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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

December 31, 2008

Landstar System, Inc.

(Exact name of registrant as specified in its charter)

Delaware

0-21238

06-1313069

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

13410 Sutton Park Drive South, Jacksonville,  
Florida

32224

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

904-398-9400

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

As of December 31, 2008, Landstar System, Inc. (the "Company") has made certain modifications to the compensation arrangements set forth in a letter agreement between Henry H. Gerkens, the Company's Chief Executive Officer, and the Company, as amended and restated as of December 31, 2008 (the "Letter Agreement"), to comply with Section 409A of the Internal Revenue Code and to clarify and fulfill the intent of such arrangements in light of such Section 409A changes. To effect these modifications, the Company also adopted a technical amendment to its 2002 Stock Option Plan, and simultaneously made a similar amendment to its 1993 Stock Option Plan. Copies of the Letter Agreement, the 1993 Stock Option Plan, as amended, and the 2002 Stock Option Plan, as amended, are attached as exhibits hereto.

Under the Letter Agreement, Mr. Gerkens agreed to remain as the Company's Chief Executive Officer through January 1, 2013 and the Company agreed to grant Mr. Gerkens stock options in respect of 400,000 shares of its common stock in January 2008 (the "2008 Option Grant") and an additional 100,000 shares in January 2009 (the "2009 Option Grant"). It also provides that, unless the parties otherwise agree, Mr. Gerkens will continue to provide services to the Company for a period of two years following the date he ceases to serve as the Company's Chief Executive Officer (the "Continuing Services"). Revisions were made to the Letter Agreement in respect of these Continuing Services, in light of Section 409A, to avoid having such services delay the time at which Mr. Gerkens could receive certain compensation that might otherwise be payable to him upon his ceasing to serve as Chief Executive Officer.

These changes highlighted the fact that it was unclear how the period of Continuing Services would be treated for purposes of determining the period over which Mr. Gerkens would be entitled to exercise the 2008 Option Grant and the 2009 Option Grant (collectively, the "Letter Agreement Options"). It had been the intent that such Continuing Services would be treated as continuing employment for this purpose, allowing Mr. Gerkens to exercise the Letter Agreement Options for the period of such Continuing Services, plus for such period as such Options could be exercised in accordance with their terms following the cessation of the Continuing Services.

Accordingly, to effect the original intent of the Letter Agreement, the Company has modified the terms of the Letter Agreement Options to provide that they may be exercised, in all events other than a cause termination, for two-years following termination of Mr. Gerkens' employment. This change assures Mr. Gerkens of the ability to exercise such Letter Agreement Options during the period of the Continuing Services, even if it is determined that he is not an employee of the Company during such period.

To effect this action required an amendment to the Company's 2002 Stock Option Plan (the "2002 Plan"). The 2002 Plan generally provides a one-year post-termination exercise period for any employee whose employment terminates at or after age 62 or due to death or disability, and 30 days for employees terminating employment prior to age 62 other than for death or disability. The 2002 Plan empowers the Compensation Committee to establish longer post-termination exercise periods; however, the Committee's authority to modify these periods in respect of retirement, death or disability was limited to actions taken at the time the option was granted. As the Company saw no reason to continue this restriction under the stock option accounting standards and other rules currently in effect, the Company amended the 2002 Plan to eliminate this timing restriction on the Compensation Committee's discretion, to enable it to effect the intent of the Letter Agreement with respect to the post-termination exercise period applicable to the 2008 Option Grant.

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## SIGNATURES

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

Landstar System, Inc.

*January 7, 2009*

*By: James B. Gattoni*

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*Name: James B. Gattoni*

*Title: Vice President and Chief Financial Officer*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Letter Agreement, dated December 31, 2008, between Landstar System, Inc. and Henry H. Gerkens
99.2	Landstar System, Inc. 1993 Stock Option Plan, as amended as of December 31, 2008
99.3	Landstar System, Inc. 2002 Employee Stock Option Plan, as amended as of December 31, 2008

December 31, 2008

Henry H. Gerken

13410 Sutton Park Drive South

Jacksonville, Florida 32224

Dear Henry:

As you know, on April 27, 2004, you and Landstar System, Inc. (the "**Company**") entered into an employment letter in connection with your appointment as Chief Executive Officer of the Company. To reflect the change in your rate of base salary and to make other changes thereto that the parties deemed appropriate, including the addition of certain restrictive covenants for the benefit of the Company, the parties amended and restated that letter, as of June 8, 2007, to specify the terms under which you were to continue to serve as Chief Executive Officer. In light of the continued contributions we expect you to make to the Company, we again amended and restated your letter agreement as of January 2, 2008. As you may know, your employment agreement must be brought into "written documentary" compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance promulgated thereunder by December 31, 2008. In order to ensure that your employment agreement is in written compliance with Section 409A and such guidance, and to make certain changes in respect thereof that the parties deemed appropriate, we are again amending and restating your employment agreement as set forth below. For the avoidance of doubt, you shall continue to be compensated on the same terms and conditions as are currently applicable to you, including with respect to your Participant Percentage Participation under the Company's Executive Incentive Compensation Plan (the "**EICP**"), which will continue to be 100%.

You shall be granted a special award of 500,000 options under the Company's 2002 Employee Stock Option Plan (the "**Option Plan**") consisting of (i) 400,000 options that shall be granted to you on January 2, 2008 (the "**Initial Option Grant**") and (ii) 100,000 options that shall be granted to you on January 2, 2009 (the "**Second Option Grant**"). Each option shall have an exercise price equal to the Fair Market Value (as defined in the Option Plan) of the Company's Common Stock on the date of grant. The Initial Option Grant shall vest, subject to your continuous employment with the Company through the applicable vesting date, as follows: 133,333 options shall vest on January 2, 2011, 133,333 options shall vest on January 2, 2012 and 133,334 options shall vest on January 2, 2013. The Second Option Grant shall vest, subject to your continuous employment with the Company through the applicable vesting date, as follows: 33,333 options shall vest on January 2, 2011, 33,333 options shall vest on January 2, 2012 and 33,334 options shall vest on January 2, 2013. Notwithstanding anything in the Option Plan or the foregoing to the contrary, all of the options shall become immediately vested and exercisable in the event that (i) the Company appoints someone other than yourself as the Chief Executive Officer at a time when you are employed by the Company, (ii) you resign your employment for Good Reason (as defined below), or (iii) your employment is terminated by the Company for any reason other than Cause (as defined in your Key Executive Employment Protection Agreement ("**KEEPA**")). Except as expressly provided above, your options shall be subject to the terms and conditions of the Option Plan. For the purposes of this employment letter, "**Good Reason**" means as defined in clauses (i) and (ii) in the definition of such term in the KEEP A; provided such events result in a material negative change to you in your employment relationship with the Company; provided further that it is acknowledged and agreed that you shall not be deemed to have Good Reason to terminate your employment as a result of your not receiving any additional equity compensation grants).

As Chief Executive Officer, you will have all of the duties and obligations generally associated with that position at the Company. You serve as the Chief Executive Officer at the pleasure of the Board and as a member of the Board at the discretion of our stockholders.

Notwithstanding the foregoing, if the Company terminates your employment for any reason other than Cause or Disability (as such terms are defined in the KEEP A) or you voluntarily terminate your employment for Good Reason at any time prior to January 2, 2013 and your rights to receive severance are not governed by the KEEP A (that is, generally prior to the occurrence of Change of Control, as defined in the KEEP A), then the Company shall pay you a lump sum severance benefit (the "**Severance Benefit**") equal to two times the sum of (i) your annual base salary (as in effect on the date hereof, or as it may hereafter be increased) and (ii) the amount that would be payable to you as an annual bonus for the applicable period based on your stated Participant Percentage Participation in the EICP, within ten (10) business days of the date immediately following the 6-month anniversary of your termination of employment. In addition, you shall be entitled to receive any vested amounts or benefits owing to you under the Company's otherwise applicable employee benefit plans and programs (including any equity compensation plan), and all options granted to you in connection with your appointment as Chief Executive Officer pursuant to the April 27, 2004 letter agreement which have not previously vested in accordance with their terms shall become fully vested and exercisable.

If you receive the Severance Benefit, you and, to the extent applicable, your dependents shall be entitled, after the date of your termination and until the earlier of (x) the second anniversary of such date or (y) the date you become eligible for comparable benefits

under a similar plan, policy or program of a subsequent employer, to continue participation in all of the Company's employee and executive welfare benefit plans (the "**Benefit Plans**") in which you participated immediately prior to the date of your termination; provided that medical benefits and Taxable Other Benefits (as defined below) are provided subject to the additional provisions set forth below. Any continuation of medical benefits under a self-insured medical reimbursement plan shall continue solely for the period during which you are entitled to purchase continued coverage under such plan ("**COBRA Coverage**") in accordance with Section 4980B of the Internal Revenue Code of 1986, as amended, and Section 601 et. Seq. of the Employee Retirement Income Security Act of 1974, as amended. If your eligibility for COBRA Coverage ends due to the expiration of the 18 month period during which such COBRA Coverage is available, the Company shall continue to provide you and your eligible dependents medical benefits monthly thereafter for a period of six additional months. Your continued participation in the Benefit Plans (including the medical plan) will be on the same terms and conditions that would have applied had you continued to be an employee of the Company; provided, however, that to the extent that the benefits provided under any such Benefit Plan are not medical benefits and the provision of such benefits would not be exempt from Federal income taxation (the "**Taxable Other Benefits**"), you will reimburse the Company for the full cost of such Taxable Other Benefits for the first six months following your termination of employment (unless and solely to the extent you elect, within ten business days of the date of your termination, to forego receipt of such Taxable Other Benefits under this letter agreement). To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall either provide an insurance policy or policies providing all or part of such benefits, and to the extent of any portion of the benefits not covered by any such policies, shall provide you the remaining benefits coverage under another plan or from the Company's general assets. Notwithstanding anything in this Agreement to the contrary, in no event shall the benefits provided under this paragraph during any calendar year affect the benefits provided under this paragraph during any other calendar year. Moreover, to the extent any reimbursement or payment is made in respect of, or in lieu of the provision of, benefits, such reimbursement or payment shall be made no later than December 31 following the calendar year in which the expense is incurred or the benefits would otherwise have been provided.

In the event that your employment with the Company terminates due to your death or Disability, or under circumstances that entitle you to receive the Severance Benefit, you shall also receive for the year of termination a payment in respect of the EICP determined in accordance with the provisions of such EICP, but based on your base salary in effect at the date of your termination of employment, multiplied by a fraction, the numerator of which is the number of days in such year prior to and including the date of your termination and the denominator of which is the number of days in such year.

You acknowledge that in the event that your employment is terminated under circumstances in which the Severance Benefit is payable and you receive all of the compensation and other benefits provided for in the two immediately preceding paragraphs in respect of any termination of your employment with the Company, you will not assert any claims against the Company with respect to such termination and that, except as expressly provided below, the payments and benefits paid to you pursuant to this letter will be in full satisfaction of any and all claims you may have against the Company with respect to such termination. You agree that, if requested by the Company within ten (10) business days of your termination of employment, you shall provide the Company with a formal written release of any such claims, in such form as shall be reasonably requested by the Company, consistent with its past practices, and that, if so requested, you shall deliver such release to the Company within forty-five (45) calendar days of the date of your termination of employment.

In the event the Company appoints someone other than yourself as the Chief Executive Officer of the Company prior to January 2, 2013 at a time when you are employed by the Company, or in the event that your service as Chief Executive Officer ends on or after January 2, 2013 for any reason other than (i) your death, (ii) a termination by the Company for Cause or (iii) a termination as a result of which you are entitled to receive the Severance Benefit or the severance benefits under the KEEPAA, then, during the two-year period following your termination of service as Chief Executive Officer, unless the parties shall otherwise agree in writing, you shall provide the Company consulting and other advisory services consistent with your training and experience and your prior position with the Company as and when reasonably requested by the Board of Directors or the then current Chief Executive Officer of the Company. Such services shall not require you to devote, in any 12-month period, more than 20% of the average time that you had devoted to your duties as Chief Executive Officer during the 36 months immediately prior to your termination of employment. In requesting any such services, the Company shall use its commercially reasonable best efforts not to interfere with any of your other business commitments. Unless the context otherwise requires, you shall determine the time and place at which you perform any such services. For your availability to consult with the Company, and in consideration of any services you are called on to perform, the Company shall pay you \$300,000 payable within 10 days immediately after six months following the date your employment terminates. During the period that you are available to provide consulting services, you and, to the extent applicable, your dependents shall be entitled to continue participation in the Benefit Plans; provided that medical benefits and Taxable Other Benefits (as defined below) are provided subject to the additional provisions set forth below. Any continuation of medical benefits under a self-insured medical reimbursement plan shall continue solely for the period during which you are eligible for COBRA Coverage. If your eligibility for COBRA Coverage ends due to the expiration of the 18 month period during which such COBRA Coverage is available, the Company shall continue to provide you and your eligible dependents medical benefits monthly thereafter for a period of six additional months. Your continued participation in the Benefit Plans will be on the same terms and conditions that would have applied had you continued to be an employee of the Company; provided, however, that to the extent that the benefits provided under any such Benefit Plan are

Taxable Other Benefits, you will reimburse the Company for the full cost of such Taxable Other Benefits for the first six months following your termination of employment (unless and solely to the extent you elect, within ten business days of the date of your termination, to forego receipt of such Taxable Other Benefits under this letter agreement). To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall either provide an insurance policy or policies providing all or part of such benefits, and to the extent of any portion of the benefits not covered by any such policies, shall provide you the remaining benefits coverage under another plan or from the Company's general assets. Notwithstanding anything in this Agreement to the contrary, in no event shall the benefits provided under this paragraph during any calendar year affect the benefits provided under this paragraph during any other calendar year. Moreover, to the extent any reimbursement or payment is made in respect of, or in lieu of the provision of, benefits, such reimbursement or payment shall be made no later than December 31 following the calendar year in which the expense is incurred or the benefits would otherwise have been provided.

You agree that during the period of your employment with the Company, you shall provide your services exclusively for the benefit of the Company, except that you may serve on the board of directors of other companies or on the board or other governing body of charitable or community organizations with the approval of the Board, which approval shall not be unreasonably withheld. For a period of two years following the termination of your employment with the Company for any reason, you shall not ( i) provide any services, in any capacity whatsoever (including, but not limited to, as an officer, employee, director, partner, principal, consultant, advisor or member) to any business enterprise that is in direct competition with the business of the Company anywhere in the United States or (ii) solicit or hire, or otherwise engage the services of, or assist any third party in soliciting, hiring or engaging the services of any person who is, or at any time during the preceding 90 day period was, an employee of the Company or an independent contractor providing services to the Company. You agree and acknowledge that by reason of your knowledge of the Company's business, including your possession of and access to valuable confidential business information, regardless of whether or not trade secrets, and your relationships with the Company's customers, clients, employees and other service providers, the Company has a legitimate business interest to protect in respect of its good will, confidential information and relationships with customers, employees and independent contractors and that the foregoing covenants are necessary to protect such interest, and are reasonable in both their geographic and temporal scope.

For the avoidance of doubt, at any time that the rights and protections provided to you under the KEEPA are in effect, the Severance Benefits payable to you hereunder shall not be applicable and you shall be entitled to receive the full benefit and protection afforded to you under the terms of the KEEPA.

[signature page to follow]

Please confirm your acceptance of this amended and restated letter agreement by signing where indicated below.

Sincerely,

/s/ Diana M. Murphy

Diana M. Murphy, Chair  
Compensation Committee of the Board of Directors of Landstar System, Inc.

Agreed and Accepted:

/s/ Henry H. Gerken

Henry H. Gerken

Dated: December 31, 2008

LANDSTAR SYSTEM, INC.  
1993 STOCK OPTION PLAN, AS AMENDED  
(Effective December 31, 2008)

SECTION 1.

PURPOSE

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

SECTION 2.

DEFINITIONS

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

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means (i) the willful failure by the Participant to perform substantially his duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant's engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant's having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony or (iv) the breach by the Participant of any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(d) "Change in Control" means the occurrence, of any of the following events: (i) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries, Kelso Investment Associates IV, L.P., and its affiliates and Alex. Brown & Sons Incorporated, and its affiliates) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing the greater of 35% or more of the combined voting power of the Company's then outstanding securities; or (ii) the stockholders of the Company shall approve a definitive agreement (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the stockholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company; or (iii) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, an employee benefit plan of the Company or any of its Subsidiaries, Kelso Investment Associates IV, L.P., and its affiliates, or Alex. Brown & Sons Incorporated, and its affiliates, for 35% or more of the Stock of the Company.

(e) "Change in Control Price" means the price per share of Stock paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash).

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means the Compensation Committee of the Board, which shall consist of two or more "outside directors" within the meaning of Section 1-162-27(e) of the Treasury Regulations issued pursuant to Section 162(m) of the Code.

(h) "Company" means Landstar System, Inc., a Delaware corporation, and any successor thereto.

(i) "Disability" means total disability as determined in accordance with the terms of the long-term disability plan of the Company or any of its Subsidiaries in which the Participant is eligible to participate.

(j) "Employee" means any officer or other key executive and management employee of the Company or any of its Subsidiaries.

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

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

(m) "Participant" means any Employee designated by the Committee to participate in the Plan.

(n) "Plan" means the Landstar System, Inc. 1993 Stock Option Plan, as in effect from time to time.

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

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

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

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

### SECTION 3.

#### ELIGIBILITY AND PARTICIPATION

Participants in the Plan shall be those Employees selected by the Committee to participate in the Plan.

### SECTION 4.

#### POWERS OF THE COMMITTEE

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

4.2. Substitute Options. The Committee shall have the right to grant Options in substitution for or upon the cancellation of Options previously granted and such new Options may contain terms more favorable to the recipient than the Options they replace, including, without limitation, a lower exercise price (subject to Section 6.2).

4.3. Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

### SECTION 5.

#### STOCK SUBJECT TO PLAN

5.1. Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Options under the Plan may not exceed 1,115,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

5.2. Cancelled, Terminated, or Forfeited Options. Any shares of Stock subject to an Option which for any reason is cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available under the Plan.

5.3. Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the

payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for Options under Section 5.1 or subject to outstanding Options and the respective prices and/or performance criteria applicable to outstanding Options may be appropriately adjusted by the Committee, whose determination shall be conclusive.

## SECTION 6.

### STOCK OPTIONS

6.1. Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2. Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value on the date the Option is granted.

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

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

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

6.6. Buyout. The Committee may at any time offer to buy out for a payment in cash any Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time such offer is made; provided that the amount paid for each option shall not exceed the spread value of such option on the date the option is bought out.

## SECTION 7.

### TERMINATION OF EMPLOYMENT

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

7.2. Termination of Employment Due to Death or Disability. Unless otherwise determined by the Committee at or after the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary, and if none is named, in accordance with Section 10.2, at any time prior to the expiration date of the term of the Options or within one year (or such other period as the Committee shall determine at or after the time of grant) following the Participant's termination of employment, whichever period is shorter.

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

7.4. Termination of Employment for Any Other Reason. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 7.1, 7.2 or 7.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment shall be exercisable at any time prior to the expiration of the term of such Options or the thirtieth day following the Participant's termination of employment, whichever period is shorter.

## SECTION 8.

### CHANGE IN CONTROL

8.1. Accelerated Vesting and Payment. Subject to the provisions of Section 8.2 below, in the event of a Change in Control, each Option shall be cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Option.

8.2. Alternative Awards. Notwithstanding Section 8.1, no cancellation, acceleration of exercisability or vesting or cash settlement or other payment shall occur with respect to any Option if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Option shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted award hereinafter called an "Alternative Award"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

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

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

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

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

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

## SECTION 9.

### AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board may at any time terminate or suspend the Plan, and from time to time may amend or modify the Plan. No amendment, modification, or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant.

## SECTION 10.

### MISCELLANEOUS PROVISIONS

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

10.2. Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to or exercised by the Participant's surviving spouse, if any, or otherwise to or by his estate.

10.3. No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue

in the employ of the Company or any Subsidiary or affiliate. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Options.

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

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

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

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

10.8. Term of Plan. The Plan shall be effective upon its adoption by the Board and approval by a majority of the shareholders of the Company. The Plan shall continue in effect, unless sooner terminated pursuant to Section 9, until the tenth anniversary of the date on which it is adopted by the Board.

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

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

LANDSTAR SYSTEM, INC.  
2002 EMPLOYEE STOCK OPTION PLAN, AS AMENDED  
(Effective December 31, 2008)

SECTION 1.  
PURPOSE

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

SECTION 2.  
DEFINITIONS

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

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means (i) the willful failure by the Participant to perform substantially his duties as an Employee of the Company (other than due to physical or mental illness) after reasonable notice to the Participant of such failure, (ii) the Participant's engaging in serious misconduct that is injurious to the Company or any Subsidiary, (iii) the Participant's having been convicted of, or entered a plea of nolo contendere to, a crime that constitutes a felony or (iv) the breach by the Participant of any material written policy of the Company or any Subsidiary, or any written covenant or agreement with the Company or any Subsidiary not to disclose any information pertaining to the Company or any Subsidiary or not to compete or interfere with the Company or any Subsidiary.

(d) "Change in Control" means the occurrence of any of the following events:

- (i) any "person" including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing the greater of 35% or more of the combined voting power of the Company's then outstanding securities; or
- (ii) the consummation of a (a) merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the stockholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) sale or other disposition in a transaction or a series of related transactions of all or substantially all of the assets of the Company; provided that if a Participant's employment with the Company is terminated between the date the stockholders of the Company approve a transaction described in the preceding clauses (a) or (b) and the date of the consummation of such transaction, such Participant shall be entitled to the provisions of Section 8 as if such Participant had remained continuously employed through the date of such consummation; or
- (iii) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, an employee benefit plan of the Company or any of its Subsidiaries, for 35% or more of the Stock of the Company.

(e) "Change in Control Price" means the price per share of Stock paid in conjunction with any transaction resulting in a Change in Control (as determined in good faith by the Committee if any part of the offered price is payable other than in cash).

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means the Compensation Committee of the Board, which shall consist of two or more "outside directors" within the meaning of Section 1-162-27(e) of the Treasury Regulations issued pursuant to Section 162(m) of the Code.

(h) "Company" means Landstar System, Inc., a Delaware corporation, and any successor thereto.

(i) “Disability” means total disability as determined in accordance with the terms of the long-term disability plan of the Company or any of its Subsidiaries in which the Participant is eligible to participate.

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

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

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

(m) “Participant” means any Employee designated by the Committee to participate in the Plan.

(n) “Plan” means the Landstar System, Inc. 2002 Employee Stock Option Plan, as in effect from time to time.

(o) “Retirement” means termination of a Participant’s employment on or after the date the Participant attains age 62.

(p) “Stock” means the common stock of the Company, par value \$0.01 per share.

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

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

### SECTION 3. ELIGIBILITY AND PARTICIPATION

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

### SECTION 4. POWERS OF THE COMMITTEE

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

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

### SECTION 5. STOCK SUBJECT TO PLAN

5.1. Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Options under the Plan may not exceed 800,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose.

5.2. Cancelled, Terminated, or Forfeited Options. Any shares of Stock subject to an Option which for any reason is cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available under the Plan.

5.3. Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change, the aggregate number of shares of Stock available for Options under Section 5.1 or subject to outstanding Options, the limitations under Section 6.1 on the number of Options that may be granted to any Participant during any fiscal year of the Company, and the respective prices and/or performance criteria applicable to outstanding Options may be appropriately adjusted by the Committee, whose determination shall be conclusive.

## SECTION 6. STOCK OPTIONS

6.1. Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant, provided that no Participant shall receive more than 50,000 Options during any fiscal year of the Company. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2. Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value on the date the Option is granted.

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

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

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

## SECTION 7. TERMINATION OF EMPLOYMENT

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

7.2. Termination of Employment Due to Death or Disability. Unless otherwise determined by the Committee at or after the time of grant, in the event a Participant's employment terminates by reason of death or Disability, any Options granted to such Participant which are then outstanding (whether or not exercisable prior to the date of such termination) may be exercised by the Participant or the Participant's designated beneficiary, and if none is named, in accordance with Section 10.2, at any time prior to the expiration date of the term of the options or within one (1) year (or such other period as the Committee shall determine at or after the time of grant) following the Participant's termination of employment, whichever period is shorter.

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

7.4. Termination of Employment for Any Other Reason. Unless otherwise determined by the Committee at or after the time of grant, in the event the employment of the Participant shall terminate for any reason other than one described in Section 7.1, 7.2 or 7.3, any Options granted to such Participant which are exercisable at the date of the Participant's termination of employment shall be

exercisable at any time prior to the expiration of the term of such Options or the thirtieth day following the Participant's termination of employment, whichever period is shorter.

## SECTION 8. CHANGE IN CONTROL

8.1. Accelerated Vesting and Payment. Subject to the provisions of Section 8.2 below, in the event of a Change in Control, each Option shall be, at the discretion of the Committee, either cancelled in exchange for a payment in cash of an amount equal to the excess of the Change in Control Price over the exercise price for such Option, or fully exercisable regardless of the exercise schedule otherwise applicable to such Option.

8.2. Alternative Awards. Notwithstanding Section 8.1, no cancellation, acceleration of exercisability or vesting or cash settlement or other payment shall occur with respect to any Option if the Committee reasonably determines in good faith prior to the occurrence of a Change in Control that such Option shall be honored or assumed, or new rights substituted therefore (such honored, assumed or substituted award hereinafter called an "Alternative Award"), by a Participant's employer (or the parent or a subsidiary of such employer) immediately following the Change in Control, provided that any such Alternative Award must:

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

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

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

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

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

## SECTION 9. AMENDMENT, MODIFICATION AND TERMINATION OF PLAN

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

## SECTION 10. MISCELLANEOUS PROVISIONS

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

10.2. Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to or exercised by the Participant's surviving spouse, if any, or otherwise to or by his estate.

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

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

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

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

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

10.8. Term of Plan. The Plan shall be effective upon its adoption by the Board and approval by a majority of the shareholders of the Company. The Plan shall continue in effect, unless sooner terminated pursuant to Section 9, until the tenth anniversary of the date on which it is adopted by the Board.

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

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

10.11. Freedom of Action. Subject to Section 9, nothing in the Plan or any Option agreement shall be construed as limiting or preventing the Company or any subsidiary thereof from taking any action with respect to the operation or conduct of its business that it deems appropriate or in its best interest.

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

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