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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 26, 1998

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	06-1313069
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4160 Woodcock Drive, Jacksonville, Florida	32207
(Address of principal executive offices)	(Zip Code)

(904) 390-1234

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $.01 Par Value	Common Stock Rights
(Title of class)	(Title of class)

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 [X] No [ ]

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

Documents Incorporated by Reference

Portions of the following documents are incorporated by reference in this

Form 10-K as indicated herein:

Document	Part of 10-K into which incorporated
1998 Annual Report to Shareholders	Part II
Proxy Statement relating to Landstar System, Inc.'s Annual Meeting of Shareholders	Part III

The number of shares of the registrant's common stock, par value $.01 per share, (the "Common Stock") outstanding as of the close of business on March 22, 1999 was 10,276,833; and the aggregate market value of the voting stock held by non-affiliates of the registrant was $329,815,872 (based on the $33.188 per share closing price on that date, as reported by NASDAQ National Market System). In making this calculation, the registrant has assumed, without admitting for any purpose, that all directors and executive officers of the registrant, and no other person, are affiliates.

LANDSTAR SYSTEM, INC.
1998 Annual Report on Form 10-K

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Part I

Item 1. - Business

General

Landstar System, Inc. (herein referred to as "Landstar" or the "Company") was incorporated in January 1991 under the laws of the State of Delaware and acquired all of the capital stock of its predecessor, Landstar System Holdings, Inc. ("LSHI") on March 28, 1991. LSHI owns directly or indirectly all of the common stock of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway"), Landstar Ligon, Inc. ("Landstar Ligon"), Landstar T.L.C., Inc. (Landstar T.L.C.), Landstar Gemini, Inc. ("Landstar Gemini"), Landstar Poole, Inc. ("Landstar Poole"), Landstar Logistics, Inc. ("Landstar Logistics"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Contractor Financing, Inc. ("LCFI"), Landstar Capacity Services, Inc., Risk Management Claim Services, Inc. ("RMCS"), Landstar Corporate Services, Inc. and Signature Insurance Company ("Signature"). Landstar Ranger, Landstar Inway, Landstar Ligon, Landstar Gemini, Landstar Logistics and Landstar Express America are collectively herein referred to as Landstar's "Operating Subsidiaries" or "Operating Companies." The Company's principal executive offices are located at 4160 Woodcock Drive, Jacksonville, Florida 32207 and its telephone number is (904) 390-1234.

Historical Background

In March 1991, Landstar acquired LSHI in a buy-out organized by Kelso & Company, Inc. ("Kelso"). Investors in the acquisition included Kelso Investment Associates IV L.P. ("KIA IV"), an affiliate of Kelso, ABS MB Limited Partnership ("ABSMB"), an affiliate of BT Alex. Brown, Inc. ("BT Alex. Brown") (formerly known as Alex. Brown & Sons Incorporated), and certain management employees of Landstar and its subsidiaries (the "Management Stockholders"). Landstar was capitalized by the sale of an aggregate of 8,024,000 shares of Common Stock for $20.1 million, as follows: KIA IV ($15.5 million), ABSMB ($3.0 million), Management Stockholders($1.3 million) and certain institutional stockholders ($.3 million). In March 1993, Landstar completed a recapitalization (the "Recapitalization") that increased shareholders' equity, reduced indebtedness and improved the Company's operating and financial flexibility. The Recapitalization involved three principal components: (i) the initial public offering (the "IPO") of 5,387,000 shares of Common Stock, at an initial price to the public of $13 per share, 2,500,000 of which were sold by Landstar and 2,887,000 of which were sold by certain of the Company's stockholders (including KIA IV), (ii) the retirement of all $38 million outstanding principal amount of LSHI's 14% Senior Subordinated Notes due 1998 (the "14% Notes"), and (iii) the refinancing of the Company's then existing senior debt facility with a senior bank credit agreement. The net proceeds to the Company from the IPO (net of underwriting discounts and commissions and expenses) of $28,450,000 and proceeds from the new term loan, were used to repay outstanding borrowings under the old credit agreement and redeem or purchase the 14% Notes. In October 1993, a secondary public offering by existing stockholders of 5,547,930 shares of Common Stock at an initial price to the public of $15 per share was completed. KIA IV sold 4,492,640 shares and ABSMB sold 1,055,290 shares. Immediately subsequent to the offering, KIA IV no longer owned any shares of Landstar Common Stock, and affiliates of BT Alex. Brown retained approximately 1% of the Common Stock outstanding.

In connection with the secondary offering, Landstar granted the underwriters an over-allotment option of up to 554,793 shares of Common Stock. The option was exercised and Landstar sold the 554,793 shares of Common Stock at an initial price to the public of $15 per share. Landstar received proceeds, net of underwriting discounts and commissions and expenses of the secondary offering, in the amount of $7,386,000.

During the first quarter of 1995, Landstar, through different subsidiaries of LSHI acquired the businesses and net assets of Intermodal Transport Company ("ITCO"), a California-based intermodal marketing company, LDS Truck Lines, Inc., a California-based drayage company, and T.L.C. Lines, Inc., a Missouri-based temperature-controlled and long-haul, time sensitive dry van carrier. Also in the 1995 first quarter, Landstar, through another subsidiary of LSHI, acquired all of the outstanding common stock of Express America Freight Systems, Inc., ("Express"), a North Carolina-based air freight and truck expedited service provider. The businesses acquired from ITCO and Express comprise the majority of the multimodal segment's operations.

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. and Landstar Poole operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors. During 1997 and 1996, the Company incurred approximately $3,247,000 and $5,937,000 of such restructuring costs, respectively. In addition, in January 1997, the operations of Landstar Gemini were merged into the operations of Landstar Logistics. The Company's restructuring plan was substantially completed by June 28, 1997.

In March 1997, Landstar formed Signature, a wholly-owned offshore insurance subsidiary. Signature reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar. In addition, Signature provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

On August 22, 1998, Landstar Poole, which comprised the entire company-owned tractor segment, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc. for approximately $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations.

Description of Business

Landstar, a transportation services company, operates one of the largest truckload carrier businesses in North America, with revenue of $1.3 billion in 1998. The Company provides transportation services which emphasize information coordination and customer service delivered primarily by a network of over 1,000 independent commission sales agents. The Company's truckload capacity is provided by independent contractors.

Landstar distinguishes itself from many other large truckload carriers by utilizing a wide range of specialized equipment designed to meet customers' varied transportation requirements. The Company transports a variety of freight, including iron and steel, automotive products, paper, lumber and building products, aluminum, chemicals, foodstuffs, heavy machinery, ammunition and explosives, and military hardware. The Company provides truckload carrier services, intermodal transportation services and expedited air and truck services to shippers throughout the continental United States and, to a lesser extent, between the United States and each of Canada and Mexico.

The Company has determined it has three reportable business segments under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information." These are the carrier, multimodal and insurance segments. The following table provides financial information relating to the Company's reportable business segments as of and for the fiscal years ending 1998, 1997 and 1996 (dollars in thousands):

	Fiscal Year		
	1998	1997	1996
Revenue from unaffiliated customers:			
Carrier segment	$ 981,427	$ 945,330	$ 905,472
Multimodal segment	277,999	255,041	224,384
Insurance segment	24,181	18,940	
Inter-segment revenue:			
Carrier segment	$ 38,517	$ 39,453	$ 37,479
Multimodal segment	535	968	1,160
Insurance segment	24,175	15,452	
Operating income:			
Carrier segment	$ 67,536	$ 62,280	$ 57,031
Multimodal segment	8,272	5,355	4,584
Insurance segment	19,479	7,863	(799)
Other	(33,833)	(29,177)	(22,462)
Identifiable assets:			
Carrier segment	$ 199,287	$ 192,143	$ 212,034
Multimodal segment	66,120	64,055	56,547
Insurance segment	24,179	22,101	480
Discontinued segment		68,791	85,526
Other	24,079	10,089	16,214

The carrier segment is comprised of three of Landstar's operating subsidiaries, Landstar Ranger, Landstar Inway and Landstar Ligon. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment business is such that a significant portion of its operating costs varies directly with revenue. At December 26, 1998, the carrier segment operated a fleet of approximately 7,900 tractors, provided by approximately 6,200 independent contractors, and approximately 12,300 trailers, 6,100 of which are supplied by independent contractors. Approximately 77% of the trailers available to the carrier segment are provided by independent contractors or are leased by the Company at rental rates that vary with the revenue generated by the trailer. The carrier segment's trailer fleet is comprised of approximately 7,700 dry vans, 3,400 flatbeds, 900 specialty and 300 refrigerated vans. The carrier segment has a network of approximately 840 independent commission sales agents. An agent in the carrier segment is typically paid 7% of the revenue generated through that agent, with volume-based incentive commissions that can increase the percentage to 10% of revenue generated. The use of independent contractors enables the carrier segment to utilize a large fleet of revenue equipment while minimizing capital investment and fixed costs, thereby enhancing return on investment. Independent contractors who provide truckload capacity to the carrier segment are compensated on the basis of a fixed percentage of the revenue generated from the shipments they haul.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck, emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. Agent compensation in the multimodal segment is based on a percentage of the gross profit on revenue generated through that agent. Independent contractors who provide truck capacity to the multimodal segment are compensated based on a percentage of the revenue generated from the shipments they haul. Railroads and air cargo carriers are paid a contractually agreed-upon fixed fee. The nature of the multimodal segment business is such that a significant portion of its operating costs varies directly with revenue. At December 26, 1998, the multimodal segment operated a fleet of 630 trucks, provided by approximately 570 independent contractors. Multimodal segment independent contractors provide primarily power-only truck capacity, whereby the freight is hauled by an independent contractor in a customer trailer or container. Cargo vans and straight trucks are utilized for emergency and expedited freight services. The multimodal segment has a network of approximately 240 independent commission sales agents.

The insurance segment is comprised of Signature, a wholly-owned offshore insurance subsidiary that was formed in March 1997, and RMCS. The insurance segment provides risk and claims management services for Landstar's operating companies. In addition, it reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

Landstar's business strategy is to offer high quality, specialized transportation services through its transportation group to service-sensitive customers. Landstar focuses on providing transportation services which emphasize customer service and information coordination among its independent commission sales agents, customers and capacity providers, rather than the volume-driven approach of generic dry van carriers. Landstar intends to continue developing appropriate systems and technologies that offer integrated transportation and logistics solutions to meet the total transportation needs of its customers.

The Company's overall size, geographic coverage, equipment and service capability offer the Company significant competitive marketing and operating advantages. These advantages allow the Company to meet the needs of even the largest shippers and thereby qualify it as a "core carrier." Increasingly, the larger shippers are substantially reducing the number of authorized carriers in favor of a small number of core carriers whose size and diverse service capability enable these core carriers to satisfy most of the shippers' transportation needs. Examples of national account customers include the U.S. Department of Defense and shippers in particular industries such as the three major U.S. automobile manufacturers.

Management believes the Company has a number of significant competitive advantages, including:

DIVERSITY OF SERVICES OFFERED. The Company offers its customers a wide range of primarily truckload transportation services through the carrier and multimodal groups, including a fleet of diverse trailing equipment and extensive geographic coverage. Examples of the specialized services offered include a large fleet of flatbed trailers, multi-axle trailers capable of hauling extremely heavy or oversized loads, drivers certified to handle ammunition and explosive shipments for the U.S. Department of Defense, emergency and expedited surface and air cargo services and intermodal capability with railroads and steamship lines, including short-to-medium haul movement of ocean-going containers between U.S. ports and inland cities.

The following table illustrates the diversity of this equipment as of December 26, 1998:

Trailers:

Vans		7,593
Specialty Vans		95
Temperature-Controlled		328
Flatbeds		2,428
Drop Deck/Low Boys		1,027
Light Specialty		64
Other Specialized Flatbeds		826
	Total	12,361

MARKETING NETWORK. Landstar's network of over 1,000 independent commission sales agents results in regular contact with shippers at the local level and the capability to be highly responsive to shippers' changing needs. The agent network enables Landstar to be responsive both in providing specialized equipment to both large and small shippers and in providing capacity on short notice from the Company's large fleet to high volume shippers. Through its agent network, the Company believes it offers smaller shippers a level of service comparable to that typically reserved by other truckload carriers only for their largest customers. Examples of services that Landstar is able to make available through the agent network to smaller shippers include the ability to haul shipments on short notice (often within hours from notification to time of pick-up), multiple pick-up and delivery points, electronic data interchange capability and access to specialized equipment. In addition, a number of the Company's agents specialize in certain types of freight and transportation services (such as oversized or heavy loads). An agent in the carrier segment is typically paid a percentage of the revenue generated through that agent, with volume-based incentives. An agent in the multimodal segment is typically paid a contractually agreed-upon percentage of the gross profit on revenue generated through that agent. During 1998, more than 370 agents generated revenue for Landstar of at least $1 million each, or approximately $1.0 billion of Landstar's total revenue. The majority of the agents who generate revenue of $1 million or more have chosen to represent Landstar exclusively. The typical Landstar agent maintains a relationship with a number of shippers and services these shippers by providing a base of operations for independent contractors, both single-unit owner-operator and multi-unit contractors. Contracts with agents are typically terminable upon 30 days' notice. Historically, Landstar has experienced very limited agent turnover among its larger volume agents. Each operating subsidiary emphasizes programs to support the agents' operations and to establish pricing parameters. Each operating subsidiary contracts directly with customers and generally assumes the credit risk and liability for freight losses or damages.

The carrier segment and multimodal segment generally dispatch their fleets through their local agents. The carrier segment and multimodal segment hold regular regional agent meetings for their independent commission sales agents and Landstar holds an annual company-wide agent convention.

TECHNOLOGY. Management believes leadership in the development and application of technology is an ongoing part of providing high quality service at competitive prices. Landstar manages its carrier and multimodal segments' technology programs centrally through its information services department.

The Company is aware of the issues associated with the programming code in its existing computer systems in order for the systems to recognize date sensitive information when the year changes to 2000. Information regarding the Company's computer system year 2000 status is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 25 to 31 of the Company's 1998 Annual Report to shareholders and is included in this report on Form 10-K as Exhibit 13.

CORPORATE SERVICES. Significant advantages result from the collective expertise and corporate services afforded by Landstar's corporate management. The primary services provided are:

safety	purchasing
strategic planning	human resource management
technology and management information systems	finance
legal	accounting, budgeting and taxes
quality programs	

INDEPENDENT CONTRACTORS. Landstar operates the largest fleet of truckload independent contractors in North America. This provides marketing, operating, safety, recruiting, retention and financial advantages to the Company. Most of the Company's truckload independent contractors are compensated based on a fixed percentage of the revenue generated from the freight they haul. This percentage generally ranges from 60% to 70% where the independent contractor provides a tractor and from 75% to 79% where the independent contractor provides both a tractor and trailer. The independent contractor must pay all the expenses of operating his/her equipment, including driver wages and benefits, fuel, physical damage insurance, maintenance, highway use taxes and debt service.

In 1998, Landstar experienced a turnover rate among independent contractors of approximately 51%. A significant percentage of this turnover was attributable to independent contractors who had been independent contractors with the Company for less than one year. Management believes that the lack of availability of loads is a significant factor in turnover. Management believes other factors that tend to limit turnover include the Company's extensive agent network, the Company's programs to reduce the operating costs of its independent contractors, and Landstar's reputation for quality, service and reliability. The Landstar Contractors' Advantage Purchasing Program ("LCAPP") leverages Landstar's purchasing power to provide discounts to the independent contractors when they purchase equipment, fuel, tires and other items. In addition, LCFI provides a source of funds at competitive interest rates to the independent contractors to purchase tractors, trailers or mobile communication equipment.

Landstar also benefits from its use of independent contractors. This allows the Company to maintain a lower level of capital investment, which results in lower fixed costs.

Competition

Landstar competes primarily in the domestic transportation industry, focusing on the common and contract truckload segment. This segment has been characterized by significant change since the substantial economic deregulation of the trucking industry in 1980 and again in 1994 and 1995. Deregulation led to a rapid influx of small, often poorly capitalized truckload carriers and downward pressure on freight rates. Primarily because deregulation eliminated most route, commodity and rate restrictions, the market for common and contract truckload services has grown as truckload carriers have attracted business from railroads, less-than-truckload carriers and private fleets. Management believes the truckload segment will continue to undergo significant consolidation and that the barriers to entry may become harder to overcome. These barriers include the capital-intensive nature of the business, purchasing economies available only to larger carriers, increasing customer demand for sophisticated information systems, rising insurance costs, greater customer demand for specialized services and the reluctance of certain shippers to do business with smaller carriers.

The transportation services business is extremely competitive and fragmented. Landstar competes primarily with other truckload carriers and independent contractors and, with respect to certain aspects of its business, intermodal transportation, railroads and less-than-truckload carriers.

Management believes that competition for the freight transported by the Company is based primarily on service and efficiency and, to a lesser degree, on freight rates alone. Historically, although competition has created downward pressure on the truckload industry's pricing structure, the Company has been able to increase its overall revenue per revenue mile (price) by improving its freight quality during the most recent years. Management believes that Landstar's overall size and availability of a wide range of equipment, together with its geographically dispersed local independent agent network, present the Company with significant competitive advantages over many other truckload carriers. The Company also competes with other motor carriers for the services of independent contractors and independent commission sales agents, contracts with whom are terminable upon short notice. The Company's overall size, coupled with its reputation for good relations with agents and independent contractors, have enabled the Company to attract a sufficient number of qualified agents, independent contractors and drivers.

Insurance and Claims

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $250,000 for each cargo claim. The Company provides, on an actuarially determined basis, for the estimated cost of property, casualty and general liability claims reported and for claims incurred but not reported. Although Landstar has an active training and safety program, there can be no assurance that the frequency or severity of accidents or workers' compensation claims will not increase in the future, that there will not be unfavorable development of existing claims or that insurance premiums will not increase. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating

results. Management believes that Landstar realizes significant savings in insurance premiums by retaining a larger amount of risk than might be prudent for a smaller company.

Potential Changes in Fuel Taxes

From time to time, various legislative proposals are introduced to increase federal, state, or local taxes, including taxes on motor fuels. The Company cannot predict whether, or in what form, any increase in such taxes applicable to the Company will be enacted and, if enacted, whether or not the Company will be able to reflect the increases in prices to customers. Competition from non-trucking modes of transportation and from intermodal transportation would be likely to increase if state or federal taxes on fuel were to increase without a corresponding increase in taxes imposed upon other modes of transportation.

Independent Contractor Status

From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefits available to employees. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common-law" factors rather than any definition found in the Internal Revenue Code or Internal Revenue Service regulations. In addition, under Section 530 of the Revenue Act of 1978, taxpayers that meet certain criteria may treat an individual as an independent contractor for employment tax purposes if they have been audited without being told to treat similarly situated workers as employees, if they have received a ruling from the Internal Revenue Service or a court decision affirming their treatment, or if they are following a long-standing recognized practice.

Although management is unaware of any proposals currently pending to change the employee/independent contractor classification, the costs associated with potential changes, if any, in the employee/independent contractor classification could adversely affect Landstar's results of operations if Landstar were unable to reflect them in its fee arrangements with the independent contractors and agents or in the prices charged to its customers.

Regulation

Each of the Operating Subsidiaries is a motor carrier which, prior to January 1, 1995, was regulated by the Interstate Commerce Commission ("ICC") and is now regulated by the United States Department of Transportation ("DOT") and by various state agencies. The DOT has broad powers, generally governing activities such as the regulation of, to a limited degree, motor carrier operations, rates, accounting systems, periodic financial reporting and insurance. Subject to federal and state regulatory authorities or regulation, the Company may transport most types of freight to and from any point in the United States over any route selected by the Company.

The trucking industry is subject to possible regulatory and legislative changes (such as increasingly stringent environmental regulations or limits on vehicle weight and size) that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services.

Congress deregulated transportation in 1994 by passage of the Trucking

Industry Regulatory Reform Act of 1994 ("TIRRA") and the Federal Aviation Administration Authorization Act of 1994 ("FAAAA"). TIRRA substantially eliminated entry procedures for interstate transportation and eliminated the ICC tariff filing requirements for virtually all common carriers. FAAAA required all states to substantially deregulate intrastate transportation as of January 1, 1995. In 1995, Congress enacted The Interstate Commerce Commission Termination Act and substantially eliminated certain of the functions of the ICC and transferred most functions to the DOT.

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of the union sponsored plans' unfunded benefit obligation. Management believes that the liability, if any, for withdrawal from any or all of these plans would not have a material adverse effect on the financial condition of Landstar, but could have a material effect on the results of operations in a given quarter or year.

Interstate motor carrier operations are subject to safety requirements prescribed by the DOT. All of the Company's drivers are required to have national commercial driver's licenses and are subject to mandatory drug and alcohol testing. The DOT's national commercial driver's license and drug and alcohol testing requirements have not adversely affected the availability of qualified drivers to the Company.

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 in June, September and December due to reduced shipments and higher operating costs in the winter months.

Employees

As of December 26, 1998, the Company and its subsidiaries employed approximately 1,278 individuals. Approximately 130 Landstar Ranger drivers (out of a total of approximately 3,700) are members of the International Brotherhood of Teamsters. The Company considers relations with its employees to be good.

Item 2. - Properties

The Company owns or leases various properties in the U.S. for the Company's operations and administrative staff that support the independent commission sales agents and independent contractors. The carrier segment's primary facilities are located in Jacksonville, Florida, Rockford, Illinois and Madisonville, Kentucky. The multimodal segment's primary facilities are located in Jacksonville, Florida. In addition, the Company's corporate headquarters are located in Jacksonville, Florida and RMCS is located in Madisonville, Kentucky. The Madisonville, Kentucky and Rockford, Illinois facilities of the carrier segment are owned by the Company. All other facilities are leased.

Management believes that Landstar's owned and leased properties are adequate for its current needs and that leased properties can be retained or replaced at acceptable cost.

Item 3. - Legal Proceedings

On August 5, 1997, suit was filed entitled Rene Alberto Rivas Vs. Landstar System, Inc., Landstar Gemini, Inc., Landstar Ranger, Inc., Risk Management Claims Services, Inc., Insurance Management Corporation, and Does 1 through 500, inclusive, in federal district court in Los Angeles. The suit claims Rivas represents a class of all drivers who, according to the suit, should be classified as employees and are therefore allegedly aggrieved by the practice of Landstar Gemini, Inc. requiring such drivers, as independent contractors, to provide either a worker's compensation certificate or to participate in an occupational accident insurance program. Rivas claims violations of federal leasing regulations for allegedly improperly disclosing the program. Rivas also claims violations of Racketeer Influence and Corrupt Organizations ("RICO") Act and the California Business and Professions Act. He seeks on behalf of himself and the class damages of $15 million trebled by virtue of trebling provisions in the RICO Act plus punitive damages. A motion to dismiss these claims was argued to the court on February 9, 1998. On March 24, 1998, the court granted defendant's motion to dismiss the RICO claim. Briefs were submitted on the question of a private right of action to enforce the federal leasing regulations at the court's behest and a decision is pending. The court will likely refer Rivas' remaining claims to arbitration if a private right of action and Federal court jurisdiction is sustained. Plaintiff may appeal dismissal of the RICO claim. The Company continues to vigorously contest this action. It believes that the drivers in question are properly classified as independent contractors and it also has other meritorious defenses to the various claims.

The Company is routinely a party to litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The Company maintains insurance which covers liability amounts in excess of retained liabilities from personal injury and property damages claims.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1998.

Part II

Item 5. - Market for Registrant's Common Equity and Related Stockholder Matters

The Common Stock of the Company is quoted through the National Association of Securities Dealers, Inc. National Market System (the "NASDAQ National Market System") under the symbol "LSTR." The following table sets forth the high and low reported sale prices for the Common Stock as quoted through the NASDAQ National Market System for the periods indicated.

Calendar Period	1998 Market Price		1997 Market Price	
	High	Low	High	Low
First Quarter	$ 32 1/2	$ 25 1/4	$ 26 1/2	$ 21 3/4
Second Quarter	35 5/32	30 3/4	29	23 1/2
Third Quarter	37 1/4	27	28 1/2	23 1/2
Fourth Quarter	45 5/8	21 1/16	28 3/4	23 5/8

The reported last sale price per share of the Common Stock as quoted through the NASDAQ National Market System on March 22, 1999 was $33.188 per share. As of such date, Landstar had 10,276,833 shares of Common Stock outstanding. As of March 22, 1999, the Company had 86 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders of record because a substantial number of the Company's shares are held by brokers or dealers for their customers in street name.

The Company has not paid any cash dividends on the Common Stock within the past three years and does not intend to pay dividends on the Common Stock for the foreseeable future. The declaration and payment of any future dividends will be determined by the Company's Board of Directors, based on Landstar's results of operations, financial condition, cash requirements, certain corporate law requirements and other factors deemed relevant.

Item 6. - Selected Financial Data

The information required by this Item is set forth under the caption "Selected Consolidated Financial Data" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on page 46 of the Company's 1998 Annual Report to Shareholders.

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

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 25 to 31 of the Company's 1998 Annual Report to Shareholders.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company has a credit agreement with a syndicate of banks and The Chase Manhattan Bank, as the administrative agent, (the "Second Amended and Restated Credit Agreement") that provides $200,000,000 of borrowing capacity, consisting of $150,000,000 revolving credit and $50,000,000 revolving credit to finance acquisitions. Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 26, 1998, the weighted average interest rate on borrowings outstanding was 5.69%. During fiscal 1998, the average outstanding balance under the Second Amended and Restated Credit Agreement was $38,974,000. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of December 26, 1998 was estimated to approximate carrying value.

The Second Amended and Restated Credit Agreement expires on October 10, 2002. The amount outstanding on the acquisition facility is payable upon the expiration of the Second Amended and Restated Credit Agreement.

Item 8. - Financial Statements and Supplementary Data

The information required by this Item is set forth under the captions "Consolidated Balance Sheets," "Consolidated Statements of Income," "Consolidated Statements of Cash Flows," "Consolidated Statements of Changes in Shareholders' Equity," "Notes to Consolidated Financial Statements," "Independent Auditors' Report" and "Quarterly Financial Data" in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 32 through 45 of the Company's 1998 Annual Report to Shareholders.

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

None.

Part III

Item 10. - Directors and Executive Officers of the Registrant

The information required by this Item concerning the Directors (and nominees for Directors) and Executive Officers of the Company is set forth under the captions "Election of Directors," "Directors of the Company," "Information Regarding Board of Directors and Committees," and "Executive Officers of the Company" on pages 2 through 8, and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on page 17 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 11. - Executive Compensation

The information required by this Item is set forth under the captions "Compensation of Directors and Executive Officers," "Summary Compensation Table," "Fiscal Year-End Option Values," "Report of the Compensation Committee on Executive Compensation," "Performance Comparison" and "Key Executive Employment Protection Agreements" on pages 9 through 14 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12. - Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is set forth under the caption "Security Ownership by Management and Others" on pages 15 through 16 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. - Certain Relationships and Related Transactions

The information required by this Item is set forth under the caption "Indebtedness of Management" on page 11 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Part IV

Item 14. - Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements

Financial statements of the Company and related notes thereto, together with the report thereon of KPMG LLP dated February 9, 1999, are in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 32 through 44 of the Company's 1998 Annual Report to Shareholders.

(2) Financial Statement Schedules

The report of the Company's independent public accountants with respect to the financial statement schedules listed below appears on page 24 of this Annual Report on Form 10-K.

Schedule Number	Description	Page
I	Condensed Financial Information of Registrant Parent Company Only Balance Sheet Information	S-1
I	Condensed Financial Information of Registrant Parent Company Only Statement of Income Information	S-2
I	Condensed Financial Information of Registrant Parent Company Only Statement of Cash Flows Information	S-3
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 26, 1998	S-4
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 27, 1997	S-5
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 28, 1996	S-6

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

(3) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report (see "Exhibit Index").

THE COMPANY WILL FURNISH, WITHOUT CHARGE, TO ANY SHAREHOLDER OF THE COMPANY WHO SO REQUESTS IN WRITING, A COPY OF ANY EXHIBITS, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. ANY SUCH REQUEST SHOULD BE DIRECTED TO LANDSTAR SYSTEM, INC., ATTENTION: INVESTOR RELATIONS, 4160 WOODCOCK DRIVE, JACKSONVILLE, FLORIDA 32207.

(b) No reports on Form 8-K were filed during the last quarter of fiscal year 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LANDSTAR SYSTEM, INC.

By: Henry H. Gerkens

Henry H. Gerkens
Executive Vice President & Chief Financial Officer

By: Robert C. LaRose

Robert C. LaRose
Vice President Finance & Treasurer

Date: March 24, 1999

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

Signature	Title	Date
Jeffrey C. Crowe -------------------- Jeffrey C. Crowe	Chairman of the Board, President & Chief Executive Officer, Principal Executive Officer	March 24, 1999
Henry H. Gerkens -------------------- Henry H. Gerkens	Executive Vice President & Chief Financial Officer; Principal Financial Officer	March 24, 1999
Robert C. LaRose -------------------- Robert C. LaRose	Vice President Finance & Treasurer; Principal Accounting Officer	March 24, 1999
* -------------------- John B. Bowron	Senior Vice President and Director	March 24, 1999
* -------------------- David G. Bannister	Director	March 24, 1999
* -------------------- Ronald W. Drucker	Director	March 24, 1999

*	Director	March 24, 1999
- -------------------		
Merritt J. Mott		
*	Director	March 24, 1999
- -------------------		
William S. Elston		
*	Director	March 24, 1999
- -------------------		
Diana M. Murphy		

*	Attorney In Fact
- ----------------------	
By: Michael L. Harvey	

EXHIBIT INDEX

Form 10-K for fiscal year ended 12/26/98

Exhibit No.	Description
(1)	Plan of acquisition, reorganization, arrangement, liquidation or succession

2.1 Asset Purchase Agreement by and between Landstar Poole, Inc. as the seller, and Landstar System, Inc., as the guarantor, and Schneider National, Inc. as the purchaser dated as of July 15, 1998. (Incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 1998 (Commission File No. 0-21238))

(3) Articles of Incorporation and Bylaws:

3.1 Amended and Restated Certificate of Incorporation of the Company dated February 9, 1993 and Certificate of Designation of Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

3.2 The Company's Bylaws, as amended and restated on February 9, 1993. (Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

(4) Instruments defining the rights of security holders, including indentures:

4.1 Specimen of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

4.2 Stockholders Agreement, dated as of March 12, 1993, among KIA IV, ABSMB and the Company. (Incorporated by reference to Exhibit 4.9 of Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

4.3 Rights Agreement, dated as of February 10, 1993, between the Company and Chemical Bank, as Rights Agent. (Incorporated by reference to Exhibit 4.14 of Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

4.4 The Company agrees to furnish copies of any instrument defining the rights of holders of long-term debt of the Company and its respective consolidated subsidiaries that does not exceed 10% of the total assets of the Company and its respective consolidated subsidiaries to the Securities and Exchange Commission upon request.

Exhibit No. Description
- ----------- -----------

4.5 Second Amended and Restated Credit Agreement, dated October 10, 1997, among LSHI, Landstar, the lenders named therein and The Chase Manhattan Bank as administrative agent (including exhibits and schedules thereto).(Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 27, 1997 (Registration No. 0-21238))

4.6* First Amendment, dated October 30, 1998, to the Second Amended and Restated Credit Agreement, dated October 10, 1997, among LSHI, Landstar, the lenders named therein and The Chase Manhattan Bank as administrative agent

(10) Material Contracts:

10.1+ Landstar System, Inc. 1993 Stock Option Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-67666))

10.2+ LSHI Investors' Plan. (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.3 Directors' and Consulting Service Agreement, dated March 27, 1991, between Alex. Brown & Sons Incorporated and the Company. (Incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.4 Management Services Agreement, dated March 27, 1991, between Kelso and the Company. (Incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.5 Irrevocable Guaranty, dated as of March 30, 1992, among the Company, Kelso Insurance Services, Inc., and the American Telephone and Telegraph Company. (Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.6 Form of Indemnification Agreement between the Company and each of the directors and executive officers of the Company. (Incorporated by reference to Exhibit 10.7 of Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.7+ LSHI Management Incentive Compensation Plan. (Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 25, 1993 (Commission File No. 0-21238))

10.8+ Landstar System, Inc. 1994 Director's Stock Option Plan. (Incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 filed July 5, 1995 (Registration No. 33-94304))

10.9+ Key Executive Employment Protection Agreement dated January 30, 1998 between Landstar System, Inc. and certain officers of the Company (Incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 1997 (Commission

File NO. 0-21238))

Exhibit Index (continued)
Form 10-K for fiscal year ended 12/26/98

Exhibit No.	Description
10.10+	Amendment to the Landstar System, Inc. 1993 Stock Option Plan (Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 1997 (Commission File No. 0-21238))
10.11+*	Form of Promissory Note between the Company and certain directors, executive officers and management of the Company.
(11)	Statement re: Computation of Per Share Earnings:
11.1*	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share
11.2*	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share
(13)	Annual Report to Shareholders, Form 10-Q or Quarterly Report to Shareholders:
13.1*	Excerpts from the 1998 Annual Report to Shareholders
(21)	Subsidiaries of the Registrant:
21.1*	List of Subsidiary Corporations of the Registrant
(23)	Consents of Experts and Counsel:
23.1*	Consent of KPMG LLP as Independent Auditors of the Registrant
(24)	Power of Attorney
24.1*	Powers of Attorney
(27)	Financial Data Schedules
27.1*	1998 Financial Data Schedule
27.2*	Restated 1997 Financial Data Schedule

+management contract or compensatory plan or arrangement
*Filed herewith.

INDEPENDENT AUDITORS' REPORT

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

Under date of February 9, 1999, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 26, 1998 and December 27, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996, as contained in the 1998 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 14 (a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP

Stamford, Connecticut
February 9, 1999

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PARENT COMPANY ONLY BALANCE SHEET INFORMATION
(Dollars in thousands, except per share amounts)

	Dec. 26, 1998	Dec. 27, 1997
Assets		
Investment in Landstar System Holdings, Inc., net of advances	$111,848	$151,696
Total assets	$111,848	$151,696
Liabilities and Shareholders' Equity		
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,041,574		

and 12,900,974 shares	$ 130	129
Additional paid-in capital	65,198	62,169
Retained earnings	124,237	112,345
Cost of 2,618,041 and 915,441 shares of common stock in treasury	(76,176)	(22,947)
Notes receivable arising from exercise of stock options	(1,541)	
Total shareholders' equity	111,848	151,696
Total liabilities and shareholders' equity	$111,848	$151,696

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PARENT COMPANY ONLY STATEMENT OF INCOME INFORMATION
(Dollars in thousands, except per share amounts)

	FISCAL YEARS ENDED		
	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996
Rental income		$ 648	$ 682
Amortization expense		(626)	(626)
Interest expense		(22)	(56)
Equity in undistributed earnings of Landstar System Holdings, Inc.	$ 11,897	24,736	18,942
Income taxes	(5)	(46)	(17)
Net income	$ 11,892	$ 24,690	$ 18,925
Earnings per common share	$ 1.08	$ 1.97	$ 1.48
Diluted earnings per share	$ 1.07	$ 1.96	$ 1.47
Average number of shares outstanding:			
Earnings per common share	11,022,000	12,541,000	12,785,000
Diluted earnings per share	11,123,000	12,580,000	12,831,000

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PARENT COMPANY ONLY STATEMENT OF CASH FLOWS INFORMATION
(Dollars in thousands)

	FISCAL YEARS ENDED		
	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996
Operating Activities			
Net income	$ 11,892	$ 24,690	$ 18,925
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Amortization of operating property		626	626
Equity in undistributed earnings of Landstar System Holdings, Inc.	(11,897)	(24,736)	(18,942)
Net Cash Provided (Used) By Operating Activities	(5)	580	609
Investing Activities			
Additional investments in and advances from (to) Landstar System Holdings, Inc., net	51,745	20,384	(223)
Net Cash Provided (Used) By Investing Activities	51,745	20,384	(223)
Financing Activities			
Principal payments on borrowings under capital lease obligations		(413)	(622)
Proceeds from sales of common stock	1,489	429	236
Purchases of common stock	(53,229)	(20,980)	
Net Cash Used By Financing Activities	(51,740)	(20,964)	(386)
Change in cash	0	0	0
Cash at beginning of period	0	0	0

Cash at end of period	$ 0	$ 0	$ 0
	==========	=========	===========

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 26, 1998
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses(A)	Charged to Other Accounts Describe	Deductions Describe(B)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 5,957	$ 3,238	$ -	$ (2,767)	$ 6,428
Deducted from other receivables	4,009	818	-	(820)	4,007
Deducted from other non-current receivables	58	245	-	-	303
	$10,024	$ 4,301	$ -	$ (3,587)	$10,738

(A) Includes $25 charged to costs and expenses of discontinued operations.
(B) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 27, 1997
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at	Additions			
Description	Beginning of Period	Charged to Costs and Expenses(A)	Charged to Other Accounts Describe	Deductions Describe(B)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 6,526	$ 2,284	$ -	$ (2,853)	$ 5,957
Deducted from other receivables	4,390	1,673	-	(2,054)	4,009
Deducted from other non-current receivables	17	41	-	-	58
	$10,933	$ 3,998	$ -	$ (4,907)	$10,024

(A) Includes $234 of recoveries related to discontinued operations.

(B) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 28, 1996
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses(A)	Charged to Other Accounts Describe	Deductions Describe (B)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 6,923	$ 1,667	$ -	$ (2,064)	$ 6,526
Deducted from other receivables	4,205	3,084	-	(2,899)	4,390
Deducted from other non-current receivables	0	17	-	-	17
	$11,128	$ 4,768	$ -	$ (4,963)	$10,933

(A) Includes $715 charged to costs and expenses of discontinued operations.

(B) Write-offs, net of recoveries.

EXHIBIT 4.6

FIRST AMENDMENT

FIRST AMENDMENT, dated as of October 30, 1998 (this "Amendment"), to the Second Amended and Restated Credit Agreement, dated as of October 10, 1997 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among LANDSTAR SYSTEM HOLDINGS, INC., a Delaware corporation (the "Borrower"), LANDSTAR SYSTEM, INC., a Delaware corporation (the "Parent"), the Subsidiaries of the Borrower which are signatories hereto, the several banks And other financial institutions from time to time parties to this agreement (such banks and other financial institutions other than the Existing Lenders, the "Lenders") and The Chase Manhattan Bank ("Chase"), as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, the Parent, the Subsidiaries of the Borrower which are signatories hereto, the Lenders and the Agent are parties to the Credit Agreement; and

WHEREAS, the Borrower has requested that the Lenders agree to amend certain provisions of the Credit Agreement, and the Lenders are agreeable to such request upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other valuable consideration the receipt of which is hereby acknowledged, the Borrower, the Parent, the Subsidiaries of the Borrower which are signatories hereto and the Agent hereby agree as follows:

1. Definitions. All terms defined in the Credit Agreement shall have such defined meanings when used herein unless otherwise defined herein.

2. Amendment of Subsection 7.1(a). Subsection 7.1(a) of the Credit Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following new subsection 7.1(a):

"7.1(a) Maintenance of Net Worth. Permit Consolidated New Worth on the last day of any fiscal quarter of the Parent to be less than the sum of (i) $80,000,000, plus (ii) the gross cash proceeds of any issuance of any equity securities received by the Parent or any of its Subsidiaries subsequent to the Closing Date (other than any such cash proceeds received from employees of the Borrower and its Subsidiaries to whom the amount thereof shall have been loaned in cash by the Borrower or any of its Subsidiaries) less all legal expenses, commissions and other fees and expenses incurred or to be incurred and all federal, state, local and foreign taxes incurred or to be incurred in connection therewith to the extent such proceeds are included in Consolidated

Net Worth, plus (iii) 50% of Cumulative Consolidated Net Income."

3. Amendment of Subsection 7.10(m). Subsection 7.10(m) of the Credit Agreement is hereby amended by deleting the Dollar amount "$1,000,000" and inserting in lieu thereof the Dollar amount "$5,000,000".

4. Amendment of Subsection 7.10. Subsection 7.10 of the Credit Agreement is hereby amended by adding the following new paragraphs at the end thereof:

"(n) loans to its employees for the purpose of exercising employee stock options to purchase common stock of the Parent, which loans may be non-recourse."

"(o) loans to its employees to purchase common stock of the Parent, which loans may be non-recourse, provided all such loans may not exceed $5,000,000 at any one time outstanding."

5. Representations: No Default. On and as of the date hereof, and after giving effect to this Amendment, the Borrower confirms, reaffirms and restates that the representations and warranties set forth in Section IV of the Credit Agreement are true and correct in all material respects, provided that the references to the Credit Agreement therein shall be deemed to be references to this Amendment and the Credit Agreement as amended by this Amendment.

6. Conditions to Effectiveness. This Amendment shall become effective on the date on which the Agent shall received counterparts of this Amendment, duly executed and delivered by a duly authorized officer of each of the Borrower, the Parent, each Guarantor which is a party to the Subsidiaries Guarantee and each of the Required Lenders.

7. Limited Effect. Except as expressly amended herein, the Credit Agreement shall continue to be, and shall remain, in full force and effect. This Amendment shall not be deemed to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Credit Agreement or to prejudice any other right or rights which the Lenders may now

have or may have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein, as the same may be amended from time to time.

8. Costs and Expenses. The Borrower agrees to pay or reimburse the Agent for all its reasonable and customary out-of-pocket costs and expenses incurred in connection with this Amendment, including, without limitation, the reasonable fees and disbursements of its counsel.

9. Counterparts. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

LANDSTAR SYSTEM HOLDINGS, INC.

By: _________________________
Title: Vice President Finance and Treasurer

LANDSTAR SYSTEM, INC.

By: _________________________
Title: Vice President Finance and Treasurer

THE CHASE MANHATTAN BANK,
As Administrative Agent and as a Lender

By: _________________________
Title

Exhibit 10.11

Promissory Note

FOR VALUE RECEIVED, -----------(the "Borrower") hereby promises to pay to the order of LANDSTAR SYSTEM, INC. (the "lender") the sum of ----------- Dollars ($xx,xxx.xx) (the "loan") on or before ----------------, plus interest on the unpaid principal balance hereof from December xx, 1998 at the annual rate of seven percent (7%) as provided herein on demand. The principal shall be repaid on the fifth anniversary of this note, ---------------. Interest shall be repayable annually on the anniversary date of the note, except that interest shall be forgiven each year on the anniversary date of this note if the Borrower is still employed by the Lender. In the event Borrower is terminated as an employee of Landstar System, In., (Landstar System Inc. or any affiliate of Landstar System, Inc.) for any reason, the entire amount (principal and interest) then remaining due shall be repaid in full within thirty (30) days of the termination date.)

The Lender and the Borrower further agree to waive demand, notice of non-payment and protest; and in the case suit shall be brought for the collection hereof, or the same has to be collected upon demand of an attorney, to pay reasonable attorney's fees for making such collection. The Lender and the Borrower shall remain liable for any deficiency with legal interest. The

Loan (I) may not be assigned by Borrower without the written consent of the Lender, (II) is binding upon the Borrower's successors and heirs, and (III) shall be governed by and construed in accordance with the laws of the state of Florida.

The Lender may, on notice to the Borrower, convey its interest on the Loan to any entity in which the Lender has equity interest, in which case reference herein to "Lender" shall be deemed to refer to such entity.

Dated: ---------------------

____
Typed Name:

Acknowledged and Agreed:

LANDSTAR SYSTEM, INC.

By: ______________________
Name:
Title:

EXHIBIT 11.1

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CALCULATION OF EARNINGS PER COMMON SHARE
(In thousands, except per share amounts)
(Unaudited)

	Fiscal Years Ended December 26, 1998	Fiscal Years Ended December 27, 1997	Fiscal Years Ended December 28, 1996
Income from continuing operations	$ 34,481	$ 25,428	$ 19,647
Discontinued operations, net of income taxes	(22,589)	(738)	(722)
Net income	$ 11,892	$ 24,690	$ 18,925
Average number of common shares outstanding	11,022	12,541	12,785

Earnings (loss) per common share:			
Income from continuing operations	$ 3.13	$ 2.03	$ 1.54
Loss from discontinued operations	(2.05)	(0.06)	(0.06)
Earnings per common share	$ 1.08	$ 1.97	$ 1.48

EXHIBIT 11.2

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CALCULATION OF DILUTED EARNINGS PER SHARE
(In thousands, except per share amounts)
(Unaudited)

	Fiscal Years Ended December 26, 1998	December 27, 1997	December 28, 1996
Income from continuing operations	$ 34,481	$ 25,428	$ 19,647
Discontinued operations, net of income taxes	(22,589)	(738)	(722)
Net income	$ 11,892	$ 24,690	$ 18,925
Average number of common shares outstanding	11,022	12,541	12,785
Plus: Incremental shares from assumed exercise of stock options	101	39	46
Average number of common shares and incremental shares outstanding	11,123	12,580	12,831
Diluted earnings (loss) per share:			
Income from continuing operations	$ 3.10	$ 2.02	$ 1.53
Loss from discontinued operations	(2.03)	(0.06)	(0.06)
Diluted earnings per share	$ 1.07	$ 1.96	$ 1.47

EXHIBIT 13.1

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("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 and Mexico through its operating subsidiaries which employ different operating strategies. Under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," the Company determined it has three reportable business segments. These are the carrier, multimodal and insurance segments.

The carrier segment consists of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway") and Landstar Ligon, Inc. ("Landstar Ligon"). The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment's business is such that a significant portion of its operating costs varies directly with revenue. The carrier segment's revenue represented 76%, 77% and 80% of Landstar's consolidated revenue in 1998, 1997 and 1996, respectively.

The multimodal segment is comprised of Landstar Logistics, Inc. ("Landstar Logistics") and Landstar Express America, Inc. ("Landstar Express America"). Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck and emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. The nature of the multimodal segment's business is such that a significant portion of its operating costs also varies directly with revenue. The multimodal segment's revenue represented 22%, 21% and 20% of Landstar's consolidated revenue in 1998, 1997 and 1996, respectively.

The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary that was formed in March 1997, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to Landstar's operating companies. In addition, it reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries. The insurance segment's revenue represented 2% of Landstar's consolidated revenue in both 1998 and 1997.

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc. for approximately $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations in the accompanying financial statements.

During the fourth quarter of 1996, the Company announced a plan to restructure the Landstar T.L.C., Inc. ("Landstar T.L.C.") operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. In accordance with the restructuring plan, the operations of Landstar T.L.C. were merged into Landstar Inway and the Company recorded $3,247,000 and $5,937,000 of restructuring costs during the 1997 and 1996 periods, respectively. The restructuring was substantially completed by June 28, 1997.

Purchased transportation represents the amount an independent contractor is paid to haul freight and is primarily based on a contractually agreed-upon percentage of revenue generated by the haul for truck capacity provided by independent contractors. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for the intermodal services 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 independent contractors. Commissions to agents and brokers are primarily based on contractually agreed-upon percentages of revenue at the carrier segment and of gross profit at the multimodal segment. Commissions to agents and brokers as a percentage of consolidated revenue will vary directly with revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents and brokers generally will also increase or decrease as a percentage of the Company's consolidated revenue if there is a change in the percentage of revenue contributed by Signature or by the intermodal services operations or the air freight operations of the multimodal segment.

Trailer rent and maintenance costs are the largest components of other operating costs.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating income.

Employee compensation and benefits account for over half of the Company's selling, general and administrative expense. Other significant components of selling, general and administrative expense are communications costs and rent expense.

Depreciation and amortization primarily relates to depreciation of trailers and management information services equipment.

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

	Fiscal Years		
	1998	1997	1996
Revenue	100.0%	100.0%	100.0%
Investment income	0.1		
Costs and expenses:			
Purchased transportation	74.0	73.7	73.2
Commissions to agents and brokers	7.9	8.1	7.5
Other operating costs	2.1	2.7	4.6
Insurance and claims	3.1	3.5	2.6
Selling, general and administrative	7.4	7.0	7.0
Depreciation and amortization	0.8	0.9	1.2
Restructuring costs		0.3	0.5
Total costs and expenses	95.3	96.2	96.6
Operating income	4.8	3.8	3.4
Interest and debt expense	0.3	0.2	0.4

Income from continuing operations before income taxes	4.5	3.6	3.0
Income taxes	1.8	1.5	1.2
Income from continuing operations	2.7	2.1	1.8
Discontinued operations, net of income taxes	(1.8)	(0.1)	(0.1)
Net income	0.9%	2.0%	1.7%

FISCAL YEAR ENDED DECEMBER 26, 1998 COMPARED TO FISCAL YEAR ENDED DECEMBER 27, 1997

Revenue for the fiscal year 1998 was $1,283,607,000, an increase of $64,296,000, or 5.3%, over revenue for the 1997 fiscal year. The increase was attributable to higher revenue at the carrier, multimodal and insurance segments of $36,097,000, $22,958,000 and $5,241,000, respectively. Overall, revenue per revenue mile (price) increased approximately 3%, which reflected improved freight quality, and revenue miles (volume) increased approximately 1%. The increase in revenue over the prior year at the insurance segment was primarily attributable to the establishment of Signature in March 1997.

Purchased transportation was 74.0% of revenue in 1998 compared with 73.7% in 1997. Other operating costs were 2.1% of revenue in 1998 compared with 2.7% in 1997. The increase in purchased transportation and decrease in other operating costs as a percentage of revenue was primarily attributable to the elimination

of company-owned tractors as part of the Landstar T.L.C. restructuring. Commissions to agents and brokers were 7.9% of revenue in 1998 compared with 8.1% in 1997 primarily due to a decrease in the percentage of revenue contributed by the intermodal services operations of the multimodal segment and increased premium revenue at the insurance segment. Insurance and claims were 3.1% of revenue in 1998 compared with 3.5% in 1997 primarily due to the favorable development of prior year claims in 1998 and favorable frequency and severity of accidents. Excluding the effects of the insurance programs available to the Company's independent contractors which Signature reinsures, insurance and claims were 2.2% of revenue in 1998 and 2.7% in 1997. Selling, general and administrative costs were 7.4% of revenue in 1998 and 7.0% in 1997. The increase in selling, general and administrative costs as a percentage of revenue was due to a higher provision for bonuses under the Company's incentive compensation plan, increased management information services costs, an increased provision for customer bad debts and one time costs of $560,000 attributable to the relocation of Landstar Express America from Charlotte, North Carolina to Jacksonville, Florida.

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. Accordingly, the Company recorded $3,247,000 of restructuring costs during the 1997 period. The restructuring was substantially completed by June 28, 1997.

Interest and debt expense was 0.3% of revenue in 1998 and 0.2% in 1997. This increase was primarily attributable to the effect of higher average borrowings on the senior credit facility, which were used to finance a portion of the Company's stock purchase program, partially offset by reduced capital lease obligations.

The provisions for income taxes from continuing operations for the 1998 and 1997 fiscal years were based on effective income tax rates of approximately 40.5% and 41.7%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion. At December 26, 1998, the valuation allowance of $658,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill were reduced by $52,000 for state operating loss carryforwards utilized in 1998. The valuation allowance and goodwill will be further reduced by $630,000 when realization of deferred state income tax benefits becomes likely. The Company believes that deferred income tax benefits, net of the valuation allowance, are more likely than not to be realized because of the Company's ability to generate future taxable earnings.

Income from continuing operations was $34,481,000, or $3.13 per common share, in 1998 compared with $25,428,000, or $2.03 per common share, in 1997. Including the dilutive effect of the Company's stock options, diluted earnings per share from continuing operations was $3.10 in 1998 and $2.02 in 1997. Excluding restructuring costs, income from continuing operations for 1997 would have been $27,321,000, or $2.18 per common share ($2.17 diluted earnings per share).

The loss from discontinued operations of $22,589,000, or $2.05 per common share ($2.03 diluted loss per share), in 1998, included a loss on sale of $21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000. The loss from discontinued operations for 1997 was $738,000, net of income tax benefits of $310,000, or $0.06 per common share ($0.06 diluted loss per share).

Net income was $11,892,000, or $1.08 per common share, in 1998 compared with

$24,690,000, or $1.97 per common share, in the prior year. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.07 in 1998 and $1.96 in 1997.

FISCAL YEAR ENDED DECEMBER 27, 1997 COMPARED TO FISCAL YEAR ENDED DECEMBER 28, 1996

Revenue for the fiscal year 1997 was $1,219,311,000, an increase of $89,455,000, or 7.9%, over revenue for the prior year. The increase was attributable to higher revenue at the carrier and multimodal segments of $39,858,000 and $30,657,000, respectively, and premium revenue of $18,940,000 generated by the insurance segment. Overall, revenue miles increased approximately 4% and revenue per revenue mile increased approximately 2%. During 1997, revenue generated through independent contractors, including railroads and air cargo carriers, was 98.0% of consolidated revenue compared with 96.7% in 1996.

Purchased transportation was 73.7% of revenue in 1997 compared with 73.2% in 1996. Other operating costs were 2.7% of revenue in 1997 compared with 4.6% in 1996. The increase in purchased transportation and decrease in other operating costs as a percentage of revenue was primarily attributable to an increase in the percentage of revenue generated through independent contractors due to the elimination of company-owned tractors as a result of the Landstar T.L.C. restructuring. Commissions to agents and brokers were 8.1% of revenue in 1997 compared with 7.5% in 1996 due to an increase in the percentage of revenue generated through independent commission sales agents. Insurance and claims were 3.5% of revenue in 1997 compared with 2.6% in 1996 due to the effects of insurance programs available to the Company's independent contractors which Signature reinsures. Excluding the premium revenue and insurance and claims expense related to the above reinsurance programs, insurance and claims as a percentage of revenue was 2.7% in 1997. Selling, general and administrative costs were 7.0% of revenue in both 1997 and 1996. Depreciation and amortization was 0.9% of revenue in 1997 compared with 1.2% of revenue in 1996 primarily due to the elimination of company-owned tractors related to the Landstar T.L.C. restructuring.

Interest and debt expense was 0.2% of revenue in 1997 and 0.4% in 1996. This decrease was primarily attributable to the effect of lower average borrowings on the senior credit facility and reduced capital lease obligations.

The provisions for income taxes from continuing operations for the 1997 and 1996 fiscal years were based on effective income tax rates of approximately 41.7% and 41.0%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion. The valuation allowance and goodwill were reduced by $106,000 for state operating loss carryforwards utilized in 1997.

Income from continuing operations was $25,428,000, or $2.03 per common share, in 1997 compared with $19,647,000, or $1.54 per common share, in 1996. Including the dilutive effect of the Company's stock options, diluted earnings per share from continuing operations was $2.02 in 1997 and $1.53 in 1996. Excluding restructuring costs, income from continuing operations for 1997 and 1996 would have been $27,321,000, or $2.18 per common share ($2.17 diluted earnings per share), and $23,150,000, or $1.81 per common share ($1.80 diluted earnings per share), respectively.

The loss from discontinued operations was $738,000, or $0.06 per common share ($0.06 diluted loss per share), for 1997. The loss from discontinued operations for 1996 was $722,000, or $0.06 per common share ($0.06 diluted loss per share).

Net income was $24,690,000, or $1.97 per common share, in 1997 compared with $18,925,000, or $1.48 per common share, in the prior year. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.96 in 1997 and $1.47 in 1996.

CAPITAL RESOURCES AND LIQUIDITY

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. At December 26, 1998, Landstar had commitments for letters of credit outstanding in the amount of $24,592,000, $17,592,000 of which were supported by the Second Amended and Restated Credit Agreement, primarily as collateral for estimated insurance claims. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 26, 1998, the margin was equal to 32/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 26, 1998, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 26, 1998, the weighted average interest rate on borrowings outstanding under the Acquisition Facility was 5.69%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Acquisition Facility was estimated to approximate carrying value.

The Second 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. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the

Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Charge Coverage level by $4,600,000 at December 26, 1998.

The Second Amended and Restated Credit Agreement provides a number of events of default related to a person or group acquiring 25% or more of the outstanding capital stock of the Company or obtaining the power to elect a majority of the Company's directors.

Borrowings under the Second Amended and Restated Credit Agreement are unsecured, however, the Company and all but one of Landstar System Holdings, Inc.'s ("LSHI") subsidiaries guarantee LSHI's obligations under the Second Amended and Restated Credit Agreement.

Shareholders' equity was $111,848,000, or 76% of total capitalization, at December 26, 1998, compared with $151,696,000, or 75% of total capitalization, at December 27, 1997. The reduction in shareholders' equity was a result of the purchase of 1,702,600 shares of the Company's common stock at a total cost of $53,229,000 offset by 1998 net income. Long-term debt including current maturities was $34,440,000 at December 26, 1998, $16,006,000 lower than at December 27, 1997. Working capital and the ratio of current assets to current liabilities were $75,670,000 and 1.53 to 1, respectively, at December 26, 1998, compared with $79,051,000 and 1.57 to 1, respectively, at December 27, 1997. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities from continuing operations was $53,363,000 in 1998 compared with $58,480,000 in 1997. During the 1998 fiscal year, Landstar purchased $7,185,000 of operating property and acquired $12,902,000 of revenue equipment by entering into capital leases. Landstar anticipates it will acquire approximately $30,000,000 of operating property during fiscal year 1999 either by purchase or by lease financing.

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

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of the union sponsored plans' unfunded benefit obligation. However, management believes that the liability,

if any, for withdrawal from any or all of these plans would not have a material adverse effect on the financial condition of Landstar, but could have a material effect on the results of operations in a given quarter or year.

The Company is aware of the issues associated with the programming code in its existing computer systems in order for the systems to recognize date sensitive information when the year changes to 2000. The Company believes it has identified all of its information technology ("IT") and non-information technology ("non-IT") systems which require change to ensure all of its systems will be year 2000 compliant. The Company plans to replace all non-IT systems that are not year 2000 compliant with year 2000 compliant systems prior to year-end 1999. The Company is utilizing in-house staff, with third party assistance, to convert its IT systems to year 2000 compliance. The Company believes that its pricing, billing and settlement systems are critical to the Company's operations. These systems enable the Company to invoice customers and pay independent contractors and commission sales agents properly. The operating subsidiaries comprising the multimodal segment are already year 2000 compliant. Several years ago the Company began to implement a strategy to standardize the carrier group's critical IT systems using the

Landstar Ranger system as the base. The critical IT systems of Landstar Ranger, whose revenue represents 43% of the carrier segment's revenue, have been reprogrammed to be year 2000 compliant. The Company has successfully tested each of the major subsystems independently and intends to perform an additional system-wide comprehensive test during the third quarter of 1999. As part of its ongoing system development, the Company is in the process of converting the critical IT systems of Landstar Ligon, whose revenue represents approximately 22% of the carrier segment's revenue, to the same systems as Landstar Ranger. This conversion is expected to be completed by July 1999. Landstar Inway, the remaining operating company in the carrier segment, has successfully converted approximately 55% of its critical IT systems and expects to complete the project by May 1999. In addition, as part of the overall standardization plan, the Company intends to convert all of its operating companies to a generic, year 2000 compliant general ledger and accounts payable software system during 1999.

As part of the Company's comprehensive review of its systems, it is continuing to verify the year 2000 readiness of third parties (customers and vendors) who provide services that are material to the Company's operations. The Company is currently communicating with its material vendors and customers to assess their year 2000 readiness and will continue to monitor their progress throughout 1999.

The vast majority of the changes necessary to make the Company's IT systems year 2000 compliant were incurred as part of ongoing system development or as part of a Company-wide strategy to standardize computer systems. As such, management has not separately quantified the cost of year 2000 compliance. However, management estimates the total cost of third party assistance for year 2000 compliance will approximate $500,000, of which approximately $300,000 has been incurred. Although management expects the cost of maintaining and upgrading the Company's computer systems to increase over the next few years compared to prior years, management does not believe that the future costs of maintaining and upgrading Landstar's computer systems will have a material adverse effect on the results of operations.

The Company's contingency plan for Landstar Inway, which is still in the process of converting its critical IT systems, is to accelerate the transfer of data processing information to the Landstar Ranger based system. In the event the Company determines that one or more of its material vendors will not become year 2000 compliant, the Company's contingency plan is to select alternative vendors or implement alternate procedures for an interim period.

The Company believes that the year 2000 project will be completed in sufficient time to ensure that transactions affecting the year 2000 will be properly recognized by the revised programming code. Failure to complete the year 2000 project, both internal and the readiness of third party vendors, could have a material adverse effect on the Company's future operating results or financial condition.

Management believes that cash flow from operations combined with its borrowing capacity under the Second Amended and Restated Credit Agreement will be adequate to meet Landstar's debt service requirements, fund continued growth, both internal and through acquisitions, and meet working capital needs.

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.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities." This Statement, effective for fiscal years beginning after June 15, 1999, establishes standards for reporting and display of derivative investments and for hedging activities. Management believes that upon adoption of this Statement, Landstar's financial statements will not be affected, considering the nature of the transactions the Company routinely enters into.

FORWARD-LOOKING STATEMENTS

The Company has included various statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, which may be considered as forward-looking statements of expected future results of operations or events. Such statements, based upon management's interpretation of currently available information, are subject to risks and uncertainties that could cause future financial results or events to differ materially from those which are presented. Such risks and factors which are outside of the Company's control include general economic conditions, competition in the transportation industry, governmental regulation, the Company's ability to recruit and retain qualified independent contractors, fuel prices, adverse weather conditions and the conversion of the Company's or its vendors' critical IT systems to year 2000 compliance.

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 due to reduced shipments and higher operating costs in the winter months.

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

	December 26, 1998	December 27, 1997
ASSETS		
Current assets:		
Cash	$ 26,681	$ 17,994
Short-term investments		3,012
Trade accounts receivable, less allowance of $6,428 and $5,957	172,471	176,785
Other receivables, including advances to independent contractors, less allowance of $4,007 and $4,009	13,980	12,599
Prepaid expenses and other current assets	5,428	7,832
Total current assets	218,560	218,222
Operating property, less accumulated depreciation and amortization of $29,603 and $50,301	46,958	81,258
Goodwill, less accumulated amortization of $6,561 and $8,818	34,949	53,289
Deferred income taxes and other assets	13,198	4,410
Total assets	$313,665	$357,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 14,746	$ 12,475
Accounts payable	50,624	50,394
Current maturities of long-term debt	4,708	14,228
Insurance claims	29,873	28,247
Accrued compensation	9,881	5,392
Other current liabilities	33,058	28,435
Total current liabilities	142,890	139,171
Long-term debt, excluding current maturities	29,732	36,218
Insurance claims	29,195	27,890
Deferred income taxes		2,204
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,041,574 shares and 12,900,974 shares	130	129
Additional paid-in capital	65,198	62,169
Retained earnings	124,237	112,345
Cost of 2,618,041 and 915,441 shares of common stock in treasury	(76,176)	(22,947)
Notes receivable arising from exercise of stock options	(1,541)	
Total shareholders' equity	111,848	151,696
Total liabilities and shareholders' equity	$313,665	$357,179

See accompanying notes to consolidated financial statements.

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

	Fiscal Years Ended December 26, 1998	December 27, 1997	December 28, 1996

Revenue	$ 1,283,607	$ 1,219,311	$ 1,129,856
Investment income	1,689		
Costs and expenses:			
Purchased transportation	950,343	898,746	826,822
Commissions to agents and brokers	101,409	98,425	84,768
Other operating costs	27,516	32,747	51,385
Insurance and claims	39,388	42,885	29,774
Selling, general and administrative	95,028	85,586	79,002
Depreciation and amortization	10,158	11,354	13,814
Restructuring costs		3,247	5,937
Total costs and expenses	1,223,842	1,172,990	1,091,502
Operating income	61,454	46,321	38,354
Interest and debt expense	3,503	2,705	5,032
Income from continuing operations before income taxes	57,951	43,616	33,322
Income taxes	23,470	18,188	13,675
Income from continuing operations	34,481	25,428	19,647
Discontinued operations, net of income taxes	(22,589)	(738)	(722)
Net income	$ 11,892	$ 24,690	$ 18,925
Earnings (loss) per common share:			
Income from continuing operations	$ 3.13	$ 2.03	$ 1.54
Loss from discontinued operations	(2.05)	(0.06)	(0.06)
Earnings per common share	$ 1.08	$ 1.97	$ 1.48
Diluted earnings (loss) per share:			
Income from continuing operations	$ 3.10	$ 2.02	$ 1.53
Loss from discontinued operations	(2.03)	(0.06)	(0.06)
Diluted earnings per share	$ 1.07	$ 1.96	$ 1.47
Average number of shares outstanding:			
Earnings per common share	11,022,000	12,541,000	12,785,000
Diluted earnings per share	11,123,000	12,580,000	12,831,000

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Years Ended December 26, 1998	December 27, 1997	December 28, 1996
OPERATING ACTIVITIES OF CONTINUING OPERATIONS			
Net income	$ 11,892	$ 24,690	$ 18,925
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Discontinued operations	22,589	738	722
Impairment of long-lived assets			2,943
Depreciation and amortization of operating property	8,892	9,737	12,184
Amortization of goodwill and non-competition agreements	1,266	1,617	1,630
Non-cash interest charges	324	264	264

Provisions for losses on trade and other receivables	4,276	4,232	4,053
Gains on sales of operating property	(253)	(600)	(482)
Deferred income taxes, net	(423)	5,670	(954)
Non-cash charge in lieu of income taxes	52	106	190
Changes in operating assets and liabilities, net of discontinued operations:			
Increase in trade and other accounts receivable	(7,167)	(13,672)	(31,969)
Decrease (increase) in prepaid expenses and other assets	(2,066)	(195)	1,685
Increase in accounts payable	2,482	11,978	1,374
Increase in insurance claims	4,531	8,492	6,867
Increase (decrease) in other liabilities	6,968	5,423	(3,362)
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	53,363	58,480	14,070
INVESTING ACTIVITIES			
Purchases of investments		(4,799)	
Maturities of short-term investments	3,012	1,787	
Purchases of operating property	(7,185)	(8,944)	(10,034)
Proceeds from sales of operating property	2,716	13,373	5,613
Proceeds from sale of discontinued operations	40,435		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	38,978	1,417	(4,421)
FINANCING ACTIVITIES OF CONTINUING OPERATIONS			
Increase (decrease) in cash overdraft	2,598	(483)	248
Borrowings on revolving credit facility	15,000		16,000
Principal payments on long-term debt and capital lease obligations	(23,040)	(29,338)	(28,841)
Proceeds from exercise of stock options and related income tax benefit	1,489	429	236
Purchases of common stock	(53,229)	(20,980)	
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(57,182)	(50,372)	(12,357)
NET CASH PROVIDED (USED) BY DISCONTINUED OPERATIONS	(26,472)	4,282	3,480
Increase in cash	8,687	13,807	772
Cash at beginning of period	17,994	4,187	3,415
Cash at end of period	$ 26,681	$ 17,994	$ 4,187

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Fiscal Years Ended December 26, 1998, December 27, 1997 and December 28, 1996
(Dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Notes Receivable Arising from Exercise of Stock Options	Total
	Shares	Amount			Shares	Amount		
Balance December 30, 1995	12,871,674	$ 129	$ 61,504	$ 68,730	94,041	$ (1,967)		$128,396
Net income				18,925				18,925
Exercises of stock options and related income tax benefit	11,200		236					236
Balance December 28, 1996	12,882,874	129	61,740	87,655	94,041	(1,967)		147,557
Net income				24,690				24,690
Purchases of common stock					821,400	(20,980)		(20,980)
Exercises of stock options and related income tax benefit	18,100		429					429
Balance December 27, 1997	12,900,974	129	62,169	112,345	915,441	(22,947)		151,696
Net income				11,892				11,892
Purchases of common stock					1,702,600	(53,229)		(53,229)
Exercises of stock options and related income tax benefit	140,600	1	3,029				$ (1,541)	1,489
Balance December 26, 1998	13,041,574	$ 130	$65,198	$124,237	2,618,041	$ (76,176)	$ (1,541)	$111,848

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

Consolidation
The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary Landstar System Holdings, Inc. ("LSHI"). Landstar System, Inc. and its subsidiary are herein referred to as "Landstar" or the "Company." Significant inter-company accounts have been eliminated in consolidation. The preparation of the consolidated financial statements requires the use of management's estimates. Actual results could differ from those estimates.

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

Revenue Recognition
Revenue and the related direct freight expenses are recognized upon completion of freight delivery.

Insurance Claim Costs
Landstar provides, on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims both reported and for claims incurred but not reported. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $250,000 for each cargo claim.

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

Short-Term Investments
The Company's short-term investments are carried at amortized cost, which approximates fair value.

Operating Property
Operating property is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Revenue equipment is being depreciated over a maximum of 7 years.

Goodwill
Goodwill represents the excess of purchase cost over the estimated fair value of net assets acquired. It is being amortized on a straight-line basis over periods of twenty and forty years. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining useful life can be recovered through projected undiscounted future operating cash flows. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's current average cost of funds.

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

Stock-Based Compensation
Compensation cost for the Company's stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the stock option.

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.

(2) Discontinued Operations

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc. for approximately $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations in the accompanying financial statements.

The loss from discontinued operations of $22,589,000 in 1998, included a loss on sale of $21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000. The loss from discontinued operations for 1997 was $738,000, net of income tax benefits of $310,000. The loss from discontinued operations for 1996 was $722,000, net of income tax benefits of $250,000. Certain liabilities of the company-owned tractor segment were retained by Landstar, primarily insurance claims, capital lease obligations and accounts payable.

The company-owned tractor segment had revenues of $58,715,000, $93,393,000 and $153,945,000 for 1998, 1997 and 1996, respectively.

(3) Restructuring Costs

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C., Inc. ("Landstar T.L.C.") operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997.

The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, Inc., the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors.

During the 1996 fourth quarter, the Company recorded $5,937,000 in restructuring costs, which included $2,943,000 for the impairment of certain long-lived assets, $939,000 for the early termination of certain operating leases, $747,000 for employee termination costs and $1,308,000 of other costs. Long-lived assets, having an aggregate carrying value of $14,000,000, were reduced to their estimated sales value and primarily represented revenue equipment to be sold. After deducting related income tax benefits of $2,434,000, the restructuring charge reduced net income by $3,503,000, or $0.27 per common share, in 1996.

During the first half of 1997, the Company recorded an additional $3,247,000 of restructuring costs, which included $1,647,000 for office and employee relocation and $1,600,000 of other costs. After deducting related income tax

benefits of $1,354,000, the restructuring charge reduced net income by $1,893,000, or $0.15 per common share, in 1997. The restructuring was substantially completed by June 28, 1997.

(4) Income Taxes

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

	Fiscal Years		
	1998	1997	1996
Current:			
Federal	$21,185	$10,375	$12,479
State	2,656	2,037	1,960
	23,841	12,412	14,439
Deferred:			
Federal	(1,268)	4,465	(870)

State	845	1,205	(84)
	(423)	5,670	(954)
Non-cash charge in lieu of income taxes	52	106	190
Income taxes	$23,470	$18,188	$13,675

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

	Dec. 26, 1998	Dec. 27, 1997
Deferred tax assets:		
Receivable valuations	$ 3,263	$ 2,380
Deferred state income tax benefits	1,396	1,100
State net operating loss carryforwards	1,536	4,032
Self insured claims	10,383	15,094
Compensated absences	493	529
All other	1,532	376
	18,603	23,511
Valuation allowance	(658)	(710)
	$ 17,945	$ 22,801
Deferred tax liabilities:		
Operating property	$ 6,296	$ 19,784
All other	5,826	5,221
	$ 12,122	$ 25,005

The loss from discontinued operations included a deferred tax benefit of $7,604,000 in 1998.

At December 26, 1998, the valuation allowance of $658,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill were reduced by $52,000 for state operating loss carryforwards utilized in 1998. The valuation allowance and goodwill will be further reduced by $630,000 when realization of deferred state income tax benefits becomes likely.

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

	Fiscal Years		
	1998	1997	1996
Income taxes at federal income tax rate	$20,283	$15,266	$11,663
State income taxes, net of federal income tax benefit	2,309	2,176	1,343

Amortization of goodwill	258	258	258
Meals and entertainment exclusion	470	425	397
Other, net	150	63	14
Income taxes	$23,470	$18,188	$13,675

Landstar paid income taxes of $26,110,000 in 1998, $10,184,000 in 1997 and $15,949,000 in 1996.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 26, 1998	Dec. 27, 1997
Land	$ 2,280	$ 1,776
Leasehold improvements	95	56
Buildings and improvements	9,589	11,279
Revenue equipment	43,522	95,623
Other equipment	21,075	22,825
	76,561	131,559
Less accumulated depreciation and amortization	29,603	50,301
	$ 46,958	$ 81,258

Included above is $35,438,000 in 1998 and $86,706,000 in 1997 of operating property under capital leases, $22,513,000 and $46,363,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering

into capital leases in the amount of $12,902,000 and $20,690,000 (including $7,045,000 related to the discontinued company-owned tractor segment) in 1998 and 1996, respectively. Landstar did not acquire any property by entering into capital leases in 1997.

(6) Pension Plans

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full-time employees who have completed one year of service. Eligible employees make voluntary contributions up to 6% of their base salary, subject to certain limitations. Landstar contributes an amount equal to 50% of such contributions, subject to certain limitations. In addition, one subsidiary, Landstar Ranger, Inc. ("Landstar Ranger"), makes contributions in accordance with a negotiated labor contract (generally based on the number of weeks worked) to union sponsored multi-employer defined benefit pension plans for the benefit of approximately 200 union drivers.

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of these union sponsored plans' unfunded benefit obligation. Management believes that the liability, if any, for withdrawal from any or all of these plans would not have a material adverse effect on the financial condition of Landstar, but could have a material effect on the results of operations in a given quarter or year.

The expense from continuing operations for the Company sponsored defined contribution plan and for union sponsored plans was $624,000 and $1,265,000 in 1998, respectively, $660,000 and $1,193,000 in 1997, respectively, and $714,000 and $1,085,000 in 1996, respectively.

(7) Debt

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

	Dec. 26, 1998	Dec. 27, 1997
Capital leases	$15,940	$31,946
Acquisition Facility	18,500	18,500
	34,440	50,446
Less current maturities	4,708	14,228
Total long-term debt	$29,732	$36,218

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 26, 1998, the margin was equal to 32/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Company's Leverage Ratio, as therein defined. As of December 26, 1998, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 26, 1998, the weighted average interest rate on borrowings outstanding under the Acquisition Facility was 5.69%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Acquisition Facility was estimated to approximate carrying value.

The Second 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. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Charge Coverage level by approximately $4,600,000 at December 26, 1998.

The Second Amended and Restated Credit Agreement provides a number of events of default related to a person or group acquiring 25% or more of the outstanding capital stock of the Company or obtaining the power to elect a majority of the Company's directors.

Borrowings under the Second Amended and Restated Credit Agreement are unsecured, however, the Company and all but one of LSHI's subsidiaries guarantee LSHI's obligations under the Second Amended and Restated Credit

Agreement.

The amount outstanding on the Acquisition Facility is payable upon the expiration of the Second Amended and Restated Credit Agreement. There are no other installments of long-term debt, excluding capital lease obligations, maturing in the next five years.

Landstar paid interest of $4,159,000 in 1998, $5,476,000 in 1997 and $7,180,000 in 1996. Included in interest paid is $695,000, $1,936,000 and $2,518,000 in 1998, 1997 and 1996, respectively, related to discontinued operations.

(8) Leases

The future minimum lease payments under all noncancelable leases at December 26, 1998, principally for revenue equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
1999	$ 5,589	$ 2,414
2000	4,301	1,193
2001	3,614	656
2002	3,013	454
2003	1,517	46
	18,034	$ 4,763
Less amount representing interest (6.0% to 8.0%)	2,094	
Present value of minimum lease payments	$15,940	

Total rent expense from continuing operations, net of sublease income, was $20,548,000 in 1998, $21,022,000 in 1997 and $17,445,000 in 1996.

(9) Stock Option Plans

The Company maintains two stock option plans. Under the 1993 Stock Option Plan, as amended, (the "Plan"), the Compensation Committee of the Board of Directors may grant options to Company employees for up to 1,115,000 shares of common stock. Under the 1994 Directors Stock Option Plan (the "DSOP"), outside members of the Board of Directors will be granted up to an aggregate of 120,000 options to purchase common stock. Under the DSOP, as amended, each outside Director will be granted 9,000 options to purchase common stock upon election or re-election to the Board of Directors.

Options granted become exercisable in five equal annual installments under the Plan and three equal annual installments under the DSOP, commencing on the first anniversary of the date of grant, subject to acceleration in certain circumstances, and expire on the tenth anniversary of the date of grant. Under the plans, the exercise price of each option equals the market price of the Company's stock on the date of grant. At December 26, 1998, there were 1,065,100 shares of the Company's stock reserved for issuance upon exercise of options granted under the plans.

Information regarding the Company's stock option plans is as follows:

	Options Outstanding: Shares	Options Outstanding: Weighted Average Exercise Price Per Share	Options Exercisable: Shares	Options Exercisable: Weighted Average Exercise Price Per Share
Options at December 30, 1995	599,500	$ 24.89	121,100	$ 21.10
Granted	35,000	$ 27.53		
Exercised	(11,200)	$ 18.50		
Forfeited	(110,400)	$ 26.94		
Options at December 28, 1996	512,900	$ 24.77	201,000	$ 23.10
Granted	23,500	$ 26.38		
Exercised	(18,100)	$ 19.89		
Forfeited	(36,800)	$ 24.95		
Options at December 27, 1997	481,500	$ 25.01	276,800	$ 23.90
Granted	219,300	$ 35.02		
Exercised	(140,600)	$ 20.66		
Forfeited	(39,900)	$ 27.36		
Options at December 26, 1998	520,300	$ 30.25	203,900	$ 26.40

The fair value of each option grant on its grant date was calculated using the Black-Scholes option pricing model with the following assumptions for grants made in 1998, 1997 and 1996: risk free interest rate of 5.0% in 1998 and 6.0% in 1997 and 1996, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 40% in 1998, 37% in 1997 and 39% in 1996. The weighted average grant date fair value of stock options granted was $15.02, $11.23 and $12.06 per share in 1998, 1997 and 1996, respectively.

The following table summarizes stock options outstanding at December 26, 1998:

Range of Exercise Prices Per Share	Options Outstanding: Number Outstanding Dec. 26, 1998	Options Outstanding: Weighted Average Remaining Contractual Life (years)	Options Outstanding: Weighted Average Exercise Price Per Share
$18.500 - $27.500	181,200	6.3	$ 24.83
$27.501 - $36.500	212,000	7.9	$ 29.66
$36.501 - $38.953	127,100	10.0	$ 38.95
$18.500 - $38.953	520,300	7.9	$ 30.25

Range of Exercise Prices Per Share	Options Exercisable: Number Exercisable Dec. 26, 1998	Weighted Average Exercise Price Per Share
$18.500 - $27.500	129,400	$ 24.53
$27.501 - $30.500	74,500	$ 29.65
$18.500 - $30.500	203,900	$ 26.40

The Company accounts for its stock option plans using the intrinsic value method as prescribed in Accounting Principal Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation cost for the Company's stock option plans been determined using the fair value at grant date method as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the effect on net income and earnings per common share for the fiscal year would have been $484,000, or $0.04 per common share, in 1998, $378,000, or $0.03 per common share, in 1997 and $270,000, or $0.02 per common share, in 1996.

(10) Shareholders' Equity

During 1998, Landstar purchased 1,702,600 shares of its common stock at a total cost of $53,229,000 pursuant to previously announced stock purchase programs. As of December 26, 1998, Landstar may purchase up to an additional 655,000 shares of its common stock in order to complete its authorized stock purchase programs.

During 1998, the Company established an employee stock option loan program. Under the terms of the program, the Company will provide employees financing in order for them to exercise fully vested stock options. The loans are full recourse with the principal repayable in lump sum on the fifth anniversary of the loan. During 1998, $1,541,000 of such loans were issued.

The Company has 2,000,000 shares of preferred stock authorized and unissued. Under the terms of a Shareholder Rights Agreement (the "Agreement"), a preferred stock purchase right (the "Right") accompanies each outstanding share of common stock. Each Right entitles the holder to purchase from the Company one one-hundredth of a share of preferred stock at an exercise price of $60. Within the time limits and under the circumstances specified in the Agreement, the Rights entitle the holder to acquire shares of common stock in the Company, or the surviving Company in a business combination, having a value of two times the exercise price. The Rights may be redeemed prior to becoming exercisable by action of the Board of Directors at a redemption price of $.01 per Right. The Rights expire February 10, 2003. Until a Right is exercised, it has no rights including, without limitation, the right to vote or to receive dividends.

(11) Segment Information

Under the provisions of SFAS No. 131, the Company determined it has three reportable business segments. These are the carrier, multimodal and insurance segments. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck and emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors. The nature of the carrier and multimodal segments' business is such that a significant portion of their operating costs varies directly with revenue. The insurance segment provides risk and claims management services to Landstar's operating companies. In addition, it reinsures certain property, casualty, and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries. Signature Insurance Company, which comprises the majority of the insurance segment, began operations in March 1997.

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

Inter-segment revenue for transactions between the carrier and multimodal segments is based on quoted rates which are believed to approximate the cost that would have been incurred had similar services been obtained from an unrelated third party. Inter-segment revenue between the insurance segment and the carrier and multimodal segments is calculated at the beginning of each fiscal period based on an actuarial calculation of historical loss experience and is believed to approximate the cost that would have been incurred had similar insurance been obtained from an unrelated third party.

No single customer accounts for more than 10% of consolidated revenue. Substantially all of the Company's revenue is generated in the United States.

The following tables summarize information about the Company's reportable business segments as of and for the fiscal years ending December 26, 1998, December 27, 1997 and December 28, 1996 (in thousands):

1998

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 981,427	$ 277,999	$ 24,181		$1,283,607
Internal revenue	38,517	535	24,175		63,227
Investment income			1,689		1,689
Interest and debt expense				$ 3,503	3,503
Depreciation and amortization	5,922	1,214		3,022	10,158
Operating income	67,536	8,272	19,479	(33,833)	61,454
Expenditures on long-lived assets	2,222	735		4,228	7,185
Capital lease additions	12,902				12,902
Total assets	199,287	66,120	24,179	24,079	313,665

1997

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 945,330	$ 255,041	$ 18,940		$1,219,311
Internal revenue	39,453	968	15,452		55,873
Interest income			468		468
Interest and debt expense				$ 3,173	3,173
Depreciation and amortization	6,334	1,285		3,735	11,354
Restructuring costs	1,244	154		1,849	3,247
Operating income	62,280	5,355	7,863	(29,177)	46,321
Expenditures on long-lived assets	6,082	861		2,001	8,944
Total assets	192,143	64,055	22,101	78,880	357,179

1996

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 905,472	$ 224,384			$1,129,856
Internal revenue	37,479	1,160			38,639
Interest and debt expense				$ 5,032	5,032
Depreciation and amortization	9,583	1,310		2,921	13,814
Restructuring costs	4,675			1,262	5,937
Operating income	57,031	4,584	(799)	(22,462)	38,354
Expenditures on long-lived assets	7,930	906		1,198	10,034
Capital lease additions	12,828			817	13,645
Total assets	212,034	56,547	480	101,740	370,801

Included in total assets in the other segment at December 27, 1997 and December 28, 1996, are assets of $68,791,000 and $85,526,000, respectively, from the discontinued company-owned tractor segment.

(12) Commitments and Contingencies

At December 26, 1998, the Company had commitments for letters of credit outstanding in the amount of $24,592,000, primarily as collateral for estimated insurance claims. The commitments for letters of credit outstanding include $17,592,000 under the Second Amended and Restated Credit Agreement and $7,000,000 secured by assets deposited with a financial institution.

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

Independent Auditors' Report
- ----------------------------
Landstar System, Inc. and Subsidiary

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

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 26, 1998 and December 27, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 26, 1998 and December 27, 1997, and the results of their operations and their cash flows for the fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996 in conformity with generally accepted accounting principles.

KPMG LLP

Stamford, Connecticut
February 9, 1999

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

	Fourth Quarter 1998	Third Quarter 1998	Second Quarter 1998	First Quarter 1998
Revenue	$ 333,865	$ 324,033	$ 327,525	$ 298,184
Operating income	$ 19,954	$ 16,516	$ 16,047	$ 8,937
Income from continuing operations before income taxes	$ 19,035	$ 15,528	$ 15,104	$ 8,284
Income taxes	7,709	6,289	6,117	3,355
Income from continuing operations	11,326	9,239	8,987	4,929
Discontinued operations, net of income taxes			(22,152)	(437)
Net income (loss)	$ 11,326	$ 9,239	$ (13,165)	$ 4,492
Earnings (loss) per common share: (1)				
Income from continuing operations	$ 1.09	$ 0.86	$ 0.80	$ 0.42
Loss from discontinued operations			(1.97)	(0.04)
Earnings (loss) per common share	$ 1.09	$ 0.86	$ (1.17)	$ 0.38
Diluted earnings (loss) per share: (1)				
Income from continuing operations	$ 1.07	$ 0.85	$ 0.79	$ 0.42
Loss from discontinued operations			(1.95)	(0.04)
Diluted earnings (loss) per share	$ 1.07	$ 0.85	$ (1.16)	$ 0.38

	Fourth Quarter 1997	Third Quarter 1997	Second Quarter 1997 (2)	First Quarter 1997 (2)
Revenue	$ 325,331	$ 304,157	$ 311,558	$ 278,265
Operating income	$ 14,161	$ 14,737	$ 10,129	$ 7,294
Income from continuing operations before income taxes	$ 13,749	$ 14,243	$ 9,214	$ 6,410
Income taxes	5,733	5,940	3,842	2,673
Income from continuing operations	8,016	8,303	5,372	3,737
Discontinued operations, net of income taxes	(336)	(738)	1,068	(732)
Net income	$ 7,680	$ 7,565	$ 6,440	$ 3,005
Earnings (loss) per common share: (1)				
Income from continuing operations	$ 0.66	$ 0.66	$ 0.43	$ 0.30
Income (loss) from discontinued operations	(0.03)	(0.06)	0.08	(0.06)
Earnings per common share	$ 0.63	$ 0.60	$ 0.51	$ 0.24
Diluted earnings (loss) per share: (1)				
Income from continuing operations	$ 0.65	$ 0.66	$ 0.43	$ 0.30
Income (loss) from discontinued operations	(0.03)	(0.06)	0.08	(0.06)
Diluted earnings per share	$ 0.62	$ 0.60	$ 0.51	$ 0.24

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

(2) Includes pre-tax restructuring costs of $2,068 and $1,179 in the second and first quarters, respectively. After deducting related income tax benefits of $862 and $492 in the second and first quarters, respectively, the restructuring costs reduced income from continuing operations by $1,206, or $0.10 per common share ($0.10 per diluted share), in the 1997 second quarter, and $687, or $0.05 per common share ($0.05 per diluted share), in the

1997 first quarter.

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

	Fiscal Years 1998	1997	1996	1995	1994
Income Statement Data:					
Revenue	$1,283,607	$1,219,311	$1,129,856	$1,054,648	$ 839,810
Investment income	1,689				
Costs and expenses:					
Purchased transportation	950,343	898,746	826,822	773,300	623,669
Commissions to agents and brokers	101,409	98,425	84,768	73,095	60,997
Other operating costs	27,516	32,747	51,385	43,369	15,898
Insurance and claims	39,388	42,885	29,774	26,722	25,480
Selling, general and administrative	95,028	85,586	79,002	81,448	70,899
Depreciation and amortization	10,158	11,354	13,814	11,287	5,442
Restructuring costs		3,247	5,937		
Total costs and expenses	1,223,842	1,172,990	1,091,502	1,009,221	802,385
Operating income	61,454	46,321	38,354	45,427	37,425
Interest and debt expense	3,503	2,705	5,032	5,166	2,031
Income from continuing operations before income taxes	57,951	43,616	33,322	40,261	35,394
Income taxes	23,470	18,188	13,675	16,489	14,628
Income from continuing operations	34,481	25,428(1)	19,647(2)	23,772	20,766
Discontinued operations, net of income taxes	(22,589)	(738)	(722)	1,190	3,641
Net income	$ 11,892	$ 24,690	$ 18,925	$ 24,962	$ 24,407
Earnings (loss) per common share:					
Income from continuing operations	$ 3.13	$ 2.03(1)	$ 1.54(2)	$ 1.86	$ 1.62
Income (loss) from discontinued operations	(2.05)	(0.06)	(0.06)	0.09	0.28
Earnings per common share	$ 1.08	$ 1.97	$ 1.48	$ 1.95	$ 1.90
Diluted earnings (loss) per share:					
Income from continuing operations	$ 3.10	$ 2.02(1)	$ 1.53(2)	$ 1.85	$ 1.61
Income (loss) from discontinued operations	(2.03)	(0.06)	(0.06)	0.09	0.28
Diluted earnings per share	$ 1.07	$ 1.96	$ 1.47	$ 1.94	$ 1.89

	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996	Dec. 30, 1995	Dec. 31, 1994
Balance Sheet Data:					
Total assets	$ 313,665	$ 357,179	$ 370,801	$ 353,079	$ 267,084
Long-term debt, including current maturities	34,440	50,446	90,396	93,867	43,680
Shareholders' equity	111,848	151,696	147,557	128,396	105,161

(1) After deducting related income tax benefits of $1,354, the restructuring costs reduced income from continuing operations by $1,893, or $0.15 per common share ($0.15 per diluted share).

(2) After deducting related income tax benefits of $2,434, the restructuring costs reduced income from continuing operations by $3,503, or $0.27 per common share ($0.27 per diluted share).

EXHIBIT 21.1

LIST OF SUBSIDIARY CORPORATIONS OF LANDSTAR SYSTEM, INC.

Name	Jurisdiction of Incorporation	% of Voting Securities Owned
Subsidiary of Landstar System, Inc.:		
Landstar System Holdings, Inc.	Delaware	100
Subsidiaries of Landstar System Holdings, Inc.:		
Landstar Express America, Inc.	Delaware	100
Landstar Inway, Inc. Also d/b/a Inway Nationwide Transportation Services Also d/b/a Independent Freightways, Inc.	Delaware	100
Landstar Logistics, Inc.	Delaware	100
Landstar Ligon, Inc. Also d/b/a Ligon Contract Services in Kentucky	Delaware	100
Landstar Poole, Inc.	Alabama	100
Landstar Ranger, Inc. Also d/b/a Ranger/Landstar, Inc. in South Carolina	Delaware	100
Risk Management Claim Services, Inc. Also d/b/a RMCS, Inc. in Alabama and California	Kentucky	100
Landstar Contractor Financing, Inc.	Delaware	100
Landstar Capacity Services, Inc.	Delaware	100

Signature Insurance Company	Cayman Islands, BWI	100

Subsidiary of Landstar Gemini, Landstar Inway, Landstar Ligon, Landstar Poole and Landstar Ranger:

Landstar Corporate Services, Inc.	Delaware	100

Subsidiary of Landstar Logistics, Inc.

Landstar Gemini, Inc. Also d/b/a Gemini Transportation Services of Greensburg, PA in Ontario and New Jersey Also d/b/a GTSI Transportation Services in Ontario	Delaware	100

Subsidiary of Landstar Inway, Inc.

Landstar T.L.C., Inc.	Delaware	100

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-76340 and No 33-94304) on Form S-8 of Landstar System, Inc. of our reports dated February 9, 1999, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 26, 1998 and December 27, 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 26, 1998, December 27, 1997, and December 28, 1996, and all related schedules, which reports appear in or are incorporated by reference in the December 26, 1998 annual report on Form 10-K of Landstar System, Inc.

KPMG LLP

Stamford, Connecticut
March 24, 1999

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 26, 1998, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

David G. Bannister

David G. Bannister

DATED: March 15, 1999

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

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

John B. Bowron

John B. Bowron

DATED: March 15, 1999

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

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

Ronald W. Drucker

Ronald W. Drucker

DATED: March 15, 1999

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

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

William S. Elston

William S. Elston

DATED: March 15, 1999

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

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

Diana M. Murphy

Diana M. Murphy

DATED: March 15, 1999

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/26/98

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 26, 1998, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

Merritt J. Mott

Merritt J. Mott

DATED: March 15, 1999

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This schedule contains summary financial information extracted from the
Consolidated Balance Sheets at December 26, 1998 and the Consolidated
Statements of Income for the fiscal year ended December 26, 1998
and is qualified in its entirety by reference to such financial statements.
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This schedule contains summary financial information extracted from the Consolidated Balance Sheets at December 27, 1997 and the Consolidated Statements of Income for the fiscal year ended December 27, 1997 and is qualified in its entirety by reference to such financial statements.
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