(a) Disability, Death or Change in Control. In the case of payment in the event of Disability, death or Change in Control, the Plan or payment election may provide for one time and/or method of payment if the event occurs on or before one specified date and may provide for an alternative time and form of payment if the event occurs after the specified date.

(b) Separation From Service. In the case of payment in the event of Separation from Service, the Plan or payment election may provide for an alternative time and form of payment where: (i) Separation from Service occurs within a limited period of time not exceeding two years following a Change in Control; (ii) Separation from Service occurs before or after a specified date or Separation occurs before or after the combination of a specified date and a specified period of service determined under a predetermined, nondiscretionary objective formula or pursuant to the method for crediting service under a qualified plan of the Employer (but not both of the options under clause (ii)); and (iii) Separation from Service which is not described in clause (i) or (ii). However, neither the Plan nor a payment election may provide for a different time and form of payment based on whether Separation from Service is Voluntary or Involuntary or based on the Participant's marital status at the time of Separation from Service.

(c) Unforeseeable Emergency. If the Employer in its Adoption Agreement elects to permit Unforeseeable Emergency as a payment event, a Participant at any time may request payment based on Unforeseeable Emergency by submitting to the Employer a form the Employer provides for this purpose. The Plan will make payment to the Participant within 90 days following the Employer's acceptance of the Participant's Unforeseeable Emergency payment request. If that 90-day period spans more than one Taxable Year of the Participant, the Participant will not have any discretion over the Taxable Year of payment. See Section 1.51 as to additional requirements relating to an Unforeseeable Emergency payment.

(d) Addition, Change or Deletion of Time and Form. The addition, change, or deletion of an alternative time and form of payment (after the initial payment election has become irrevocable) as permitted under this Section 4.02(A)(4) is a change payment election subject to Section 4.02(B) and is subject to Section 4.02(C).

(5) Time, Form and Medium Default. If the Participant or the Employer as applicable has the right to make an initial payment election but fails to do so, or if the Employer rejects the Participant's election under Section 4.06 and the Participant does not make a new timely election the Employer accepts, the Plan will pay the affected Participant's Vested Accrued Benefit attributable to the non-election under this default provision, in a lump-sum cash payment 13 months following the earliest event permitting payment of the Participant's Account under Section 4.01 (including, if applicable, the default payment events under Section 4.01(B)). If this default provision applies, the default payment is deemed to be an initial payment election under the Plan.

(B) Change Payment Election. The Employer will elect in its Adoption Agreement whether the Employer or a Participant may make a change payment election under this Section 4.02(B). If the Plan permits change elections, the Employer in its Adoption Agreement will elect whether to limit the number of change payment elections. If the Plan permits a Participant or the Employer to change existing payment elections (initial or change payment elections) as to any or all Deferred Compensation, including any Plan specified initial payment election or a default payment applicable in the absence of an actual initial payment election, any such change payment election must comply with this Section 4.02(B). A change payment election may add or delete payment events, may delay payment and/or may change the form of payment, provided the change does not result in an impermissible acceleration under Section 4.02(C). The Employer in its Adoption Agreement will elect whether a Beneficiary following a Participant's death may make a change payment election under this Section 4.02(B). A Participant's change of Beneficiary is not a change payment election provided that the time and method of payment is not otherwise changed. See Section 4.02(B)(3) as to changes of Beneficiary where the payment method is a life annuity. A Participant or Beneficiary must make any change payment election on a form the Employer provides for such purpose.

(1) Conditions on Change Payment Elections.

(a) Election Timing/Deferral of Payment. Any change payment election: (i) may not take effect until at least 12 months following the date the change payment election is made; (ii) if the change payment election relates to a payment based on Separation from Service or on Change in Control, or if the payment is at a Specified Time or pursuant to a Fixed Schedule, the change payment election must result in payment being made not earlier than 5 years following the date upon which the payment otherwise would have been made (or, in the case of a life annuity or installment payments treated as a single payment, 5 years from the date the first amount was scheduled to be paid); and (iii) if the change payment election relates to payment at a Specified Time or pursuant to a Fixed Schedule, the Participant or Employer must make the change payment election not less than 12 months prior to the date the payment is scheduled to be made (or, in the case of a life annuity or installment payments treated as a single payment, 12 months prior to the date the first amount was scheduled to be paid).

(b) Application of Other Rules. A change payment election must satisfy the Plan provisions applicable to initial payment elections under Section 4.02(A)(4) regarding time and form elections and multiple payment events and under Section 4.02(A)(3) regarding scope and Earnings. For purposes of application of Section 4.02(A)(4), Section 4.02(B)(1)(a) applies separately as to each payment described under Section 4.02(B)(2) and due upon each payment event.

(c) Rejection. If the Employer under Section 4.06 rejects a Participant or Beneficiary change payment election, the Participant's initial payment election or deemed initial payment election continues to apply unless and until the Participant makes another change payment election which the Employer accepts.

(d) USERRA Rights. The requirements of Section 4.02(B) are deemed satisfied as to any change payment election which the Plan provides to satisfy the requirements of USERRA. Such elections are not an acceleration under Section 4.02(C).

(2) Definition of "Payment." Except as otherwise provided in Section 4.02(B)(3), a "payment" for purposes of applying Section 4.02(B)(1) is each separately identified amount the Plan is obligated to pay to a Participant on a determinable date and includes amounts paid for the benefit of the Participant. An amount is "separately identified" only if the amount is objectively determinable under a nondiscretionary formula. A payment includes the provision of any taxable benefit, including payment in cash or in-kind. A payment includes, but is not limited to, the transfer, cancellation or reduction of an amount of Deferred Compensation in exchange for benefits under a welfare benefit plan, fringe benefits excludible under Code §§119 or 132, or any other benefit that is excluded from gross income. In the case of a Specified Time or a Fixed Schedule, "payment" for purposes of Section 4.02(B)(1) means as further described in Treas. Reg. §1.409A-3(i)(1).

(3) Life Annuities and Installment Payments.

(a) Life Annuities. A life annuity is treated as a single payment. For purposes of this Section 4.02(B)(3), a "life annuity" is a series of substantially equal periodic payments, payable not less frequently than annually, for the life (or life expectancy) of the Participant, or the joint lives (or life expectancies) of the Participant and of his/her Beneficiary. A change of Beneficiary which occurs before the initial payment of a life annuity is not a change payment election. A change in the form of payment before any annuity payment has been made from one type of life annuity to another with the same scheduled date for the first payment is not subject to the change payment election requirements provided that the annuities are actuarially equivalent applying reasonable actuarial assumptions and that at any given time, the same actuarial assumptions and methods are used to value each annuity. The requirement of actuarial equivalence applies for the duration of the Participant's participation in the Plan such that the annuity payment must be actuarially equivalent at all times for the annuity payment options to be treated as a single time and method of payment. The Plan over time may change actuarial assumptions and methods provided such methods and assumptions are reasonable. The following features are disregarded in determining if the payment is a life annuity but are taken into account in determining if one life annuity is the actuarial equivalent of another: (i) term certain features under which payments continue for the longer of the annuitant's life or for a fixed period of time; (ii) pop-up features under which payments increase upon the death of the Beneficiary or other event which eliminates the survivor annuity; (iii) cash refund features under which there is a payment on the death of the last annuitant in an amount not greater than the excess of the present value of the annuity at the annuity starting state over the total payments before the last annuitant's death; (iv) a feature under which the annuity provides higher periodic payments before the expected commencement of Social Security or Railroad Retirement Act benefits and lower payments after the expected commencement of such benefits, such the combined payments are approximately level before and after the expected commencement date; and (v) features providing for a cost-of-living increase in the annuity payment in accordance with Treas. Reg. §1.401(a)(9)-6, Q & A-14(A)(1) or (2). A joint and survivor annuity does not fail to be actuarially equivalent to a single life annuity solely due to the value of a subsidized survivor benefit provided the annual lifetime annuity to the Participant is not greater than the annual lifetime benefit to the Participant under the single life annuity and the annual survivor annuity benefit is not greater than the annual lifetime annuity to the Participant under the joint and survivor annuity.

(b) Installments. The Employer in its Adoption Agreement will elect whether to treat a series of installment payments which are not a life annuity as a single payment or as a series of separate payments. If the Employer fails to so elect, the Employer must treat the installments as a single payment. Any election to treat installments as separate payments applies at all times with respect to the amount deferred. For purposes of this Section 4.02(B)(3), a "series of installment payments" means payment of a series of substantially equal periodic amounts to be paid over a predetermined number of years, except to the extent that any increase in the payment amounts reflects reasonable Earnings through the date of payment. For this purpose, a series of installment payments over a predetermined period and: (i) a series of installments over a shorter or longer period; and (ii) a series of installments over the same period but with a difference commencement date, are different times and methods of payment and a change in the predetermined period or commencement date is subject to this Section 4.02(B). An installment payment does not fail to be an installment solely because the plan provides for an immediate payment of all remaining installments if the present value of the Deferred Compensation to be paid in the remaining installments falls below a predetermined amount, and the immediate payment in not an acceleration under Section 4.02(C) provided that the payment election establishes this feature, including the predetermined amount triggering immediate payment and that any change to the feature is subject to this Section 4.02(B). If the Plan is a restated Plan, whatever election the Employer made in writing on or before December 31, 2007, applies to any Compensation deferred for the period spanning 2005 through 2007.

(4) Coordination with Anti-Acceleration Rule. The definition of "payment" in Sections 4.02(B)(2) and (3) also applies to Section 4.02(C). A change payment election may change the form of payment to a more rapid schedule (including a change from installments to a lump-sum payment) without violating Section 4.02(C), provided any such change remains subject to the change payment election provisions under this Section 4.02(B).

(5) Multiple Payment Events. If the Plan permits multiple payment events, the change payment election provisions of Section 4.02(B)(1) apply separately as to each payment due upon each payment event. The addition or deletion of a permissible payment event to Deferred Compensation previously deferred is subject to the change election provisions of Section 4.02(B)(1) where the additional event may cause a change

in the time or form of payment. However the addition of death, Disability or Unforeseeable Emergency as an "earliest of" payment event is not a change payment election and is not an impermissible acceleration under Section 4.02(C).

(6) Domestic Relations Orders. An election, pursuant to or reflected in a domestic relations order under Code §414(p)(1)(B), by someone other than the Participant, as to payments to a person other than the Participant, is not a change payment election subject to this Section 4.02(B).

(7) Certain Payment Delays not Subject to Change Payment Election Rules. The Employer operationally will elect whether to apply the some or all of the following payment delay provisions. The Employer in applying such provisions must treat all payments to similarly situated service providers on a reasonably equivalent basis. If applicable, these provisions do not result in the Plan failing to provide for payment upon a permissible event as Code §409A requires nor are the delays treated as a change payment election under this Section 4.02(B).

(a) Non-deductible Payment. The Plan may delay payment to a Participant if the Employer reasonably anticipates that the Employer's deduction for the scheduled payment of the Participant's Deferred Compensation will be barred under Code §162(m). In such event, the Plan (without any Participant election as to timing) will pay such Deferred Compensation either in the Participant's first Taxable Year in which the Employer reasonably anticipates or should reasonably anticipate that Code §162(m) will not apply or during the period beginning on the date the affected Participant Separates from Service and ending on the later of the last day of the Participant's Taxable Year in which the Separation occurs or the 15th day of the third month following the Separation. If the Employer fails to delay under this Section 4.02(B)(7)(a) all scheduled payments during a Taxable Year which could be so delayed, the Employer's delay of any payment is a change payment election subject to this Section 4.02(B). If the Employer delays payment until the Participant's Separation from Service, the payment is considered as made based on Separation from Service for purpose of application of Section 4.01(D) and payment to a Specified Employee will be made on the date that is six months after Separation from Service.

(b) Securities or Other Laws. The Plan may delay payment to a Participant if the Employer reasonably anticipates that the payment will violate Federal securities law or other applicable law. The Plan will pay such Deferred Compensation at the earliest date at which the Employer reasonably anticipates that the payment will not cause a violation of such laws. For purposes of this Section 4.02(B)(7)(b), a violation of "other applicable law" does not include a payment which would cause inclusion of the Deferred Compensation in the Participant's gross income or which would subject the Participant to any Code penalty or other Code provision.

(c) Change in Control. The Plan may delay payment to a Participant related to a Change in Control and that occur under the circumstances described in Treas. Reg. 1.409A-3(i)(5)(iv).

(d) Other. The Plan may delay payment to a Participant upon such other events as Applicable Guidance may permit.

(8) Extension of Short-Term Deferral. A Participant who, after the deadline for an initial payment election under Section 4.02(A)(2)(a), makes an election to defer payment of an amount which, but for the election, would be a short-term deferral under Treas. Reg. 1.409A-1(b)(4) and not subject to 409A, makes a change payment election subject to this Section 4.02(B) and in applying Section 4.02(B), the Plan treats the scheduled payment date as the date the Substantial Risk of Forfeiture lapses; provided that a Participant making such an election may provide for payment upon a Change in Control without regard to the 5 year requirement under clause (ii) of Section 4.02(B)(1)(a).

(C) No Acceleration.

(1) General Rule. No person may accelerate the time or schedule of any Plan payment or amount scheduled to be paid under the Plan. For this purpose, the payment of an amount substituted for the Deferred Compensation is a payment of the Deferred Compensation, as provided in Treas. Reg. §1.409A-3(f).

(2) Not an Acceleration. Certain actions as described in Treas. Reg. §§1.409A-3(j)(1), (2), (3), (5) and (6) are not an acceleration including: (i) certain payments made as a result of an intervening payment event and made in accordance with Plan provisions or pursuant to an initial payment election under Section 4.02(A) or a change payment election under Section 4.02(B); (ii) the Employer's waiver or acceleration of the satisfaction of any condition constituting a Substantial Risk of Forfeiture provided that payment is made only upon a permissible payment event; (iii) the addition of death, Disability or Unforeseeable Emergency as payment events where such addition results in an earlier payment than would have occurred without the addition of such events (iv) an election to change Beneficiaries (including before the commencement of a life annuity) the if the time and form of payment does not change (except where under a life annuity a change in time of payments results solely from the different life expectancy of the new Beneficiary); (v) a decrease in the Compensation Deferred under the Plan as a result of certain linkage to qualified plans or broad-based foreign plans or certain other actions or inactions, including related to Wraparound Elections; or (vi) a change to a cafeteria plan election (under Code §125(d)) resulting in a change in the Compensation Deferred under this Plan.

(3) Permissible Accelerations/ Including Cash-Out. Notwithstanding Section 4.02(C)(1), the Employer in its sole discretion and without any Participant discretion or election, operationally may elect accelerations of the time or schedule of payment from the Plan in any or all of the circumstances described in Treas. Reg. §§1.409A-3(j)(4)(ii) through (xiv). Such circumstances include, but are not limited to, the mandatory lump-sum payment of the Participant's entire Vested Accrued Benefit at any time or only at the time payment will commence (the latter as permitted by Applicable Guidance), provided that the Employer evidences its discretion to make such payment in writing no later than the date of payment, the payment results in the termination and liquidation of the Participant's interest under the Plan and under all Aggregated Plans, and the payment amount does not exceed the applicable dollar amount under Code §402(g)(1)(B). The Employer in applying this Section 4.02(C)(3) must treat all similarly situated service providers on a reasonably equivalent basis. See Section 6.03 as to Plan termination which also results in a permissible acceleration.

4.03 Withholding. The Employer will withhold from any payment made under the Plan and from any amount taxable under Code §409A, all applicable taxes, and any and all other amounts required to be withheld under Applicable Guidance.

4.04 Beneficiary Designation. A Participant may designate a Beneficiary (including one or more primary and contingent Beneficiaries) to receive payment of any Vested Accrued Benefit remaining in the Participant's Account at death. The Employer will provide each Participant with a form for this purpose and no designation will be effective unless made on that form and delivered to the Employer. A Participant may modify or revoke an existing designation of Beneficiary by executing and delivering a new designation to the Employer. In the absence of a properly designated Beneficiary, the Employer will pay a deceased Participant's Vested Accrued Benefit to the Participant's surviving spouse and if none, to the Participant's then living lineal descendants, by right of representation, and if none, to the Participant's estate. If a Beneficiary is a minor or otherwise is a person whom the Employer reasonably determines to be legally incompetent, the Employer may cause the Plan or Trust to pay the Participant's Vested Accrued Benefit to a guardian, trustee or other proper legal representative of the Beneficiary. The Plan's or Trust's payment of the deceased Participant's Vested Accrued Benefit to the Beneficiary or proper legal representative of the Beneficiary completely discharges the Employer, the Plan and Trust of all further obligations under the Plan.

4.05 Payments Treated as Made on Payment Date.

(A) Certain Late Payments. The Plan's payment of Deferred Compensation is deemed made on the Plan required payment date or payment election required payment date even if the Plan makes payment after such date, provided the payment is made by the latest of: (i) the end of the Taxable Year in which the payment is due; (ii) the 15th day of the third calendar month following the payment due date provided that the Participant is not able, directly or indirectly, to designate the Taxable Year of payment; (iii) in case the Employer cannot calculate the payment amount on account of administrative impracticality which is beyond the Participant's control (or the control of the Participant's Beneficiary), in the first Taxable Year of the Participant in which payment is practicable; or (iv) in case the making of the payment on the specified date would jeopardize the Employer's ability to continue as a going concern, in the first Taxable Year of the Participant in which the payment would not have such effect. The Employer may cause the Plan or Trust to pay a Participant's Vested Accrued Benefit on any date which satisfies this Section 4.05(A) and that is administratively practicable following any Plan specified payment date or the date specified in any valid payment election.

(1) Change in Control. In the case of certain Change in Control events, as described in Treas. Reg. §1.409A-3(i)(5)(iv), certain transaction based compensation paid on the same schedule and on the same terms as apply to shareholders generally with respect the Employer's stock or as the payments to the Employer, is treated as paid on the designated payment date. Further, such payments made within 5 years after the Change in Control event are deemed compliant with Sections 4.02(A) and (B).

(2) Disputed Payments/Other Failure to Pay. In the event of a dispute between the Employer and a Participant as to whether Deferred Compensation is payable to the Participant or as to the amount thereof, or any other intentional or unintentional failure to pay, other than with the Participant's express or implied consent, payment is treated as paid on the designated payment date if such payment is made in accordance with Treas. Reg. §1.409A-3(g).

(B) Early Payments. The Employer also may cause the Plan or Trustee to pay on a date no earlier than 30 days before the specified payment date provided the Participant is not able, directly or indirectly, to designate the Taxable Year of the payment. Such "early" payments are not an accelerated payment under Section 4.02(C).

4.06 Payment Election Requirements. The term "payment election," for purposes of this Section 4.06(B) and the Plan generally, means either an initial payment election under Section 4.02(A) or a change payment election under Section 4.02(B).

(A) Compliance with Plan Terms. All initial payment elections and change payment elections must be consistent with the Plan and with the Adoption Agreement.

(B) When Election is Considered Made; Irrevocability.

(1) Participant Elections. A Participant's payment election is not considered made for any purpose under the Plan until both: (i) the Employer approves the election; and (ii) the election has become irrevocable. A Participant's payment election is always revocable until the Employer accepts the election, which acceptance must occur within the time period described in Section 4.06(C). A Participant's payment election becomes irrevocable as the Employer elects in its Adoption Agreement.

(2) Employer Elections. The Employer's payment election is not considered made for any purpose under the Plan until the election has become irrevocable. The Employer's initial payment election is irrevocable after the last permissible date for making the election under Section 4.02(A)(2)(b). The Employer's change payment election relating to payment at a Specified Time or pursuant to a Fixed Schedule is irrevocable after the last permissible date for making the election under Section 4.02(B)(1)(a). The Employer's change payment election relating to payment based on any other payment event (not a Specified Time or Fixed Schedule) remains revocable for 30 days following the Employer's execution of the change payment election.

(3) Effect of Changes While Election is Revocable. Any change made to a payment election while the election remains revocable is not a change payment election, either for purposes of Section 4.02(B)(1)(a) timing rules or in applying any Plan limit on the number of change payment elections a Participant may make as to any amount of Deferred Compensation. Any modification to a payment election after the election has become irrevocable is a change payment election (if made with respect to an initial payment election) or is a new change payment election (if made with respect to a change payment election).

(4) Continuing Elections. If an initial payment election is continuing under Section 4.02(A)(3), such that it applies to Compensation Deferred in one or more Taxable Years beginning after the first Taxable Year to which the payment election applies, the payment election is revocable as to such future Taxable Years until the last permissible date under Section 4.02(A)(2) for making the election with regard to such future Taxable Year or Years.

(C) Employer Approval of Participant and Beneficiary Elections. The Employer expressly and in writing must approve any Participant or Beneficiary payment election (payment event, timing, form and medium), even if the Plan and Adoption Agreement permit such election. The Employer, in its absolute discretion, may withhold approval for any reason, including, but not limited to, non-compliance with Plan terms. However, the Employer must approve or reject any such election within the time period during which the Participant or Beneficiary would have had to make the election. If the Employer does not so approve or reject a payment election, the election is deemed rejected within such time period. With regard to initial payment elections, unless the Participant subsequently makes a timely initial payment election the Employer accepts, the Employer will pay the Participant's Vested Accrued Benefit under the payment event, timing, form and medium default provisions of Sections 4.01(B) and 4.02(A)(5).

(D) Preservation of Pre-2009 Payment Elections. If the Plan is a restatement of a Plan which was in effect before January 1, 2009, as to pre-2009 Deferred Compensation (and Earnings thereon) which is a 409A Amount, the Plan preserves any 409A permissible payment elections under the Plan which elections are not available under the Plan as to Compensation Deferred after 2008, subject to any change payment election made as to such pre-2009 Deferred Compensation.

V. TRUST ELECTION AND PLAN EARNINGS

5.01 Unfunded Plan. The Employer as it elects in its Adoption Agreement intends this Plan to be an unfunded plan that is wholly or partially exempt under ERISA. No Participant, Beneficiary or successor thereto has any legal or equitable right, interest or claim to any property or assets of the Employer, including assets held in any Account under the Plan except as the Plan otherwise permits. The Employer's obligation to pay Plan benefits is an unsecured promise to pay. Any assets held in Plan Accounts remain subject to claims of the Employer's general creditors and no Participant's or Beneficiary's claim to Plan assets has any priority over any general unsecured creditor of the Employer. Except as otherwise provided in the Plan or Trust, all Plan assets, including all incidents of ownership thereto, at all times will be the sole property of the Employer.

5.02 No Trust. Except as provided in its Adoption Agreement, this Plan does not create a trust for the benefit of any Participant. If the Employer does not establish the Trust: (i) the Employer may elect to make notional contributions in lieu of actual contributions to the Plan; and (ii) the Employer may elect not to invest any actual Plan contributions. If the Employer elects to invest any actual Plan contributions, such investments may be held for the Employer's benefit in providing for the Employer's obligations under the Plan or for such other purposes as the Employer may determine.

(A) Earnings. If the Employer does not establish the Trust, the Employer will elect in its Adoption Agreement whether the Plan periodically will credit actual or notional Plan contributions with a determinable amount of notional Earnings (at a specified fixed or floating interest rate or other specified index) or will credit or charge each Participant's Account with the Earnings actually incurred by the Account.

(B) Investment Direction. If the Account is credited and charged with actual Earnings, the Employer will specify in the Adoption Agreement whether the Employer or the Participant has the right to direct the investment of the Participant's Account and also may specify any limitations on the Participant's right of investment direction. If the Adoption Agreement provides for Employer investment direction, the Employer may make any investment of Plan assets it deems reasonable or appropriate. If the Adoption Agreement provides for Participant investment direction, this right is limited strictly to investment direction and the Participant will not be entitled to the distribution of any Account asset except as the Plan otherwise permits.

5.03 Trust. If the Employer elects in its Adoption Agreement to create the Trust, the applicable provisions of the Basic Plan Document continue to apply, including those of Section 5.01. The Trustee will pay Plan benefits in accordance with the Plan terms or upon the Employer's direction consistent with Plan terms.

(A) Restriction on Trust Assets. If an Employer establishes, directly or indirectly, the Trust (or any other arrangement Applicable Guidance may describe), the Trust and the Trust assets must be and must remain located within the United States, except with respect to a Participant who performs outside the United States substantially all services giving rise to the Deferred Compensation. The Trust may not contain any provision limiting the Trust assets to the payment of Plan benefits upon a Change in the Employer's Financial Health, even if the assets remain subject to claims of the Employer's general creditors. For this purpose, the Employer, upon a Change in the Employer's Financial Health, may not transfer Deferred Compensation to the Trust. The Employer (and any member of a controlled group which includes the Employer) during the "restricted period" also may not transfer Deferred Compensation to the Trust and the Trust may not be restricted to payment of Plan benefits, to the extent that such transfer or restriction would violate the at-risk limitation of Code §409A(b)(3). Any Trust the Employer establishes under this Plan shall be further subject to Applicable Guidance, compliance with which is necessary to avoid the transfer of assets to the Trust being treated as a transfer of property under Code §83.

(B) Trust Earnings and Investment. If the Employer establishes the Trust, the Trust earnings provisions apply to all Plan contributions and constitute Earnings for purposes of the Plan. The Trustee will invest the assets held in the Trust in accordance with the Trust terms but are not subject to Participant direction of investment.

VI. MISCELLANEOUS

6.01 No Assignment. No Participant or Beneficiary has the right to anticipate, alienate, assign, pledge, encumber, sell, transfer, mortgage or otherwise in any manner convey in advance of actual receipt, the Participant's Account. Prior to actual payment, a Participant's Account is not subject to the debts, judgments or other obligations of the Participant or Beneficiary and is not subject to attachment, seizure, garnishment or other process applicable to the Participant or Beneficiary.

6.02 Not Employment Contract. This Plan is not a contract for employment between the Employer and any Employee who is a Participant. This Plan does not entitle any Participant to continued employment with the Employer, and benefits under the Plan are limited to payment of a Participant's Vested Accrued Benefit in accordance with the terms of the Plan.

6.03 Amendment and Termination.

(A) Amendment. The Employer reserves the right to amend the Plan at any time to comply with Code §409A, Treas. Reg. §1.409A and other Applicable Guidance or for any other purpose, provided that such amendment will not result in taxation to any Participant under Code §409A. Except as the Plan and Applicable Guidance otherwise may require, the Employer may make any such amendments effective immediately.

(B) Termination. The Employer may terminate, but is not required to terminate and liquidate the Plan which includes the distribution of all Plan Accounts, under the following circumstances:

(1) Dissolution/Bankruptcy. The Employer may terminate and liquidate the Plan within 12 months following a dissolution of a corporate Employer taxable under Code §331 or with approval of a Bankruptcy court under 11 U.S.C. §503(b)(1)(A), provided that the Deferred Compensation is paid to the Participants and is included in the Participants' gross income in the latest of (or, if earlier, the Taxable Year in which the amount is actually or constructively received): (i) the calendar year in which the plan termination and liquidation occurs; (ii) the first calendar year in which the amounts no longer are subject to a Substantial Risk of Forfeiture; or (iii) the first calendar year in which the payment is administratively practicable.

(2) Change in Control. The Employer may terminate and liquidate the Plan by irrevocable action taken within the 30 days preceding or the 12 months following a Change in Control, provided the Employer distributes all Plan Accounts (and must distribute the accounts under any Aggregated Plans which plan the Employer also must terminate and liquidate as to each Participant who has experienced the Change in Control) within 12 months following the date of Employer's irrevocable action to terminate and liquidate the Plan and Aggregated Plans. Where the Change in Control results from an asset purchase transaction, the "Employer" with discretion to terminate and liquidate the Plan is the Employer that is primarily liable after the transaction to pay the Deferred Compensation.

(3) Other. The Employer may terminate the Plan for any other reason in the Employer's discretion provided that: (i) the termination and liquidation does not occur proximate to a downturn in the Employer's financial health; (ii) the Employer also terminates all Aggregated Plans in which any Participant also is a participant; (ii) the Plan makes no payments in the 12 months following the date of Employer's irrevocable action to terminate and liquidate the Plan other than payments the Plan would have made irrespective of Plan termination; (iii) the Plan makes all payments within 24 months following the date of Employer's irrevocable action to terminate and liquidate the Plan; and (iv) the Employer within 3 years following the date of Employer's irrevocable action to terminate and liquidate the Plan does not adopt a new plan covering any Participant that would be an Aggregated Plan.

(4) Applicable Guidance. The Employer may terminate and liquidate the Plan under such other circumstances as Applicable Guidance may permit.

(C) Effect on Vesting. Any Plan amendment or termination will not reduce the Vested Accrued Benefit held in any Participant Account at the date of the amendment or termination and will not accelerate vesting except as the Employer may expressly provide for in connection with the amendment or termination, provided that any such vesting acceleration does not subject any Participant to taxation under Code §409A.

(D) Cessation of Future Contributions. The Employer in its Adoption Agreement may elect at any time to amend the Plan to cease future Elective Deferrals, Nonelective Contributions or Matching Contributions as of a specified date. In such event, the Plan remains in effect (except those provisions permitting the frozen contribution type) until all Accounts are paid in accordance with the Plan terms, or, if earlier, upon the Employer's termination of the Plan.

6.04 Fair Construction. The Employer, Participants and Beneficiaries intend that this Plan in form and in operation comply with Code 409A, the regulations thereunder, and all other present and future Applicable Guidance. The Employer and any other party with authority to interpret or administer the Plan will interpret the Plan terms in a manner which is consistent with Applicable Law. However, as required under Treas. Reg. §1.409A-1(c)(1), the "interpretation" of the Plan does not permit the deletion of material terms which are expressly contrary to Code §409A and the regulations thereunder and also does not permit the addition of missing terms necessary to comply therewith. Such deletions or additions may be accomplished only be means of a Plan amendment under Section 6.03(A). Any Participant, Beneficiary or Employer permitted Elective Deferral election, initial payment election, change payment election or any other Plan permitted election, notice or designation which is not compliant with Applicable Law is not an "election" or other action under the Plan and has no effect whatsoever. In the event that a Participant, Beneficiary or the Employer fail to make an election or fail to make a compliant election, the Employer will apply the Plan's default terms under Sections 4.01(B) and 4.02(A)(5).

6.05 Notice and Elections. Any notice given or election made under the Plan must be in writing and must be delivered in person or electronically in a manner reasonably designed to ensure receipt, or mailed by certified mail, to the Employer, the Trustee or to the Participant or Beneficiary as appropriate. The Employer will prescribe the form of any Plan notice or election to be given to or made by Participants. Any notice or election will be deemed given or made as of the date of delivery, or if given or made by certified mail, as of 3 business days after mailing.

6.06 Administration/Correction. The Employer will administer and interpret the Plan, including making a determination of the Vested Accrued Benefit due any Participant or Beneficiary under the Plan. As a condition of receiving any Plan benefit to which a Participant or Beneficiary otherwise may be entitled, a Participant or Beneficiary will provide such information and will perform such other acts as the Employer reasonably may request. The Employer may cause the Plan to forfeit any or all of a Participant's Vested Accrued Benefit, if the Participant fails to cooperate reasonably with the Employer in the administration of the Participant's Plan Account, provided that this provision does not apply to a bona fide dispute under Section 4.05(A)(2). The Employer may retain agents to assist in the administration of the Plan and may delegate to agents such duties as it sees fit. The decision of the Employer or its designee concerning the administration of the Plan is final and is binding upon all persons having any interest in the Plan. The Employer will indemnify, defend and hold harmless any Employee designated by the Employer to assist in the administration of the Plan from any and all loss, damage, claims, expense or liability with respect to this Plan (collectively, "claims") except claims arising from the intentional acts or gross negligence of the Employee. The Employer, to minimize or avoid any sanction or damages to a Participant or Beneficiary, to itself or to any other person resulting from a violation of Code §409A under the Plan, may undertake correction of any violation or participate in any available correction program, as described in Notice 2007-100 or other Applicable Guidance.

6.07 Account Statements. The Employer from time to time will provide each Participant with a statement of the Participant's Vested Accrued Benefit as of the most recent Valuation Date. The Employer also will provide Account statements to any Beneficiary of a deceased Participant with a Vested Accrued Benefit remaining in the Plan. Any such statements are for information purposes only prior to an actual Plan payment, are subject to adjustment or correction, and are not binding upon the Employer.

6.08 Accounting. The Employer will maintain for each Participant as is necessary for proper administration of the Plan, an Elective Deferral Account, a Matching Contribution Account, a Nonelective Contribution Account, and separate sub-accounts reflecting 409A Amounts and Grandfathered Amounts in accordance with Section 7.03.

6.09 Costs and Expenses. Investment charges will be borne by the Account to which they pertain. The Employer will pay the other costs, expenses and fees associated with the operation of the Plan, excluding those incurred by Participants or Beneficiaries. The Employer will pay costs, expenses or fees charged by or incurred by the Trustee only as provided in the Trust or other agreement between the Employer and the Trustee.

6.10 Reporting. The Employer will report Deferred Compensation for Employee Participants on Form W-2 for and on Form 1099-MISC for Contractor Participants in accordance with Applicable Guidance.

6.11 ERISA Claims Procedure. If this Plan is established as a “top-hat plan” within the meaning of DOL Reg. §2520.104-23, the following claims procedure under DOL Reg. §2560.503-1 applies. For purposes of the Plan’s claims procedure under this Section 6.11, the “Plan Administrator” means the Employer. A Participant or Beneficiary may file with the Plan Administrator a written claim for benefits, if the Participant or Beneficiary disputes the Plan Administrator’s determination regarding the Participant’s or Beneficiary’s Plan benefit. However, the Plan Administrator will cause the Plan to pay only such benefits as the Plan Administrator in its discretion determines a Participant or Beneficiary is entitled to receive. The Plan Administrator under this Section 6.11 will provide a separate written document to affected Participants and Beneficiaries which explains the Plan’s claims procedure and which by this reference is incorporated into the Plan. If the Plan Administrator makes a final written determination denying a Participant’s or Beneficiary’s claim, the Participant or Beneficiary must file an action with respect to the denied claim within 180 days following the date of the Plan Administrator’s final determination.

VII. 409A AMOUNTS AND GRANDFATHERED AMOUNTS

7.01 409A Amounts. The terms of this Plan control as to any 409A Amount.

7.02 Grandfathered Amounts. A Grandfathered Amount remains subject to the terms of the Plan as in effect before January 1, 2005, unless the Employer makes a material modification to the Plan as described in Treas. Reg. §1.409A-6(a)(4).

7.03 Separate Accounting/Earnings. The Employer will account separately for 409A Amounts and for Grandfathered Amounts within each Participant’s Account. The Employer also will account separately for Earnings on the 409A Amounts and Earnings on the Grandfathered Amounts. Post-2004 Earnings on Grandfathered Amounts are included in the Grandfathered Amount.

* * * * * * * * * * * * * * *

Exhibit 21.1

LIST OF SUBSIDIARIES OF LANDSTAR SYSTEM, INC.

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
Also d/b/a RMCS, Inc. in Alabama and California		
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
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		

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 333-190411, No. 333-68454, No. 333-68452 and No. 333-175890) on Form S-8 of Landstar System, Inc. of our reports dated February 20, 2015, with respect to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 27, 2014 and December 28, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012, and the effectiveness of internal control over financial reporting as of December 27, 2014, which reports appear in the December 27, 2014 annual report on Form 10-K of Landstar System, Inc.

/s/ KPMG LLP

February 20, 2015
Jacksonville, Florida
Certified Public Accountants

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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 27, 2015

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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 27, 2015

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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/ Henry H. Gerkens
Henry H. Gerkens

DATED: January 27, 2015

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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/ Michael A. Henning
Michael A. Henning

DATED: January 27, 2015

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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 27, 2015

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/14

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint James B. Gattoni 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 27, 2014, 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/ Larry J. Thoele
Larry J. Thoele

DATED: January 27, 2015

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, James B. Gattoni, 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 20, 2015

/s/ James B. Gattoni

James B. Gattoni
President and Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, L. Kevin Stout, 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 20, 2015

/s/ L. Kevin Stout
L. Kevin Stout
Vice President and Chief Financial Officer

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 27, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James B. Gattoni, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James B. Gattoni
James B. Gattoni
President and Chief Executive Officer

February 20, 2015

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 27, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. Kevin Stout, 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/ L. Kevin Stout
L. Kevin Stout
Vice President and Chief Financial Officer

February 20, 2015