

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 29, 2007**

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)

N/A

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one)

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of the close of business on October 22, 2007 was 53,758,356.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the thirty nine weeks ended September 29, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 29, 2007.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2006 Annual Report on Form 10-K.

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

	Sept 29, 2007	Dec 30, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 59,047	\$ 91,491
Short-term investments	20,948	21,548
Trade accounts receivable, less allowance of \$5,326 and \$4,834	310,110	318,983
Other receivables, including advances to independent contractors, less allowance of \$4,744 and \$4,512	11,398	14,198
Deferred income taxes and other current assets	34,984	25,142
Total current assets	436,487	471,362
Operating property, less accumulated depreciation and amortization of \$83,696 and \$77,938	128,203	110,957
Goodwill	31,134	31,134
Other assets	36,355	33,198
Total assets	\$632,179	\$ 646,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash overdraft	\$ 32,201	\$ 25,435
Accounts payable	125,068	122,313
Current maturities of long-term debt	21,848	18,730
Insurance claims	26,099	25,238
Other current liabilities	57,096	58,478
Total current liabilities	262,312	250,194
Long-term debt, excluding current maturities	106,187	110,591
Insurance claims	40,042	36,232
Deferred income taxes	22,178	19,360
Shareholders' Equity		
Common stock, \$0.01 par value, authorized 160,000,000 shares, issued 65,613,866 and 64,993,143	656	650
Additional paid-in capital	130,116	108,020
Retained earnings	574,505	499,273
Cost of 11,855,510 and 9,028,009 shares of common stock in treasury	(503,810)	(377,662)
Accumulated other comprehensive loss	(7)	(7)
Total shareholders' equity	201,460	230,274
Total liabilities and shareholders' equity	\$632,179	\$ 646,651

See accompanying notes to consolidated financial statements.

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

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Revenue	\$ 1,844,412	\$ 1,902,477	\$ 634,811	\$ 649,197
Investment income	4,103	2,589	1,106	1,337
Costs and expenses:				
Purchased transportation	1,394,781	1,430,411	481,946	486,102
Commissions to agents	148,574	149,694	51,170	52,173
Other operating costs	21,208	37,125	7,986	14,837
Insurance and claims	38,878	30,230	9,319	9,656
Selling, general and administrative	95,002	102,809	31,082	31,885
Depreciation and amortization	14,045	12,230	4,766	4,180
Total costs and expenses	1,712,488	1,762,499	586,269	598,833
Operating income	136,027	142,567	49,648	51,701
Interest and debt expense	4,464	4,950	1,764	1,808
Income before income taxes	131,563	137,617	47,884	49,893
Income taxes	50,941	53,222	18,536	19,313
Net income	\$ 80,622	\$ 84,395	\$ 29,348	\$ 30,580
Earnings per common share	\$ 1.46	\$ 1.45	\$ 0.54	\$ 0.53
Diluted earnings per share	\$ 1.45	\$ 1.43	\$ 0.54	\$ 0.53
Average number of shares outstanding:				
Earnings per common share	55,221,000	58,229,000	54,189,000	57,287,000
Diluted earnings per share	55,740,000	59,155,000	54,608,000	57,948,000
Dividends paid per common share	\$ 0.0975	\$ 0.0800	\$ 0.0375	\$ 0.0300

See accompanying notes to consolidated financial statements.

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

	Thirty Nine Weeks Ended	
	Sept 29, 2007	Sept 30, 2006
OPERATING ACTIVITIES		
Net income	\$ 80,622	\$ 84,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	14,045	12,230
Non-cash interest charges	130	130
Provisions for losses on trade and other accounts receivable	3,094	4,218
(Gains) losses on sales of operating property	(1,689)	120
Director compensation paid in common stock	678	265
Deferred income taxes, net	2,627	(440)
Stock-based compensation	5,500	5,125
Changes in operating assets and liabilities:		
Decrease in trade and other accounts receivable	8,579	165,131
Increase in other assets	(7,641)	(9,915)
Increase (decrease) in accounts payable	2,755	(23,090)
Decrease in other liabilities	(1,383)	(7,368)
Increase (decrease) in insurance claims	4,671	(906)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>111,988</u>	<u>229,895</u>
INVESTING ACTIVITIES		
Net change in other short-term investments	(2,845)	(2,829)
Sales and maturities of investments	30,282	25,015
Purchases of investments	(32,133)	(25,974)
Purchases of operating property	(5,829)	(2,756)
Proceeds from sales of operating property	3,688	1,106
NET CASH USED BY INVESTING ACTIVITIES	<u>(6,837)</u>	<u>(5,438)</u>
FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	6,766	(334)
Proceeds from repayment of notes receivable arising from exercises of stock options		47
Dividends paid	(5,390)	(4,652)
Proceeds from exercises of stock options	12,264	8,271
Excess tax benefit on stock option exercises	3,660	5,007
Borrowings on revolving credit facility	24,000	5,000
Purchases of common stock	(126,148)	(114,597)
Principal payments on long-term debt and capital lease obligations	(52,747)	(69,778)
NET CASH USED BY FINANCING ACTIVITIES	<u>(137,595)</u>	<u>(171,036)</u>
Increase (decrease) in cash and cash equivalents	(32,444)	53,421
Cash and cash equivalents at beginning of period	91,491	29,398
Cash and cash equivalents at end of period	<u>\$ 59,047</u>	<u>\$ 82,819</u>

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Thirty Nine Weeks Ended September 29, 2007
(Dollars in thousands)
(Unaudited)

	Common Stock		Add'l Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance December 30, 2006	64,993,143	\$ 650	\$ 108,020	\$ 499,273	9,028,009	\$ (377,662)	\$ (7)	\$ 230,274
Net income				80,622				80,622
Dividends paid				(5,390)				(5,390)
Director compensation paid in common stock	13,577		678					678
Purchases of common stock					2,827,501	(126,148)		(126,148)
Stock-based compensation			5,500					5,500
Exercises of stock options, including excess tax benefit	<u>607,146</u>	<u>6</u>	<u>15,918</u>					<u>15,924</u>
Balance September 29, 2007	<u>65,613,866</u>	<u>\$ 656</u>	<u>\$ 130,116</u>	<u>\$ 574,505</u>	<u>11,855,510</u>	<u>\$ (503,810)</u>	<u>\$ (7)</u>	<u>\$ 201,460</u>

See accompanying notes to consolidated financial statements.

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

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

(1) Share-based Payments

As of September 29, 2007, the Company had two employee stock option plans and one stock option plan for members of its Board of Directors (the "Plans"). Amounts recognized in the financial statements with respect to these Plans are as follows (in thousands):

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Total cost of the Plans during the period	\$ 5,500	\$ 5,125	\$ 1,856	\$ 1,828
Amount of related income tax benefit recognized during the period	1,732	1,611	547	548
Net cost of the Plans during the period	<u>\$ 3,768</u>	<u>\$ 3,514</u>	<u>\$ 1,309</u>	<u>\$ 1,280</u>

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 the 2007 and 2006 thirty-nine-week periods:

	2007	2006
Expected volatility	33.0%	34.0%
Expected dividend yield	0.3%	0.3%
Risk-free interest rate	4.75%	4.75%
Expected lives (in years)	4.2	4.5

The Company utilizes historical data, including exercise patterns and employee departure behavior, in estimating the term 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 the thirty-nine-week periods ended September 29, 2007 and September 30, 2006 was \$14.26 and \$15.32, respectively.

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

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (000s)
Options outstanding at December 30, 2006	2,566,571	\$ 27.35		
Granted	275,500	\$ 43.00		
Exercised	(607,146)	\$ 20.20		
Forfeited	(18,100)	\$ 39.47		
Options outstanding at September 29, 2007	<u>2,216,825</u>	\$ 31.15	7.1	\$ 23,987
Options exercisable at September 29, 2007	<u>760,343</u>	\$ 24.92	5.9	\$ 12,966

As of September 29, 2007, there were 5,853,725 shares of the Company's common stock reserved for issuance upon exercise of options granted and to be granted under the Plans.

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The total intrinsic value of stock options exercised during the thirty-nine-week periods ended September 29, 2007 and September 30, 2006 was \$16,234,000 and \$22,548,000, respectively. The total intrinsic value of stock options exercised during the thirteen-week periods ended September 29, 2007 and September 30, 2006 was \$6,415,000 and \$6,138,000, respectively.

As of September 29, 2007, there was \$10,654,000 of total unrecognized compensation cost related to non-vested stock options granted under the Plans. The compensation cost related to these non-vested options is expected to be recognized over a weighted average period of 2.5 years.

Under the Directors' Stock Compensation Plan, outside members of the Board of Directors who are elected or re-elected to the Board will receive 6,000 shares of common stock of the Company, subject to certain restrictions including restrictions on transfer. The Company issued 12,000 shares of the Company's common stock to members of the Board of Directors upon such members' re-election at the 2007 annual shareholders' meeting and 6,000 shares of the Company's common stock to a member of the Board of Directors upon such member's re-election at the 2006 annual shareholders' meeting. On July 19, 2007, 1,577 shares of the Company's common stock were issued to a member of the Board of Directors upon such member's election to the Board of Directors. During the 2007 and 2006 thirty-nine-week periods, the Company reported \$678,000 and \$265,000, respectively, of compensation expense representing the fair market value of these share awards. As of September 29, 2007, there were 150,423 shares of the Company's common stock reserved for issuance upon the grant of common stock under the Directors' Stock Compensation Plan.

(2) Income Taxes

The provisions for income taxes for both the 2007 and 2006 thirty-nine-week periods were based on an estimated full year combined effective income tax rate of approximately 38.7%, which was higher than the statutory federal income tax rate primarily as a result of state income taxes, the meals and entertainment exclusion and non-deductible stock-based compensation.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

As of December 31, 2006, the date of adoption of FIN 48, the Company had \$11.5 million of net unrecognized tax benefits representing the provision for the uncertainty of certain tax positions plus a component of interest and penalties. The implementation of FIN 48 did not have a significant impact on the provision for unrecognized tax benefits as of December 31, 2006. Estimated interest and penalties on the provision for the uncertainty of certain tax positions is included in income tax expense. Upon adoption there was \$5,116,000 accrued for the 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 the remainder of 2007.

The Company is subject to U.S. federal income tax as well as income tax in the majority of state jurisdictions. The Company has concluded all U.S. federal income tax matters through 2002. Substantially all material income tax matters in major state and local income tax jurisdictions have been concluded for all years prior to 2002.

(3) Earnings Per Share

Earnings per common share amounts are based on the weighted average number of common shares outstanding and diluted earnings per share amounts 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.

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

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Average number of common shares outstanding	55,221	58,229	54,189	57,287
Incremental shares from assumed exercises of stock options	519	926	419	661
Average number of common shares and common share equivalents outstanding	55,740	59,155	54,608	57,948

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(4) Additional Cash Flow Information

During the 2007 thirty-nine-week period, Landstar paid income taxes and interest of \$45,441,000 and \$5,289,000, respectively. During the 2006 thirty-nine-week period, Landstar paid income taxes and interest of \$54,381,000 and \$5,919,000, respectively. Landstar acquired operating property by entering into capital leases in the amount of \$27,461,000 and \$24,915,000 in the 2007 and 2006 thirty-nine-week periods, respectively.

(5) Segment Information

The following tables summarize information about Landstar's reportable business segments as of and for the thirty-nine and thirteen-week periods ended September 29, 2007 and September 30, 2006 (in thousands):

	Thirty-Nine-Week Period Ended September 29, 2007				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	\$ 1,354,855	\$ 461,896	\$ 27,661		\$ 1,844,412
Investment income			4,103		4,103
Internal revenue	33,583	2,568	23,019		59,170
Operating income	135,542	12,874	25,586	\$(37,975)	136,027
Goodwill	20,496	10,638			31,134

	Thirty-Nine-Week Period Ended September 30, 2006				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	\$ 1,356,780	\$ 520,080	\$ 25,617		\$ 1,902,477
Investment income			2,589		2,589
Internal revenue	39,343	1,604	22,351		63,298
Operating income	137,398	25,353	24,056	\$(44,240)	142,567
Goodwill	20,496	10,638			31,134

	Thirteen-Week Period Ended September 29, 2007				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	\$ 460,894	\$ 164,687	\$ 9,230		\$ 634,811
Investment income			1,106		1,106
Internal revenue	10,357	1,048	6,196		17,601
Operating income	45,664	4,858	11,577	\$(12,451)	49,648

	Thirteen-Week Period Ended September 30, 2006				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	\$ 460,847	\$ 179,613	\$ 8,737		\$ 649,197
Investment income			1,337		1,337
Internal revenue	15,435	605	5,940		21,980
Operating income	49,334	8,331	8,967	\$(14,931)	51,701

(6) Comprehensive Income

The following table includes the components of comprehensive income for the thirty-nine and thirteen-week periods ended September 29, 2007 and September 30, 2006 (in thousands):

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Net income	\$ 80,622	\$ 84,395	\$ 29,348	\$ 30,580
Unrealized holding gains/(losses) on available-for-sale investments, net of income taxes	—	194	(15)	41
Comprehensive income	\$ 80,622	\$ 84,589	\$ 29,333	\$ 30,621

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Accumulated other comprehensive loss at September 29, 2007 of \$7,000 represents the unrealized holding losses on available-for-sale investments of \$10,000, net of related income taxes of \$3,000.

(7) Commitments and Contingencies

As of September 29, 2007, Landstar had \$26,868,000 of letters of credit outstanding under the Company's revolving credit facility and \$47,277,000 of letters of credit secured by investments held by the Company's insurance segment. Short-term investments include \$19,436,000 in current maturities of investment grade bonds and \$1,512,000 of cash equivalents held by the Company's insurance segment at September 29, 2007. These short-term investments together with \$2,000,000 of the non-current portion of investment grade bonds and \$26,473,000 of cash equivalents included in other assets at September 29, 2007, provide collateral for the \$47,277,000 of letters of credit issued to guarantee payment of insurance claims.

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. ("OOIDA") and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the "Plaintiffs") filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements ("BCO Independent Contractors") in the United States District Court for the Middle District of Florida (the "District Court") in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the "Amended Complaint"). The Amended Complaint alleged that certain aspects of the Company's motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney's fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the "Defendants"). On March 29, 2007, the District Court denied Plaintiffs' request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the "Appellate Court") with respect to certain of the District Court's rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

The Company is involved in certain other claims and pending litigation arising from the normal conduct of business. 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 other claims and pending litigation and that the ultimate outcome, after provisions thereof, will not have a material adverse effect on the financial condition of the Company, but could have a material effect on the results of operations in a given quarter or year.

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

The following discussion should be read in conjunction with the attached interim consolidated financial statements and notes thereto, and with the Company's audited financial statements and notes thereto for the fiscal year ended December 30, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2006 Annual Report on Form 10-K.

Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. (together, referred to herein as "Landstar" or the "Company"), provide transportation services to a variety of market niches throughout the United States and to a lesser extent in Canada, and between the United States and Canada, Mexico and other countries through its operating subsidiaries. Landstar's business strategy is to be a non-asset based provider of transportation capacity and logistics services delivering safe, specialized transportation services globally, utilizing a network of independent commission sales agents, third party capacity providers and employees. Landstar focuses on providing transportation services which emphasize safety, customer service and information

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coordination among its independent commission sales agents, customers and capacity providers. The Company markets its services primarily through independent commission sales agents and exclusively utilizes third party capacity providers to transport customers' freight. The nature of the Company's business is such that a significant portion of its operating costs varies directly with revenue. The Company has three reportable business segments. These are the carrier, global logistics and insurance segments.

The carrier segment consists of Landstar Ranger, Inc., Landstar Inway, Inc., Landstar Ligon, Inc., Landstar Gemini, Inc. and Landstar Carrier Services, Inc. The carrier segment primarily provides transportation services to the truckload market for a wide range of general commodities over irregular or non-repetitive routes utilizing dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck, dedicated power-only truck capacity and truck brokerage. The carrier segment markets its services primarily through independent commission sales agents and utilizes independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the "Business Capacity Owner Independent Contractors" or "BCO Independent Contractors") and other third party truck capacity providers under non-exclusive contractual arrangements ("Truck Brokerage Carriers").

The global logistics segment is comprised of Landstar Global Logistics, Inc. and its subsidiary, Landstar Express America, Inc. Transportation and logistics services provided by the global logistics segment include the arrangement of multimodal (ground, air, ocean and rail) moves, contract logistics, truck brokerage, emergency and expedited ground, air and ocean freight, bus brokerage and warehousing. The global logistics segment markets its services primarily through independent commission sales agents and utilizes capacity provided by BCO Independent Contractors and other third party capacity providers, including Truck Brokerage Carriers, railroads, air and ocean cargo carriers, bus providers and warehouse owners. Beginning in August 2006, the global logistics segment began the rollout of warehousing services with independent contractors who provide warehouse capacity to the Company under non-exclusive contractual arrangements ("Warehouse Capacity Owners" or "WCO Independent Contractors"). As of September 29, 2007, Landstar Global Logistics, Inc. has executed contracts with 128 Warehouse Capacity Owners.

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 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 Landstar's operating subsidiaries.

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 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.

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 primary focus 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. During the 2006 fiscal year, 490 independent commission sales agents generated \$1 million or more of Landstar's revenue and thus qualified as Million Dollar Agents. During the 2006 fiscal year, the average revenue generated by a Million Dollar Agent was \$4,700,000 and revenue generated by Million Dollar Agents in the aggregate represented 92% of consolidated Landstar revenue. As of September 29, 2007 and September 30, 2006, the Company had a network of 1,414 and 1,291 independent commission sales agent locations, respectively.

Management monitors business activity by tracking the number of loads (volume) and revenue per load generated by the carrier and global logistics segments. In addition, management tracks revenue per revenue mile, average length of haul and total revenue miles at the carrier segment. Revenue per revenue mile and revenue per load (collectively, price) can be influenced by many factors which do not necessarily indicate a change in price. Those factors include the average length of haul, freight type, special handling and equipment requirements and delivery time requirements. The following table summarizes this data by reportable segment:

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Carrier Segment:				
External revenue generated through (in thousands):				
BCO Independent Contractors	\$ 970,432	\$ 964,260	\$ 330,776	\$ 323,664
Truck Brokerage Carriers	384,423	392,520	130,118	137,183
	<u>\$ 1,354,855</u>	<u>\$ 1,356,780</u>	<u>\$ 460,894</u>	<u>\$ 460,847</u>
Revenue per revenue mile	\$ 2.02	\$ 2.02	\$ 2.06	\$ 2.05
Revenue per load	\$ 1,608	\$ 1,613	\$ 1,645	\$ 1,651
Average length of haul (miles)	795	800	798	806
Number of loads	842,500	841,200	280,200	279,200

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	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Global Logistics Segment:				
External revenue generated through (in thousands):				
BCO Independent Contractors (1)	\$ 76,175	\$ 78,308	\$ 23,990	\$ 31,145
Truck Brokerage Carriers	261,344	302,746	95,449	104,445
Rail, air, ocean and bus carriers (2)	124,377	139,026	45,248	44,023
	<u>\$461,896</u>	<u>\$ 520,080</u>	<u>\$164,687</u>	<u>\$179,613</u>
Revenue per load (3)	\$ 1,514	\$ 1,510	\$ 1,530	\$ 1,520
Number of loads (3) (4)	301,000	287,400	105,800	98,600

- (1) Includes revenue from freight hauled by carrier segment BCO Independent Contractors for global logistics customers.
- (2) Included in the 2007 and 2006 thirty-nine-week periods was \$481,000 and \$23,032,000, respectively, of revenue attributable to buses provided under a contract between Landstar Express America, Inc. and the United States Department of Transportation/Federal Aviation Administration (the "FAA"). Included in the 2006 thirteen-week period was \$3,594,000 of revenue attributable to buses provided under the FAA contract.
- (3) Revenue per load and number of loads in the thirty-nine and thirteen-week periods ended September 29, 2007 exclude the effect of \$6,209,000 and \$2,764,000, respectively, of revenue derived under the FAA contract. Revenue per load and number of loads in the thirty-nine and thirteen-week periods ended September 30, 2006 exclude the effect of \$85,998,000 and \$29,701,000, respectively, of revenue derived from transportation services provided under the FAA contract. See "Use of Non-GAAP Financial Measures."
- (4) The number of loads in the thirty-nine and thirteen-week periods ended 2006 were restated. This change had no impact on reported revenue in any period.

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:

	Sept 29, 2007	Sept 30, 2006
BCO Independent Contractors	8,452	8,463
Truck Brokerage Carriers:		
Approved and active (1)	15,765	14,604
Other approved	9,224	8,009
	<u>24,989</u>	<u>22,613</u>
Total available truck capacity providers	<u>33,441</u>	<u>31,076</u>
Number of trucks provided by BCO Independent Contractors	<u>9,056</u>	<u>9,164</u>

- (1) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter 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 the haul. Purchased transportation for the brokerage services operations of the carrier segment is based on a negotiated rate for each load hauled. Purchased transportation for the brokerage services operations of the global logistics segment is based on either a negotiated rate for each load hauled or a contractually agreed-upon rate. Purchased transportation for the rail intermodal, air and ocean freight operations of the global logistics segment is based on a contractually agreed-upon fixed rate. Purchased transportation for bus services is based upon a negotiated rate per mile or per day. Purchased transportation as a percentage of revenue for truck brokerage services, rail intermodal and bus operations is normally higher than that of Landstar's other transportation operations. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through BCO Independent Contractors and other third party capacity providers and revenue from the insurance segment.

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Commissions to agents are based on contractually agreed-upon percentages of revenue or gross profit, defined as revenue less the cost of purchased transportation, at the carrier segment and of gross profit at the global logistics segment. Commissions to agents as a percentage of consolidated revenue will vary directly with fluctuations in the percentage of consolidated revenue generated by the carrier segment, the global logistics segment and the insurance segment and with changes in gross profit at the global logistics segment and the truck brokerage operations of the carrier segment.

Rent and maintenance costs for Company-provided trailing equipment, BCO Independent Contractor recruiting costs and bad debts from BCO Independent Contractors and independent commission sales agents are the largest components of other operating costs.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. Landstar's retained liability for individual commercial trucking claims varies depending on when such claims were incurred. For commercial trucking claims incurred prior to June 19, 2003 and subsequent to March 30, 2004, Landstar retains liability up to \$5,000,000 per occurrence. For commercial trucking claims incurred from June 19, 2003 through March 30, 2004, Landstar retains liability up to \$10,000,000 per occurrence. The Company also retains liability for each general liability claim up to \$1,000,000, \$250,000 for each workers' compensation claim and \$250,000 for each cargo claim. The Company's exposure to liability associated with accidents incurred by other third party capacity providers who haul freight on behalf of the Company is reduced by various factors including the extent to which they maintain their own insurance coverage. A material increase in the frequency or severity of accidents, cargo or workers' compensation claims or the unfavorable development of existing claims could be expected to materially adversely affect Landstar's results of operations.

Employee compensation and benefits account for over half of the Company's selling, general and administrative costs.

Depreciation and amortization primarily relate to depreciation of trailing equipment and management information services equipment.

The following table sets forth the percentage relationships of income and expense items to revenue for the periods indicated:

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.2	0.1	0.2	0.2
Costs and expenses:				
Purchased transportation	75.6	75.2	75.9	74.9
Commissions to agents	8.1	7.9	8.1	8.0
Other operating costs	1.1	1.9	1.3	2.3
Insurance and claims	2.1	1.6	1.5	1.5
Selling, general and administrative	5.1	5.4	4.9	4.9
Depreciation and amortization	0.8	0.6	0.7	0.6
Total costs and expenses	92.8	92.6	92.4	92.2
Operating income	7.4	7.5	7.8	8.0
Interest and debt expense	0.2	0.3	0.3	0.3
Income before income taxes	7.2	7.2	7.5	7.7
Income taxes	2.8	2.8	2.9	3.0
Net income	4.4%	4.4%	4.6%	4.7%

THIRTY NINE WEEKS ENDED SEPTEMBER 29, 2007 COMPARED TO THIRTY NINE WEEKS ENDED SEPTEMBER 30, 2006

Revenue for the 2007 thirty-nine-week period was \$1,844,412,000, a decrease of \$58,065,000, or 3.1%, compared to the 2006 thirty-nine-week period. The decrease in revenue was primarily attributable to lower disaster relief revenue provided under the FAA contract in the thirty-nine-week period ended September 29, 2007 compared to the thirty-nine-week period ended September 30, 2006. Revenue for disaster relief services provided under the FAA contract in the thirty-nine-week periods ended September 29, 2007 and September 30, 2006 was \$6,209,000 and \$85,998,000, respectively, including trailer rental revenue of \$1,221,000 and

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\$15,993,000, respectively. Revenue decreased \$1,925,000 and \$58,184,000 at the carrier and global logistics segments, respectively, while revenue increased \$2,044,000 at the insurance segment. With respect to the carrier segment, revenue per load, the number of loads delivered, the average length of haul and revenue per revenue mile in the 2007 thirty-nine-week period all were approximately the same as compared to the 2006 thirty-nine-week period. The decrease in revenue at the global logistics segment was primarily due to the decreased revenue for disaster relief services provided under the FAA contract. Excluding the number of loads and revenue related to disaster relief services provided by the global logistics segment in the 2007 and 2006 thirty-nine-week periods, the number of loads delivered by the global logistics segment in the 2007 thirty-nine-week period increased approximately 5% and revenue per load was approximately the same as compared to the 2006 thirty-nine-week period.

Investment income at the insurance segment was \$4,103,000 and \$2,589,000 in the 2007 and 2006 thirty-nine-week periods, respectively. The increase in investment income was primarily due to an increased average investment balance and an increased rate of return, attributable to a general increase in interest rates, on investments held by the insurance segment in the 2007 period.

Purchased transportation was 75.6% and 75.2% of revenue in the 2007 and 2006 thirty-nine-week periods, respectively. The increase in purchased transportation as a percentage of revenue was primarily attributable to the effect of decreased revenue under the FAA contract, which tends to have a lower cost of purchased transportation, and increased rates for purchased transportation paid to rail intermodal carriers, partially offset by decreased rates for purchased transportation paid to Truck Brokerage Carriers. Commissions to agents were 8.1% of revenue in 2007 and 7.9% in 2006. The increase in commissions to agents as a percentage of revenue was primarily attributable to decreased revenue for disaster relief services provided under the FAA contract, which tends to have a lower agent commission rate, and increased commissions to agents primarily attributable to increased gross profit, revenue less the cost of purchased transportation, on truck brokerage revenue. Other operating costs were 1.1% and 1.9% of revenue in 2007 and 2006, respectively. The decrease in other operating costs as a percentage of revenue was primarily attributable to reduced trailer rental costs incurred in support of disaster relief services under the FAA contract and reduced other trailer rent expense, partially offset by increased trailer maintenance costs. Insurance and claims were 2.1% of revenue in 2007 compared with 1.6% of revenue in 2006. The increase in insurance and claims as a percentage of revenue was primarily attributable to a \$5,000,000 charge for the estimated cost of one severe accident that occurred during the first quarter of 2007 and increased cargo claims expense in the 2007 thirty-nine-week period. Selling, general and administrative costs were 5.1% of revenue in 2007 compared with 5.4% of revenue in 2006. The decrease in selling, general and administrative costs as a percentage of revenue was primarily attributable to a decreased provision for bonuses under the Company's incentive compensation programs, partially offset by the effect of decreased revenue. Depreciation and amortization was 0.8% of revenue in 2007 and 0.6% in 2006. The increase in depreciation and amortization as a percentage of revenue was primarily due to an increase in Company-owned trailing equipment and the effect of decreased revenue.

Interest and debt expense was 0.2% of revenue in the 2007 thirty-nine-week period and 0.3% in 2006 thirty-nine-week period. The decrease in interest and debt expense was primarily attributable to lower average outstanding borrowings on the Company's senior credit facility.

The provisions for income taxes for both the 2007 and 2006 thirty-nine-week periods were based on an estimated full year combined effective income tax rate of approximately 38.7%, which was higher than the statutory federal income tax rate primarily as a result of state income taxes, the meals and entertainment exclusion and non-deductible stock compensation expense.

Net income was \$80,622,000, or \$1.46 per common share (\$1.45 per diluted share), in the 2007 thirty-nine-week period, which included approximately \$1,638,000 of operating income related to the \$6,209,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The \$1,638,000 of operating income, net of related income taxes, increased net income by \$1,009,000, or \$0.02 per common share (\$0.02 per diluted share). Also included in the 2007 thirty-nine-week period net income was a \$5,000,000 charge for the estimated cost of one severe accident that occurred during the first quarter of 2007. This charge, net of related income tax benefits, reduced the 2007 thirty-nine-week period net income by \$3,065,000, or \$0.06 per common share (\$0.05 per diluted share). Net income was \$84,395,000, or \$1.45 per common share (\$1.43 per diluted share), in the 2006 thirty-nine-week period, which included \$12,162,000 of operating income related to the \$85,998,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The \$12,162,000 of operating income, net of related income taxes, increased net income by \$7,492,000, or \$0.13 per common share (\$0.13 per diluted share).

THIRTEEN WEEKS ENDED SEPTEMBER 29, 2007 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 30, 2006

Revenue for the 2007 thirteen-week period was \$634,811,000, a decrease of \$14,386,000, or 2.2%, compared to the 2006 thirteen-week period. The decrease in revenue was primarily attributable to lower disaster relief revenue provided under the FAA contract in the thirteen-week period ended September 29, 2007 compared to the thirteen-week period ended September 30, 2006. Revenue for disaster relief services provided under the FAA contract in the thirteen-week periods ended September 29, 2007 and September 30, 2006 was \$2,764,000 and \$29,701,000, respectively, including trailer rental revenue of \$1,193,000 and \$7,610,000, respectively. Revenue increased \$47,000 and \$493,000 at the carrier and insurance segments, respectively, while revenue decreased \$14,926,000 at the global logistics segment. With respect to the carrier segment, revenue per load, the number of loads delivered, the average length

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of haul and revenue per revenue mile in the 2007 thirteen-week period all were approximately the same as compared to the 2006 thirteen-week period. The decrease in revenue at the global logistics segment was primarily due to the decreased revenue for disaster relief services provided under the FAA contract. Excluding the number of loads and revenue related to disaster relief services provided by the global logistics segment in the 2007 and 2006 thirteen-week periods, the number of loads delivered by the global logistics segment in the 2007 thirteen-week period increased approximately 7% and revenue per load increased approximately 1% compared to the 2006 thirteen-week period.

Investment income at the insurance segment was \$1,106,000 and \$1,337,000 in the 2007 and 2006 thirteen-week periods, respectively. The decrease in investment income was primarily due to a decreased average investment balance on investments held by the insurance segment in the 2007 period.

Purchased transportation was 75.9% and 74.9% of revenue in the 2007 and 2006 thirteen-week periods, respectively. The increase in purchased transportation as a percentage of revenue was primarily attributable to the effect of decreased revenue under the FAA contract, which tends to have a lower cost of purchased transportation, and increased rates for purchased transportation paid to rail intermodal carriers, partially offset by decreased rates for purchased transportation paid to Truck Brokerage Carriers. Commissions to agents were 8.1% of revenue in 2007 and 8.0% in 2006. The increase in commissions to agents as a percentage of revenue was primarily attributable to decreased revenue for disaster relief services provided under the FAA contract, which tends to have a lower agent commission rate. Other operating costs were 1.3% and 2.3% of revenue in 2007 and 2006, respectively. The decrease in other operating costs as a percentage of revenue was primarily attributable to trailer rental costs incurred in support of disaster relief services under the FAA contract in 2006 and reduced other trailer rent expense. Insurance and claims were 1.5% of revenue in both 2007 and 2006. Selling, general and administrative costs were 4.9% of revenue in both 2007 and 2006. Depreciation and amortization was 0.7% of revenue in 2007 and 0.6% in 2006. The increase in depreciation and amortization as a percentage of revenue was primarily due to an increase in Company-owned trailing equipment and the effect of decreased revenue.

Interest and debt expense was 0.3% of revenue in both the 2007 and 2006 thirteen-week periods.

The provisions for income taxes for both the 2007 and 2006 thirteen-week periods were based on an estimated full year combined effective income tax rate of approximately 38.7%, which was higher than the statutory federal income tax rate primarily as a result of state income taxes, the meals and entertainment exclusion and non-deductible stock compensation expense.

Net income was \$29,348,000, or \$0.54 per common share (\$0.54 per diluted share), in the 2007 thirteen-week period, which included approximately \$642,000 of operating income related to the \$2,764,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The \$642,000 of operating income, net of related income taxes, increased net income by \$394,000, or \$0.01 per common share (\$0.01 per diluted share). Net income was \$30,580,000, or \$0.53 per common share (\$0.53 per diluted share), in the 2006 thirteen-week period, which included approximately \$4,547,000 of operating income related to the \$29,701,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The \$4,547,000 of operating income, net of related income taxes, increased net income by \$2,802,000, or \$0.05 per common share (\$0.05 per diluted share).

USE OF NON-GAAP FINANCIAL MEASURES

In this quarterly report on Form 10-Q, Landstar provided the following information that may be deemed non-GAAP financial measures: (1) revenue per load for the global logistics segment excluding revenue and loads related to disaster relief transportation services provided under a contract with the FAA and (2) the percentage change in revenue per load for the global logistics segment excluding revenue and loads related to disaster relief transportation services provided under a contract with the FAA as compared to revenue per load for the global logistics segment for the corresponding prior year period. This financial information should be considered in addition to, and not as a substitute for, the corresponding GAAP financial information also presented in this Form 10-Q.

Management believes that it is appropriate to present this financial information for the following reasons: (1) a significant portion of the disaster relief transportation services were provided under the FAA contract on the basis of a daily rate for the use of transportation equipment in question, and therefore load and per load information is not necessarily available or appropriate for a significant portion of the related revenue, (2) disclosure of the effect of the transportation services provided by Landstar relating to disaster relief efforts will allow investors to better understand the underlying trends in Landstar's financial condition and results of operations, (3) this information will facilitate comparisons by investors of Landstar's results as compared to the results of peer companies and (4) management considers this financial information in its decision making.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity was \$201,460,000 at September 29, 2007, compared to \$230,274,000 at December 30, 2006. The decrease in shareholders' equity was primarily a result of the purchase of 2,827,501 shares of the Company's common stock at a total cost of \$126,148,000 and dividends paid of \$5,390,000 in the thirty-nine-week period ended September 29, 2007, partially offset by net income and the effect of the exercises of stock options during the period. As of September 29, 2007, the Company may purchase up to an additional 2,000,000 shares of its common stock under its recently authorized stock purchase program. Shareholders' equity was 61% of total capitalization (defined as total debt plus equity) at September 29, 2007 compared to 64% at December 30, 2006.

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Long-term debt, including current maturities, was \$128,035,000 at September 29, 2007, \$1,286,000 lower than at December 30, 2006.

Working capital and the ratio of current assets to current liabilities were \$174,175,000 and 1.7 to 1, respectively, at September 29, 2007, compared with \$221,168,000 and 1.9 to 1, respectively, at December 30, 2006. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was \$111,988,000 in the 2007 thirty-nine-week period compared with \$229,895,000 in the 2006 thirty-nine-week period. The decrease in cash flow provided by operating activities was primarily attributable to the collection of a significant portion of the 2005 fiscal year end receivable from the FAA for disaster relief transportation services during the first half of 2006.

On July 8, 2004, Landstar renegotiated its existing credit agreement with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the "Fourth Amended and Restated Credit Agreement"). The Fourth Amended and Restated Credit Agreement, which expires on July 8, 2009, 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 Fourth Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. Landstar is required to, among other things, maintain minimum levels of Consolidated Net Worth and Fixed Charge Coverage, as each is defined in the Fourth Amended and Restated Credit Agreement. None of these covenants are presently considered by management to be materially restrictive to the Company's operations, capital resources or liquidity. The Company is currently in compliance with all of the debt covenants under the Fourth Amended and Restated Credit Agreement.

At September 29, 2007, the Company had \$46,000,000 in borrowings outstanding and \$26,868,000 of letters of credit outstanding under the Fourth Amended and Restated Credit Agreement. At September 29, 2007, there was \$152,132,000 available for future borrowings under the Company's Fourth Amended and Restated Credit Agreement. In addition, the Company has \$47,277,000 in letters of credit outstanding, as collateral for insurance claims, that are secured by investments and cash equivalents totaling \$49,421,000.

The Company paid its first cash dividend in the third quarter of 2005 and has paid a cash dividend each quarter thereafter. The Company paid cash dividends of \$0.03, \$0.03 and \$0.0375 per share in the 2007 first, second and third quarters, respectively. The Company paid \$5,390,000 in cash dividends during the thirty-nine-week period ended September 29, 2007. It is the intention of the Board of Directors to continue to pay a quarterly dividend.

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 a non-asset based provider of transportation capacity and logistics services, the Company's annual capital requirements for operating property are generally for trailing equipment and management information services equipment. In addition, a portion of the trailing equipment used by the Company is provided by third party capacity providers, thereby reducing the Company's capital requirements. During the 2007 thirty-nine-week period, the Company purchased \$5,829,000 of operating property and acquired \$27,461,000 of trailing equipment by entering into capital leases. Landstar anticipates acquiring approximately \$15,000,000 of operating property, primarily trailing equipment, during the remainder of the 2007 fiscal year either by purchase or by lease financing. It is expected that capital leases will fund any significant acquisitions of Company-provided trailing equipment made during the remainder of 2007.

Management believes that cash flow from operations combined with the Company's borrowing capacity under the Fourth Amended and Restated 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.

LEGAL MATTERS

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. ("OOIDA") and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the "Plaintiffs") filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements ("BCO Independent Contractors") in the United States District Court for the Middle District of Florida (the "District Court") in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the

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“Amended Complaint”). The Amended Complaint alleged that certain aspects of the Company’s motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney’s fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the “Defendants”). On March 29, 2007, the District Court denied Plaintiffs’ request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the “Appellate Court”) with respect to certain of the District Court’s rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

The Company is involved in certain other claims and pending litigation arising from the normal conduct of business. 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 other claims and pending litigation and that the ultimate outcome, after provisions thereof, 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 September 29, 2007 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. Conversely, a more robust economic environment 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 year claims estimates. During the 2007 and 2006 thirty-nine-week periods, insurance and claims costs included \$7,437,000 and \$6,923,000, respectively, of favorable adjustments to prior years claims estimates. It is reasonably likely that the ultimate outcome of settling all outstanding claims will be more or less than the estimated claims reserve at September 29, 2007.

The Company utilizes certain income tax planning strategies to reduce its overall cost of income taxes. Upon 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 will 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 such 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 or the provision for uncertainty in income tax positions can 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.

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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 higher than that experienced in the past five years might have an adverse effect on the Company's results of operations.

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 the quarters ending June, September and December.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT CURRENTLY EFFECTIVE

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a formal framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective the first fiscal year beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a significant effect on the Company's financial condition or 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-Q contain forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "estimates," "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; substantial industry competition; dependence on key personnel; disruptions or failures in our computer systems; changes in fuel taxes; status of independent contractors; a downturn in economic growth or growth in the transportation sector; and other operational, financial or legal risks or uncertainties detailed in Landstar's Form 10-K for the 2006 fiscal year, described in Item 1A "Risk Factors", this report or in Landstar's other Securities and Exchange Commission filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

On July 8, 2004, Landstar entered into a new senior credit facility with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the "Fourth Amended and Restated Credit Agreement"). The Fourth Amended and Restated Credit Agreement, which expires on July 8, 2009, 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 Fourth Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Fourth Amended and Restated Credit Agreement. The margin is subject to an increase of 0.125% if the aggregate amount outstanding under the Fourth Amended and Restated Credit Agreement exceeds 50% of the borrowing capacity. As of September 29, 2007, the weighted average interest rate on borrowings outstanding was 6.22%. During the third quarter of fiscal 2007, the average outstanding balance under the Fourth Amended and Restated Credit Agreement was approximately \$55,901,000. Based on the borrowing rates in the Fourth Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of September 29, 2007 was estimated to approximate carrying value. Assuming that debt levels on the Fourth Amended and Restated Credit Agreement remain at \$46,000,000, the balance at September 29, 2007, a hypothetical increase of 100 basis points in current rates provided for under the Fourth Amended and Restated Credit Agreement is estimated to result in an increase in interest expense of \$460,000 on an annualized basis.

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All amounts outstanding on the Fourth Amended and Restated Credit Agreement are payable on July 8, 2009, the expiration of the Fourth Amended and Restated Credit Agreement.

The Company's obligations under the Fourth Amended and Restated Credit Agreement are guaranteed by all but one of Landstar System Holdings, Inc.'s subsidiaries.

Long-term investments, all of which are available-for-sale, consist of investment grade bonds having maturities of up to two years. Assuming that the long-term portion of investments in bonds remains at \$2,000,000, the balance at September 29, 2007, 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 bonds. Accordingly, any future interest rate risk on these short-term investments would not be material.

Item 4. Controls and Procedures

As of the end of the period covered by this report, 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 September 29, 2007, to provide reasonable assurance that information required to be disclosed by the Company in reports that it filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no significant changes in the Company's internal controls over financial reporting during the Company's fiscal quarter ended September 29, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. ("OOIDA") and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the "Plaintiffs") filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements ("BCO Independent Contractors") in the United States District Court for the Middle District of Florida (the "District Court") in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the "Amended Complaint"). The Amended Complaint alleged that certain aspects of the Company's motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney's fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the "Defendants"). On March 29, 2007, the District Court denied Plaintiffs' request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

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The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the “Appellate Court”) with respect to certain of the District Court’s rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

The Company is involved in certain other claims and pending litigation arising from the normal conduct of business. 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 other claims and pending litigation and that the ultimate outcome, after provisions thereof, 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 1A. Risk Factors

For a discussion identifying risk factors and other important factors that could cause actual results to differ materially from those anticipated, see the discussions under Part I, Item 1A, “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2006, under Part II, Item 1A, “Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements” in this Quarterly Report on Form 10-Q.

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

Purchases of Equity Securities by the Company

The following table provides information regarding the Company’s purchases of its common stock during the period from July 1, 2007 to September 29, 2007, the Company’s third fiscal quarter:

<u>Fiscal period</u>	<u>Total number of shares purchased</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of publicly announced programs</u>	<u>Maximum number of shares that may yet be purchased under the programs</u>
June 30, 2007				1,320,786
July 1, 2007 — July 28, 2007	282,800	\$ 46.34	282,800	1,037,986
July 29, 2007 — Aug. 25, 2007	1,037,986	\$ 43.63	1,037,986	0
Aug. 26, 2007 — Sept. 29, 2007				2,000,000
Total	1,320,786	\$ 44.21	1,320,786	

On April 19, 2007, Landstar System, Inc. announced that it had been authorized by its Board of Directors to purchase up to 2,000,000 shares of its common stock from time to time in the open market and in privately negotiated transactions. During its third fiscal quarter, the Company completed the purchase of shares authorized for purchase under this program. On August 27, 2007, Landstar System, Inc. announced that it had been authorized by its Board of Directors to purchase up to an additional 2,000,000 shares of its common stock from time to time in the open market and in privately negotiated transactions. No specific expiration date has been assigned to the August 27, 2007 authorization.

During the thirty-nine-week period ended September 29, 2007, Landstar paid dividends as follows:

<u>Dividend Amount per share</u>	<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>
\$0.0300	February 1, 2007	February 13, 2007	February 28, 2007
\$0.0300	April 19, 2007	May 10, 2007	May 31, 2007
\$0.0375	July 19, 2007	August 10, 2007	August 31, 2007

The Fourth Amended and Restated Credit Agreement provides for a restriction in cash dividends on the Company’s capital stock only to the extent there is an event of default under the Fourth Amended and Restated Credit Agreement.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Effective November 1, 2007, the board of directors (the “Board”) of Landstar System, Inc. (the “Company”) adopted Amended and Restated Bylaws (the “Amended and Restated Bylaws”) of the Company, superseding and replacing the Company’s existing bylaws (the “Previous Bylaws”). The changes to the Previous Bylaws effected by the Amended and Restated Bylaws are briefly summarized below:

- Section 5.01 provides for the use of uncertificated shares, which will permit book entry ownership of the Company’s capital stock, as required in order to comply with NASDAQ’s new listing requirement that all listed companies become “DRS Eligible” by January 1, 2008. The Previous Bylaws did not permit the use of uncertificated shares.
- Section 1.12(b) requires that stockholders wishing to make nominations to the Board or proposals to be considered by the Company’s stockholders must deliver written notice thereof to the Company not less than 90 days nor more than 120 days prior to the first anniversary of the date of the Company’s proxy statement for the preceding year’s annual meeting, other than in certain circumstances. The Previous Bylaws required that such notice be given at least 35 days prior to the meeting at which any such nomination or proposal was to be considered.
- Section 2.09 expressly permits the Board to take action without a meeting if all of the members of the Board consent to such action in writing or by electronic transmission.
- Certain other changes were made in the Amended and Restated Bylaws to conform to changes in the General Corporation Law of the State of Delaware since the date that the Previous Bylaws were adopted.

The foregoing brief summary of the changes to the Previous Bylaws effected by the Amended and Restated Bylaws is not intended to be complete and is qualified in its entirety by reference to the Amended and Restated Bylaws, attached as Exhibit 3.1 to this Form 10-Q.

Item 6. Exhibits

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

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

<u>Exhibit No.</u>	<u>Description</u>
(3)	Articles of Incorporation and By-laws
3.1*	The Company's Bylaws, as amended and restated on November 1, 2007.
(31)	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002:
31.1*	Chief Executive Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Chief Financial Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:
32.1**	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

** Furnished herewith

SIGNATURES

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

LANDSTAR SYSTEM, INC.

Date: November 2, 2007

/s/ Henry H. Gerkens

Henry H. Gerkens

President and

Chief Executive Officer

Date: November 2, 2007

/s/ James B. Gattoni

James B. Gattoni

Vice President and

Chief Financial Officer

LANDSTAR SYSTEM, INC.

AMENDED & RESTATED BYLAWS

As Adopted on November 1, 2007

LANDSTAR SYSTEM, INC.

AMENDED & RESTATED BYLAWS

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LANDSTAR SYSTEM, INC.

AMENDED & RESTATED BYLAWS

ARTICLE I

MEETINGS OF STOCKHOLDERS

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

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

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

Section 1.04. Notice of Meetings; Waiver of Notice.

(a) The Secretary or any Assistant Secretary shall cause notice of each meeting of stockholders to be given in writing in a manner permitted by the DGCL not less than 10 days nor more than 60 days prior to the meeting to each stockholder of record entitled to vote at such meeting, subject to such exclusions as are then permitted by the DGCL. The notice shall specify (*i*) the place, if any, date and time of such meeting, (*ii*) the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, (*iii*) in the case of a special meeting, the purpose or purposes for which such meeting is called, and (*iv*) such other information as may be required by law or as may be deemed

appropriate by the President, the Vice President calling the meeting, or the Board. If the stockholder list referred to in Section 1.06 of these bylaws is made accessible on an electronic network, the notice of meeting must indicate how the stockholder list can be accessed. If the meeting of stockholders is to be held solely by means of electronic communications, the notice of meeting must provide the information required to access such stockholder list during the meeting.

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

Section 1.05. Proxies.

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

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

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

Section 1.06. Voting Lists. The officer of the corporation who has charge of the stock ledger of the corporation shall prepare, at least 10 days before every meeting of the stockholders (and before any adjournment thereof for which a new record date has been

set), a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. This list shall be open to the examination of any stockholder prior to and during the meeting for any purpose germane to the meeting as required by the DGCL or other applicable law. The stock ledger shall be the only evidence as to who are the stockholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of stockholders.

Section 1.07. Quorum. Except as otherwise required by law or by the certificate of incorporation, the presence in person or by proxy of the holders of record of a majority of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting. A quorum, once established, is not broken by the withdrawal of enough votes to leave less than a quorum.

Section 1.08. Voting. Every holder of record of shares entitled to vote at a meeting of stockholders is entitled to one vote for each share outstanding in his or her name on the books of the corporation (*x*) at the close of business on the record date for such meeting, or (*y*) if no record date has been fixed, at the close of business on the day next preceding the day on which notice of the meeting is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. At all meetings of stockholders for the election of directors, a plurality of the votes of the shares of stock present in person or represented by proxy at the meeting and entitled to vote on the election of directors is sufficient to elect directors. All other matters at any meeting at which a quorum is present shall be decided by the affirmative vote of a majority of the shares of stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter in question, unless otherwise expressly provided by express provision of law or the certificate of incorporation. The stockholders do not have the right to cumulate their votes for the election of directors.

Section 1.09. Adjournment. Any meeting of stockholders may be adjourned from time to time, by the chairperson of the meeting or by the vote of a majority of the shares of stock present in person or represented by proxy at the meeting, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the place, if any, and date and time thereof (and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting) are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than 30 days or a new record date is fixed for the adjourned meeting after the adjournment, in which case notice of the adjourned meeting in accordance with Section 1.04 of these bylaws shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting.

Section 1.10. Organization; Procedure.

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

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

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

Section 1.12. Stockholder Meetings — Nominations and Other Proposals.

(a) Annual Meetings.

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

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

(iii) Notice of a stockholder nomination shall include, as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person required to be disclosed in solicitations of proxies for election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14A-11 thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected. Notice of a stockholder proposal shall include a brief description of the business desired to be brought before the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and if such business includes proposed amendments to the certificate of incorporation and/or bylaws of the corporation, the text of the proposed amendments), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made.

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

(b) Special Meetings.

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

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

(c) General.

(i) Except as otherwise provided by law, the certificate of incorporation or these bylaws, the presiding officer of a meeting of stockholders shall have the power and duty (x) to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.12, and (y) if any proposed nomination or business is not in compliance with this Section 1.12, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted.

(ii) The corporation may require any proposed stockholder nominee for director to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation. If the stockholder (or a qualified representative of the stockholder) making a nomination or proposal under this Section 1.12 does not appear at a meeting of stockholders to present such nomination or proposal, the nomination shall be disregarded and/or the proposed business shall not be transacted, as the case may be, notwithstanding that proxies in favor thereof may have been received by the corporation.

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

(iv) Notwithstanding the foregoing provisions of this Section 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.12. Nothing in this Section 1.12 shall be deemed to affect any rights of (x) stockholders to request inclusion of proposals in the corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act or (y) the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the certificate of incorporation or of the relevant preferred stock certificate or designation.

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

ARTICLE II

BOARD OF DIRECTORS

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

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

(a) The Board shall be divided into three classes, designated Classes I, II and III, which shall be as nearly equal in number as possible. Directors of Class I shall hold office for a term expiring at the annual meeting of stockholders to be held in 2009, directors of Class II shall hold office for a term expiring at the annual meeting of stockholders to be held in 2010 and directors of Class III shall hold office for a term expiring at the annual meeting of stockholders to be held in 2008. Except as otherwise provided in Sections 2.12 and 2.13 of these bylaws, at each annual meeting of stockholders following such initial classification and election, the respective successors of each class shall be elected for three year terms. The holders of a majority of the shares then entitled to vote generally for the election of directors may remove any director or the entire Board, but only for cause.

(b) The number of directors shall be fixed from time to time by resolution of the Board. In case of any increase in the number of directors in advance of an annual meeting of stockholders, each additional director shall be elected by the directors then in office, although less than a quorum, to hold office until the next election of the class for which such director shall have been chosen (as provided in the last sentence of this subsection (b)), or until his successor shall have been duly chosen. No decrease in the number of directors shall shorten the term of any incumbent director. Any newly created or eliminated directorships resulting from an increase or decrease shall be apportioned by the Board among the three classes of directors so as to maintain such classes as nearly equal as possible.

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

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

Section 2.05. Notice of Meetings; Waiver of Notice.

(a) Notices of special meetings shall be given to each director, and notice of each resolution or other action affecting the date, time or place of one or more regular meetings shall be given to each director not present at the meeting adopting such resolution or other action, subject to Section 2.08 of these bylaws. Notices shall be given personally, or by telephone confirmed by facsimile or email dispatched promptly thereafter, or by facsimile or email confirmed by a writing delivered by a recognized overnight courier service, directed to each director at the address from time to time designated by such director to the Secretary. Each such notice and confirmation must be given (received in the case of personal service, or delivery of written confirmation) at least 24 hours prior to the time of a special meeting, and at least five days prior to the initial regular meeting affected by such resolution or other action, as the case may be.

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

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

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

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

Section 2.09. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

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

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

Section 2.12. Removal of Directors. Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, any director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the corporation entitled to vote generally for the election of directors, acting at a stockholder meeting.

Section 2.13. Vacancies and Newly Created Directorships.

(a) Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, any vacancy in the Board caused by any removal of one or more directors pursuant to Section 2.12 of these bylaws may be filled at the stockholder meeting at which such removal is effected or in the written instrument effecting such removal, if the removal is effected by consent without a meeting by the stockholders entitled to vote for the election of the director so removed. If the stockholders do not so fill such vacancy, it may be filled in the manner provided in Section 2.13(b) of these bylaws.

(b) Subject to the rights of the holders of any class or series of preferred stock, if any, to elect additional directors pursuant to the certificate of incorporation, and except as provided in Section 2.13(a) of these bylaws, if any vacancies shall occur in the Board, by reason of death, resignation, removal or otherwise, or if the authorized number of directors shall be increased, the directors then in office shall continue to act. Any such vacancies or newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If a director resigns effective at a future date, he or she may participate in the election of replacement directors provided for in the preceding sentence, with the election to take effect at the effective date of such resignation. A director elected to fill a vacancy or a newly created directorship shall hold office until his or her successor has been elected and qualified.

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

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

ARTICLE III

COMMITTEES

Section 3.01. Designation of Committees. The Board shall designate such committees as may be required by applicable laws, regulations or stock exchange rules, and may designate such additional committees as it deems necessary or appropriate.

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

Section 3.02. Members and Alternate Members. The members of each committee and any alternate members shall be selected by a majority of the whole Board, and shall serve at the pleasure of the Board or, if a majority of the whole Board shall so determine, for a stated term. An alternate member may replace any absent or disqualified member at any meeting of the committee. An alternate member shall be given all notices of committee meetings and may attend any meeting of the committee, but may count towards a quorum and vote only if a member for whom such person is an alternate is absent or disqualified. Each member (and each alternate member) of any committee shall hold office only until the end of such term, if any, as may have been fixed for such person by a majority of the whole Board, the time he or she shall cease to be a director, or his or her earlier death, resignation or removal.

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

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

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

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

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

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

ARTICLE IV

OFFICERS

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

Section 4.02. Appointment of Officers.

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

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

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

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

Section 4.03. Removal and Resignation of Officers. Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer appointed by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any officer may resign at any time by giving written notice to the corporation, either in writing signed by such officer or by electronic transmission. Unless otherwise specified therein, such resignation shall take effect upon delivery. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. The removal or resignation of an officer does not affect the rights of the corporation or such officer under his or her contract of employment, if any.

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

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

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

ARTICLE V

CAPITAL STOCK

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

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

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

Section 5.04. Transfer of Stock.

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

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

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

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

ARTICLE VI

INDEMNIFICATION

Section 6.01. Indemnification.

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

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

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

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

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

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

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

Section 6.03. Procedure for Indemnification. Any indemnification under Section 6.01 of these bylaws or any advance of expenses under Section 6.02 of these bylaws shall be made only against a written request therefor (together with supporting documentation) submitted by or on behalf of the person seeking indemnification or advance. Indemnification may be sought by a person under Section 6.01 of these bylaws in respect

of a proceeding only to the extent that both the liabilities for which indemnification is sought and all portions of the proceeding relevant to the determination of whether the person has satisfied any appropriate standard of conduct have become final. A person seeking indemnification or advance of expenses may seek to enforce such person's rights to indemnification or advance of expenses (as the case may be) in the Delaware Court of Chancery to the extent all or any portion of a requested indemnification has not been granted within 60 days of, or to the extent all or any portion of a requested advance of expenses has not been granted within 20 days of, the submission of such request. All expenses (including reasonable attorneys' fees) incurred by such person in connection with successfully establishing such person's right to indemnification or advancement of expenses under this Article, in whole or in part, shall also be indemnified by the corporation.

Section 6.04. Burden of Proof.

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

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

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

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

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

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

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

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

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

ARTICLE VII

OFFICES

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

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

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01. Dividends.

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

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

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

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

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

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

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

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

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

ARTICLE IX

AMENDMENT OF BYLAWS

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

ARTICLE X

CONSTRUCTION

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

SECTION 302 CERTIFICATION

I, Henry H. Gerkens, certify that:

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

Date: November 2, 2007

/s/ Henry H. Gerkens

Henry H. Gerkens
President and Chief Executive Officer

SECTION 302 CERTIFICATION

I, James B. Gattoni, certify that:

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

Date: November 2, 2007

/s/ James B. Gattoni

James B. Gattoni

Vice President and 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

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending September 29, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Henry H. Gerkens, 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/ Henry H. Gerkens

Henry H. Gerkens
President and Chief Executive Officer
November 2, 2007

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

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending September 29, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James B. Gattoni, Chief Financial 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
Vice President and Chief Financial Officer
November 2, 2007