

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **June 28, 2003**

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **0-21238**



**LANDSTAR SYSTEM, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**06-1313069**  
(I.R.S. Employer  
Identification No.)

**13410 Sutton Park Drive South, Jacksonville, Florida**

(Address of principal executive offices)

**32224**

(Zip Code)

**(904) 398-9400**

(Registrant's telephone number, including area code)

**N/A**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (  ) No (  )

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes (  ) No (  )

The number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding as of the close of business on July 25, 2003 was 15,138,132.

**PART I**

FINANCIAL INFORMATION

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Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the twenty six weeks ended June 28, 2003 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 27, 2003.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2002 Annual Report on Form 10-K.

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

	June 28, 2003	December 28, 2002
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 64,519	\$ 65,447
Short-term investments	3,336	3,130
Trade accounts receivable, less allowance of \$3,380 and \$3,953	186,602	190,052
Other receivables, including advances to independent contractors, less allowance of \$6,093 and \$5,331	14,813	12,640
Prepaid expenses and other current assets	10,057	3,338
Total current assets	279,327	274,607
Operating property, less accumulated depreciation and amortization of \$56,421 and \$52,841	72,306	76,774
Goodwill	31,134	31,134
Other assets	18,984	18,233
Total assets	\$ 401,751	\$ 400,748
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		

Cash overdraft	\$ 16,601	\$ 16,545
Accounts payable	65,747	60,297
Current maturities of long-term debt	10,629	12,123
Insurance claims	26,923	24,419
Other current liabilities	33,127	40,593
Total current liabilities	153,027	153,977
Long-term debt, excluding current maturities	73,757	65,237
Insurance claims	27,508	25,276
Deferred income taxes	7,726	7,165
Shareholders' Equity		
Common stock, \$0.01 par value, authorized 50,000,000 and 20,000,000		
shares, issued 16,657,602 and 16,337,506 shares	167	163
Additional paid-in capital	13,301	2,609
Retained earnings	197,542	173,817
Cost of 1,329,930 and 554,879 shares of common stock in treasury	(70,520)	(26,306)
Notes receivable arising from exercise of stock options	(757)	(1,190)
Total shareholders' equity	139,733	149,093
Total liabilities and shareholders' equity	\$ 401,751	\$ 400,748

See accompanying notes to consolidated financial statements.

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

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Revenue	\$ 755,802	\$ 726,909	\$ 390,084	\$ 391,216
Investment income	623	1,078	299	515
Costs and expenses:				
Purchased transportation	561,464	536,422	290,002	289,234
Commissions to agents	58,623	56,905	30,539	30,817
Other operating costs	17,840	17,814	8,609	9,708
Insurance and claims	22,161	24,384	11,533	13,477
Selling, general and administrative	50,336	50,723	23,955	24,675
Depreciation and amortization	6,345	5,700	3,179	2,821
Total costs and expenses	716,769	691,948	367,817	370,732
Operating income	39,656	36,039	22,566	20,999
Interest and debt expense	1,544	2,552	774	1,244
Income before income taxes	38,112	33,487	21,792	19,755
Income taxes	14,387	12,725	8,226	7,507
Net income	\$ 23,725	\$ 20,762	\$ 13,566	\$ 12,248

Earnings per common share	\$ 1.51	\$ 1.28	\$ 0.87	\$ 0.75
Diluted earnings per share	\$ 1.45	\$ 1.23	\$ 0.84	\$ 0.72
Average number of shares outstanding:				
Earnings per common share	15,713,000	16,223,000	15,652,000	16,252,000
Diluted earnings per share	16,322,000	16,829,000	16,227,000	16,914,000

See accompanying notes to consolidated financial statements.

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

	Twenty Six Weeks Ended	
	June 28, 2003	June 29, 2002
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 23,725	\$ 20,762
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	6,345	5,700
Non-cash interest charges	136	136
Provisions for losses on trade and other accounts receivable	2,450	3,769
Losses on sales and disposals of operating property	176	12
Director compensation paid in common stock	85	
Deferred income taxes, net	561	554
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(1,173)	(22,838)
Increase in prepaid expenses and other assets	(8,712)	(6,996)
Increase in accounts payable	5,450	11,513
Increase (decrease) in other liabilities	(4,095)	7,040
Increase in insurance claims	4,736	5,996
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>29,684</b>	<b>25,648</b>
<b>INVESTING ACTIVITIES</b>		
Maturities of investments	900	2,000
Purchases of investments		(5,722)
Purchases of operating property	(2,754)	(1,697)
Proceeds from sales of operating property	701	274
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,153)</b>	<b>(5,145)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in cash overdraft	56	4,620
Proceeds from repayment of notes receivable arising from exercises of stock options	433	2,905
Proceeds from exercises of stock options	7,240	1,328
Borrowings on revolving credit facility	25,500	
Principal payments on long-term debt and capital lease obligations	(18,474)	(29,365)
Purchases of common stock	(44,214)	
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(29,459)</b>	<b>(20,512)</b>
Decrease in cash	(928)	(9)
Cash at beginning of period	65,447	47,886

Cash at end of period

\$ 64,519

\$ 47,877

See accompanying notes to consolidated financial statements

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
Twenty Six Weeks Ended June 28, 2003  
(Dollars in thousands)  
(Unaudited)

	Common Stock		Add'l Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Notes Receivable Arising from Exercises of Stock Options	Total
	Shares	Amount			Shares	Amount		
Balance December 28, 2002	16,337,506	\$163	\$ 2,609	\$173,817	554,879	\$(26,306)	\$(1,190)	\$149,093
Net income				23,725				23,725
Purchases of common stock					775,051	(44,214)		(44,214)
Exercises of stock options and related income tax benefit	318,596	4	10,607					10,611
Director compensation paid in common stock	1,500		85					85
Repayment of notes receivable arising from exercises of stock options							433	433
Balance June 28, 2003	16,657,602	\$167	\$13,301	\$197,542	1,329,930	\$(70,520)	\$( 757)	\$139,733

See accompanying notes to consolidated financial statements.

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

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

from those estimates. Landstar System, Inc. and its subsidiary are herein referred to as "Landstar" or the "Company."

(1) Capital Stock

At the May 15, 2003 annual meeting of shareholders, the shareholders of the Company approved an amendment to Article IV of the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 20,000,000 shares to 50,000,000 shares.

(2) Income Taxes

The provisions for income taxes for the 2003 and 2002 twenty-six-week and thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 37.8% and 38.0%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion.

(3) Earnings Per Share

Earnings per common share amounts are based on the weighted average number of common shares outstanding and diluted earnings per share amounts are based on the weighted average number of common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of all dilutive stock options. For the twenty-six-week period ended June 28, 2003, there were 153,000 options outstanding to purchase shares of common stock excluded from the calculation of diluted earnings per share because they were antidilutive. For the thirteen-week period ended June 29, 2002, there were 18,000 options outstanding to purchase shares of common stock excluded from the calculation of diluted earnings per share because they were antidilutive. No such antidilutive options were outstanding for the thirteen-week period ended June 28, 2003 or for the twenty-six-week period ended June 29, 2002.

(4) Additional Cash Flow Information

During the 2003 period, Landstar paid income taxes and interest of \$15,095,000 and \$1,680,000, respectively. During the 2002 period, Landstar paid income taxes and interest of \$14,259,000 and \$2,216,000, respectively.

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(5) Segment Information

The following tables summarize information about Landstar's reportable business segments as of and for the twenty six and thirteen weeks ended June 28, 2003 and June 29, 2002 (in thousands):

	Twenty Six Weeks Ended June 28, 2003				Total
	Carrier	Multimodal	Insurance	Other	
External revenue	\$593,286	\$148,640	\$13,876		\$755,802
Investment income			623		623
Internal revenue	9,029	1,506	18,113		28,648
Operating income	42,856	2,991	11,061	\$(17,252)	39,656
Goodwill	20,496	10,638			31,134
	Twenty Six Weeks Ended June 29, 2002				
	Carrier	Multimodal	Insurance	Other	Total
External revenue	\$ 579,964	\$133,059	\$13,886		\$726,909
Investment income			1,078		1,078
Internal revenue	11,505	1,160	15,473		28,138
Operating income	41,459	2,785	7,560	\$(15,765)	36,039

Goodwill	20,496	10,638		31,134
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	Thirteen Weeks Ended June 28, 2003				Total
	Carrier	Multimodal	Insurance	Other	
External revenue	\$303,241	\$79,931	\$6,912		\$390,084
Investment income			299		299
Internal revenue	4,558	859	10,948		16,365
Operating income	24,360	1,067	5,626	\$(8,487)	22,566

	Thirteen Weeks Ended June 29, 2002				Total
	Carrier	Multimodal	Insurance	Other	
External revenue	\$ 310,001	\$74,340	\$6,875		\$391,216
Investment income			515		515
Internal revenue	6,359	645	8,864		15,868
Operating income	24,603	1,645	2,238	\$(7,487)	20,999

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(6) Stock-Based Compensation

The Company has two employee stock option plans and one stock option plan for members of its Board of Directors (the "Plans"). The Company accounts for stock options issued under the Plans pursuant to the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation is reflected in net income from the Plans, as all options granted under the Plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share from the Plans, as if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net income, as reported	\$ 23,725	\$ 20,762	\$ 13,566	\$ 12,248
Deduct:				
Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related income tax benefits	(1,670)	(1,529)	(771)	(777)
Pro forma net income	\$ 22,055	\$ 19,233	\$ 12,795	\$ 11,471
Earnings per common share:				
As reported	\$ 1.51	\$ 1.28	\$ 0.87	\$ 0.75
Pro forma	\$ 1.40	\$ 1.19	\$ 0.82	\$ 0.71
Diluted earnings per share:				
As reported	\$ 1.45	\$ 1.23	\$ 0.84	\$ 0.72

Pro forma \$ 1.38 \$ 1.17 \$ 0.80 \$ 0.69

On May 15, 2003, the shareholders of the Company voted for the proposal to implement a new Directors' Stock Compensation Plan. Under this new plan, all independent Directors who are elected or re-elected to the Board will receive 1,500 shares of common stock of the Company, subject to certain restrictions including restrictions on transfer. During the second quarter of 2003, 1,500 shares of the Company's common stock were issued to a member of the Board of Directors upon his re-election at the 2003 annual shareholders' meeting. During the second quarter of 2003, the Company reported \$85,000 in compensation expense representing the fair market value of this share award.

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(7) Commitments and Contingencies

At June 28, 2003, Landstar had commitments for letters of credit outstanding in the amount of \$45,160,000, primarily as collateral for insurance claims. The commitments for letters of credit outstanding included \$9,080,000 under the Third Amended and Restated Credit Agreement and \$36,080,000 secured by cash and investments deposited with a financial institution.

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc., Landstar Logistics, Inc. and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The complaint alleged breach of contract, fraud and tortious interference with contractual business relationships against Landstar System, Inc. and Landstar Logistics, Inc. arising out of a contract between Landstar Logistics, Inc. and the plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the plaintiff. Ford Motor Co. entered into a settlement with the plaintiff and was dismissed from the case by Order dated March 6, 2003. More recently, by Order dated April 23, 2003, the Court dismissed the breach of contract and fraud claims against Landstar System, Inc., leaving Landstar Logistics as the only remaining defendant in the case.

The complaint and discovery developed after the filing of the suit indicate that plaintiff's principal remaining claim is that Landstar Logistics, Inc. breached a duty under the contract to use "best efforts" to aid in the arrangement of freight for plaintiff's vessel and that Landstar Logistics, Inc. misrepresented material facts which induced plaintiff to enter into the contract. The suit makes claim for \$25,000,000 for damages for breach of contract and \$50,000,000 punitive and other damage related to fraud and tortious interference with contractual business relationships claims. Trial for this case is presently scheduled for September 2003.

The Company believes it has meritorious defenses to this litigation and intends to continue to defend it vigorously. The Company also believes that if this litigation were determined adversely to Landstar, the liability, exclusive of any available insurance recoveries, would not be reasonably likely to have a material adverse effect on the financial condition of the Company but that it could have a material adverse effect on the results of operations in a given quarter or year. No assurances can be given as to the outcome of this litigation or any related matter, however.

Landstar is involved in certain other 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.

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

The following discussion should be read in conjunction with the attached interim consolidated financial statements and notes thereto, and with the Company's audited financial statements and notes thereto for the fiscal year ended December 28, 2002 and Management's Discussion and Analysis



of Financial Condition and Results of Operations included in the 2002 Annual Report to Shareholders.

## RESULTS OF OPERATIONS

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. The Company has three reportable business segments. These are the carrier, multimodal and insurance segments.

The carrier segment consists of Landstar Ranger, Inc., Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Gemini, Inc. The carrier segment primarily 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. It also provides short-to-long haul movement of containers. The carrier segment markets its services primarily through independent commission sales agents and utilizes independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the “Independent Contractors”) and other third party truck capacity providers (truck brokerage carriers). Historically, the Company’s carrier segment has primarily relied on capacity provided by Independent Contractors. Pursuant to a plan to augment its available capacity and increase its revenue, the Company has begun to increase the carrier segment’s use of capacity provided by other third party truck capacity providers. A significant decrease in available capacity provided by either the Company’s Independent Contractors or other third party truck capacity providers could have a material adverse effect on Landstar, including its results of operations and revenue. The nature of the carrier segment’s business is such that a significant portion of its operating costs varies directly with revenue.

The multimodal segment is comprised of Landstar Logistics, Inc. and Landstar Express America, Inc. Transportation services provided by the multimodal segment include the arrangement of intermodal and truckload moves, contract logistics and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by Independent Contractors and other third party truck capacity providers (truck brokerage carriers), 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 insurance segment is comprised of Signature Insurance Company (“Signature”), a wholly-owned offshore insurance subsidiary, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to Landstar’s operating subsidiaries. In addition, it reinsures certain 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.

Purchased transportation represents the amount an Independent Contractor or other third party capacity provider is paid to haul freight. The amount of purchased transportation paid to an Independent Contractor is primarily based on a contractually agreed-upon percentage of revenue generated by the haul. Purchased transportation for the brokerage services operations of the carrier and multimodal segments is based on a negotiated rate for each load hauled. 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 brokerage services and rail intermodal 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 and other third party capacity providers. Commissions to agents are primarily based on contractually agreed-upon percentages of revenue at the carrier segment and of gross profit, defined as revenue less the cost of purchased transportation, at the multimodal segment. Commissions to agents as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue generated by the carrier segment, the multimodal segment and Signature and with changes in gross profit at the multimodal segment.

Trailing equipment 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. For commercial trucking claims incurred after June 18, 2003, Landstar retains liability up to \$10,000,000 per occurrence. For commercial trucking claims incurred from May 1, 2001 through June 18, 2003, Landstar retains liability up to \$5,000,000 per occurrence. For commercial trucking claims incurred prior to May 1, 2001, Landstar retains liability up to \$1,000,000 per occurrence. To reduce its exposure to unladen liability claims (claims incurred while a vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), Landstar requires its Independent Contractors to maintain unladen truckers liability coverage of \$1,000,000 per occurrence. Under the Company’s unladen truckers liability program, Independent Contractors purchase unladen truckers liability coverage from a third party insurance company. Signature then reinsures unladen liability coverage for Independent Contractors who participate in the Company’s unladen program up to \$1,000,000 per occurrence. For unladen claims incurred prior to January 1, 2002, Landstar retains liability up to \$25,000 per occurrence. The Company also retains liability for each general liability claim up to \$1,000,000 and an additional \$5,000,000 in excess of the first \$5,000,000 effective June 18, 2003, \$250,000 for each workers’ compensation claim and \$250,000 for each cargo claim. The Company’s exposure to liability associated with accidents incurred by other third party capacity providers who haul freight on behalf of the Company is reduced by various factors including the extent to

which they maintain their own insurance coverage. A material increase in the frequency or severity of accidents, cargo or workers' compensation claims or the unfavorable development of existing claims could be expected to materially adversely affect Landstar's results of operations.

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

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

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

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.1	0.2	0.1	0.1
Costs and expenses:				
Purchased transportation	74.3	73.8	74.4	73.9
Commissions to agents	7.8	7.8	7.8	7.9
Other operating costs	2.4	2.4	2.2	2.5
Insurance and claims	2.9	3.4	3.0	3.5
Selling, general and administrative	6.7	7.0	6.1	6.3
Depreciation and amortization	0.8	0.8	0.8	0.7
Total costs and expenses	94.9	95.2	94.3	94.8
Operating income	5.2	5.0	5.8	5.3
Interest and debt expense	0.2	0.4	0.2	0.3
Income before income taxes	5.0	4.6	5.6	5.0
Income taxes	1.9	1.7	2.1	1.9
Net income	3.1%	2.9%	3.5%	3.1%

**TWENTY SIX WEEKS ENDED JUNE 28, 2003 COMPARED TO TWENTY SIX WEEKS ENDED JUNE 29, 2002**

Revenue for the 2003 twenty-six-week period was \$755,802,000, an increase of \$28,893,000, or 4.0%, over the 2002 twenty-six-week period. The increase was attributable to increased revenue of \$13,322,000 and \$15,581,000 at the carrier and multimodal segments, respectively. Overall, revenue miles (volume) increased approximately 3%. Revenue per revenue mile (price) increased approximately 1%, while revenue per load increased approximately 6%. Investment income at the insurance segment was \$623,000 and \$1,078,000 in the 2003 and 2002 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates, on investments held by the insurance segment and a reduction in the amount of assets held for investment purposes as a portion of the assets were used to fund purchases of the Company's common stock.

Purchased transportation was 74.3% and 73.8% of revenue in 2003 and 2002, respectively. The increase in purchased transportation as a percentage of revenue was primarily due to increased truck brokerage revenue and increased rail intermodal revenue, both of which tend to have a higher cost of purchased transportation, and increased rates charged by other third party truck and rail capacity providers at the multimodal segment. Commissions to agents were 7.8% of revenue in both 2003 and 2002. Other operating costs were 2.4% of revenue in both 2003 and 2002. Insurance and claims were 2.9% of revenue in 2003 compared with 3.4% of revenue in 2002. The decrease in insurance and claims as a percentage of revenue was primarily attributable to one severe accident that occurred in June 2002, partially offset by increased cost of insurance above the Company's self insured retention levels and unfavorable development of prior year claims in 2003. Selling, general and administrative costs were 6.7% of revenue in 2003 compared with 7.0% of revenue in 2002. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to reduced employee compensation costs attributable to a decreased provision for bonuses under the Company's incentive compensation plans, decreased communications costs and a decreased provision for customer bad debt, partially offset by increased legal fees. Depreciation and amortization was 0.8% of revenue in both 2003 and 2002.

Interest and debt expense was 0.2% and 0.4% of revenue in 2003 and 2002, respectively. This decrease was primarily attributable to the effect of lower interest rates and decreased average borrowings on the senior credit facility.

The provisions for income taxes for the 2003 and 2002 twenty-six-week periods were based on estimated full year combined effective income tax rates of approximately 37.8% and 38.0%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion. The decrease in the effective income tax rate was primarily attributable to the implementation of certain state income tax planning strategies.

Net income was \$23,725,000, or \$1.51 per common share (\$1.45 per diluted share), in the 2003 period compared with \$20,762,000, or \$1.28 per common share (\$1.23 per diluted share), in the 2002 period.

#### THIRTEEN WEEKS ENDED JUNE 28, 2003 COMPARED TO THIRTEEN WEEKS ENDED JUNE 29, 2002

Revenue for the 2003 thirteen-week period was \$390,084,000, a decrease of \$1,132,000, or 0.3%, compared to the 2002 thirteen-week period. The decrease was attributable to decreased revenue of \$6,760,000 at the carrier segment, partially offset by increased revenue at the multimodal segment of \$5,591,000. Overall, revenue miles decreased approximately 1%. Revenue per revenue mile increased approximately 2%, while revenue per load increased approximately 4%. Investment income at the insurance segment was \$299,000 and \$515,000 in the 2003 and 2002 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates, on investments held by the insurance segment and a reduction in the amount of assets held for investment purposes as a portion of the assets were used to fund purchases of the Company's common stock.

Purchased transportation was 74.4% and 73.9% of revenue in 2003 and 2002, respectively. The increase in purchased transportation as a percentage of revenue was primarily due to increased brokerage revenue and increased rail intermodal revenue, both of which tend to have a higher cost of purchased transportation, and increased rates charged by other third party truck and rail capacity providers at the multimodal segment. Commissions to agents were 7.8% and 7.9% of revenue in 2003 and 2002, respectively. The decrease in commissions to agents as a percentage of revenue was primarily due to a decrease in gross profit, revenue less the cost of purchased transportation, at the multimodal segment. Other operating costs were 2.2% of revenue in 2003 and 2.5% of revenue in 2002. The decrease in other operating costs as a percentage of revenue was primarily due to a decrease in the provision for Independent Contractor bad debt, as a result of reduced turnover, and reduced Independent Contractor recruiting costs. Insurance and claims were 3.0% of revenue in 2003 compared with 3.5% of revenue in 2002. The decrease in insurance and claims as a percentage of revenue was primarily attributable to one severe accident that occurred in June 2002, partially offset by increased cost of insurance above the Company's self insured retention levels and unfavorable development of prior year claims in 2003. Selling, general and administrative costs were 6.1% of revenue in 2003 compared with 6.3% of revenue in 2002. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to reduced employee compensation costs as a result of no provision for bonuses under the Company's incentive compensation plans in the 2003 quarter and a decreased provision for customer bad debt, partially offset by increased legal fees. Depreciation and amortization was 0.8% of revenue in 2003 and 0.7% of revenue in 2002. The increase in depreciation and amortization as a percentage of revenue was primarily due to increased depreciation on trailing equipment.

Interest and debt expense was 0.2% and 0.3% of revenue in 2003 and 2002, respectively. This decrease was primarily attributable to the effect of lower interest rates and decreased average borrowings on the senior credit facility.

The provisions for income taxes for the 2003 and 2002 thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 37.8% and 38.0%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion. The decrease in the effective income tax rate was primarily attributable to the implementation of certain state income tax planning strategies.

Net income was \$13,566,000, or \$0.87 per common share (\$0.84 per diluted share), in the 2003 period compared with \$12,248,000, or \$0.75 per common share (\$0.72 per diluted share), in the 2002 period.

#### CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity decreased to \$139,733,000 at June 28, 2003 from \$149,093,000 at December 28, 2002, primarily as a result of the purchase of 775,051 shares of the Company's common stock at a total cost of \$44,214,000, offset by net income for the period and exercises of stock options. Shareholders' equity was 62% and 66% of total capitalization at June 28, 2003 and December 28, 2002, respectively. As of June 28, 2003, the Company may purchase an additional 670,070 shares of its common stock under its authorized stock purchase program.

Working capital and the ratio of current assets to current liabilities were \$126,300,000 and 1.83 to 1, respectively, at June 28, 2003, compared with \$120,630,000 and 1.78 to 1, respectively, at December 28, 2002. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was \$29,684,000 in the 2003 twenty-six-week period compared with \$25,648,000 in the 2002 twenty-six-week period. The increase in cash flow provided by operating activities was primarily attributable to timing of accounts receivable collections. During the 2003 period, Landstar purchased \$2,754,000 of operating property. Landstar anticipates it will acquire approximately \$7,000,000 of operating property during the remainder of fiscal year 2003 either by purchase or lease financing. In addition, the Company anticipates obtaining approximately \$18,000,000 of trailing equipment under a 5 year operating lease.

Management believes that cash flow from operations combined with the Company's borrowing capacity under its revolving 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.

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc., Landstar Logistics, Inc. and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The complaint alleged breach of contract, fraud and tortious interference with contractual business relationships against Landstar System, Inc. and Landstar Logistics, Inc. arising out of a contract between Landstar Logistics, Inc. and the plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the plaintiff. Ford Motor Co. entered into a settlement with the plaintiff and was dismissed from the case by Order dated March 6, 2003. More recently, by Order dated April 23, 2003, the Court dismissed the breach of contract and fraud claims against Landstar System, Inc., leaving Landstar Logistics as the only remaining defendant in the case.

The complaint and discovery developed after the filing of the suit indicate that plaintiff's principal remaining claim is that Landstar Logistics, Inc. breached a duty under the contract to use "best efforts" to aid in the arrangement of freight for plaintiff's vessel and that Landstar Logistics, Inc. misrepresented material facts which induced plaintiff to enter into the contract. The suit makes claim for \$25,000,000 for damages for breach of contract and \$50,000,000 punitive and other damage related to fraud and tortious interference with contractual business relationships claims. Trial for this case is presently scheduled for September 2003.

The Company believes it has meritorious defenses to this litigation and intends to continue to defend it vigorously. The Company also believes that if this litigation were determined adversely to Landstar, the liability exclusive of any available insurance recoveries, would not be reasonably likely to have a material adverse effect on the financial condition of the Company but that it could have a material adverse effect on the results of operations in a given quarter or year. The Company has notified its third-party insurance carrier that it believes that a portion of the claims made in this lawsuit are covered under insurance provided by that carrier, and the carrier has agreed to pay certain fees and expenses and to participate in the defense of this litigation, subject to a reservation of rights. No assurances can be given as to the outcome of this litigation or any related matter, however.

Landstar is involved in certain other 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.

#### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The allowance for doubtful accounts for both trade and other receivables represents management's estimate of the amount of outstanding receivables that will not be collected. During fiscal years ended 2002 and 2001, the Company experienced abnormally high levels of bad debt expense. Management believes this resulted from the difficult economic environment experienced by the Company's customers and Independent Contractors. Although management believes the amount of the allowance for both trade and other receivables at June 28, 2003 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. Correspondingly, a more robust economic environment may result in the realization of some portion of the estimated uncollectible receivables.

Landstar provides for the estimated costs of self-insured claims primarily on an actuarial basis. The amount recorded for the estimated liability for claims incurred is based upon the facts and circumstances known on the balance sheet date. The ultimate resolution of these claims may be for an amount greater or less than the amount estimated by management.

The Company utilizes certain income tax planning strategies to reduce its overall cost of income taxes. Upon audit, it is possible that certain strategies might be disallowed resulting in an increased liability for income taxes. The Company has provided for its estimated exposure attributable to income tax planning strategies. Management believes that the provision for liabilities resulting from the implementation of income tax planning strategies is appropriate.

Significant variances from management's estimates for the amount of uncollectible receivables, for the ultimate resolution of claims or the provision for liabilities for income tax planning strategies can be expected to positively or negatively affect Landstar's earnings in a given quarter or year. However, management believes that the ultimate resolution of these items, given a range of reasonably likely outcomes, will not significantly affect the long-term financial condition of Landstar or its ability to fund its continuing operations.

#### FORWARD-LOOKING STATEMENTS

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are "forward-looking statements." This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q statement contain forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "estimates," "plans," "predicts," "may," "should," "will," the negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to: an increase in the frequency or severity of accidents or workers' compensation claims; unfavorable development of existing accident claims; dependence on independent sales agents; dependence on third party capacity providers; disruptions or failures in our computer systems; a downturn in domestic economic growth or growth in the transportation sector; substantial industry competition; and other operational, financial or legal risks or uncertainties detailed in this report or in Landstar's other Securities and Exchange Commission filings from time to time and described immediately below. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking

statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

## 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.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company maintains a credit agreement with a syndicate of banks and JPMorgan Chase Bank, as the administrative agent, (the "Third Amended and Restated Credit Agreement") that provides \$175,000,000 of borrowing capacity in the form of a revolving credit facility, \$50,000,000 of which may be utilized in the form of letter of credit guarantees. Borrowings under the Third Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Third Amended and Restated Credit Agreement. There have been no significant changes that would affect the information provided in Item 7a of the 2002 Annual Report on Form 10-K regarding quantitative and qualitative disclosures about market risk.

## Item 4. Controls and Procedures

Within the 90-day period prior to the filing of this report, an evaluation was carried out, under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of such evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

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## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc., Landstar Logistics, Inc. and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The Company has previously described this legal proceeding in its Form 10-Q for the quarterly period ended March 29, 2003. There have been no further material developments with respect to this matter.

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 2. Changes in Securities

None.

#### Item 3. Defaults Upon Senior Securities

None.

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

On May 15, 2003, Landstar System, Inc. (the "Company") held its Annual Meeting of Shareholders (the "Meeting") at its principal offices in Jacksonville, FL. The matters voted upon at the Meeting included (i) the election of the two Class I directors for terms to expire at the 2006 Annual Meeting of Shareholders, (ii) the ratification of appointment of KPMG LLP as the Company's independent auditors for fiscal year 2003, (iii) to consider the approval of the Company's 2003 Directors Stock Compensation Plan, (iv) to consider approval of an amendment to Article IV of the Company's Restated Certificate of Incorporation to increase the authorized shares of Common Stock of the Company, and (v) to consider approval of an amendment to Article IV of the Company's Restated Certificate of Incorporation to increase the authorized shares of Preferred Stock of the Company.

Pursuant to the Company's Restated Certificate of Incorporation, the Board of Directors has fixed the number of directors at seven: two Class I directors whose members' terms will expire at the 2006 Annual Meeting of Shareholders; three Class II directors whose members' terms will expire at the 2004 Annual Meeting of Shareholders; and two Class III directors whose members' terms will expire at the 2005 Annual Meeting of Shareholders. With respect to the election of two Class I directors at the Meeting, nominee Ronald W. Drucker and nominee Henry H. Gerkens were

elected to the Board of Directors of the Company. Mr. Drucker received 13,841,676 votes for election to the Board and 223,492 votes were withheld. Mr. Gerkens received 13,841,676 votes for election to the Board and 223,492 votes were withheld. The names of the other directors whose terms of office as directors continued after the Meeting are as follows: David G. Bannister (a Class III director), Jeffrey C. Crowe (a Class III director), Merritt J. Mott (a Class II director), William S. Elston (a Class II director) and Diana M. Murphy (a Class II director).

The proposal to appoint KPMG LLP as the Company's independent auditors for fiscal year 2003 was ratified by the Company's shareholders. Votes for the ratification were 13,897,091, votes against were 164,600 and votes abstaining were 3,477.

The proposal for the approval of the Company's 2003 Directors Stock Compensation Plan was approved by a majority of the shareholders with 7,775,993 votes for the proposal, 6,245,331 votes against the proposal and 43,844 votes abstained.

The proposal for the approval of the amendment to Article IV of the Company's Restated Certificate of Incorporation to increase the authorized shares of Common Stock of the Company was approved by a majority of the shareholders with 12,055,369 votes for the proposal, 2,003,384 votes against the proposal and 6,415 votes abstained.

The proposal for the approval of the amendment to Article IV of the Company's Restated Certificate of Incorporation to increase the authorized shares of Preferred Stock of the Company was not approved by a majority of the shareholders with 10,176,219 votes against the proposal, 2,869,589 votes for the proposal, 42,815 votes abstained and 976,545 broker non-votes.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

(b) Form 8-K

The Company's Form 8-K filed with the Securities and Exchange Commission on June 24, 2003 disclosed an increase in its retained liability for each individual commercial trucking claim from up to \$5,000,000 per occurrence to up to \$10,000,000 per occurrence.

The Company's Form 8-K filed with the Securities and Exchange Commission on April 17, 2003 contained the Company's first quarter 2003 earnings release.

EXHIBIT INDEX

Exhibit No.	Description
(3)	Articles of Incorporation and Bylaws:
3.1*	Amended and Restated Certificate of Incorporation of the Company dated May 29, 2003.
(10)	Material Contracts:
10.1*	Directors Stock Compensation Plan, dated May 15, 2003
(11)	Statement re: Computation of Per Share Earnings:
11.1 **	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share for the Twenty Six and Thirteen Weeks Ended June 28, 2003 and June 29, 2002.
11.2 **	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Twenty Six and Thirteen Weeks Ended June 28, 2003 and June 29, 2002.
(31)	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002:
31.1 *	Chief Executive Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Chief Financial Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:
32.1 **	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 **	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith

\*\* Furnished herewith

SIGNATURES

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

LANDSTAR SYSTEM, INC.

Date: August 8, 2003

/s/ Jeffrey C. Crowe  
 Jeffrey C. Crowe  
 Chairman of the Board and  
 Chief Executive Officer



Date: August 8, 2003

/s/ Robert C. LaRose

Robert C. LaRose

Vice President, Chief Financial

Officer and Secretary

STATE OF DELAWARE  
 SECRETARY OF STATE  
 DIVISION OF CORPORATIONS  
 FILED 12:31 PM 02/10/1993  
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RESTATED  
 CERTIFICATE OF INCORPORATION  
 OF  
 LANDSTAR HOLDING CORPORATION

Landstar Holding Corporation, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The Corporation was incorporated as Landstar Holding Corporation and its Original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 8, 1991.
2. On March 19, 1991, the Board of Directors of the Corporation unanimously adopted a resolution authorizing the amendment of the Corporation's Certificate of Incorporation in accordance with Section 241 of the General Corporation Law of the State of Delaware. The amendment had the effect of increasing the authorized shares of Common Stock. The Certificate of Amendment was filed with the Secretary of State of the State of Delaware on March 20, 1991.
3. On February 9, 1993, the Board of Directors of the Corporation unanimously adopted a resolution authorizing the amendment and restatement of the Corporation's Certificate of Incorporation in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. In lieu of a meeting and vote of the stockholders of the Corporation, the Corporation's majority stockholder has, by less than unanimous written consent dated February 9, 1993, approved the amendment and restatement of the Certificate of Incorporation and the taking of the actions contemplated thereby, and such consent has been filed with the minutes of the proceedings of stockholders of the Corporation. Notice of such action has been given to all stockholders who have not consented in writing, all in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.
4. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation amends and restates the provisions of the Certificate of Incorporation of the Corporation. The amendments have the effect of (i) changing the name of the Corporation; (ii) increasing the authorized shares of Common Stock to 20,000,000; (iii) authorizing the issuance 2,000,000 shares of Preferred Stock; (iv) classifying the Board of Directors; and (v) making such other changes as are proper under Delaware Law and deemed necessary or appropriate by the Board of Directors.
5. The text of the Certificate of Incorporation as heretofore amended is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the Corporation is Landstar System, Inc.

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801, and the name of its registered agent at the address of the Corporation's registered office is The Corporation Trust Company.

ARTICLE III

The purpose if the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV

Section 1. The total number of shares of capital stock which the Corporation shall have the authority to issue is twenty-two million (22,000,000), consisting of (a) twenty million (20,000,000) shares of Common Stock, par value \$.01 per share, and (b) two million (2,000,000) shares of Preferred Stock, par value \$1.00 per share.

Section 2. Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record by such holder and shall be entitled to vote with respect to all matters as to which a stockholder of a Delaware corporation would be entitled to vote.

Section 3. The Preferred Stock may be issued at any time and from time to time in one or more series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate of designation pursuant to the applicable provisions of the General Corporation Law of the State of Delaware (hereinafter referred to as a "Preferred Stock Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

- (a) The designation of the series which may be by distinguishing number, letter or title.
- (b) The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the applicable Preferred Stock Certificate of Designation) increase or decrease (but not below the number of shares thereof then outstanding).
- (c) Whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the series.
- (d) The dates on which dividends, if any, shall be payable.
- (e) The redemption rights and price or prices, if any, for shares of the series.
- (f) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series.
- (g) The amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.
- (h) Whether the shares of the series shall be convertible or exchangeable into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made.
- (i) Restrictions on the issuance of shares of the same series or of any other class or series.
- (j) The voting rights, if any, of the holders of shares of the series.

Section 4. The common Stock shall be subject to the express terms of the Preferred Stock and any series thereof.

Section 5. Except as may be provided in this Restated Certificate of Incorporation or in a Preferred Stock Certificate of Designation, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote.

Section 6. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

## ARTICLE V

The Board of Directors is hereby authorized to create and issue, whether or not in connection with the issuance and sale of any of its stock or other securities or property, rights entitling the holders thereof to purchase from the Corporation shares of stock or other securities of the Corporation or any other corporation. The times at which and the terms upon which such rights are to be issued will be determined by the Board of Directors and set forth in the contracts or instruments that evidence such rights. The authority of the Board of Directors with respect to such rights shall include, but not be limited to, determination of the following:

- (a) The initial purchase price per share or other unit of the stock or other securities or property to be purchased upon exercise of such rights.
- (b) Provisions relating to the times at which and the circumstances under which such rights may be exercised or sold or otherwise transferred, either together with or separately from, any other stock or other securities of the Corporation.
- (c) Provisions which adjust the number of exercise price or such rights, or amount or nature of the stock or other securities or property receivable upon exercise of such rights, in the event of a combination, split or recapitalization of any stock of the Corporation, a change in ownership of the Corporation's stock or other securities or a reorganization, merger, consolidation, sale of assets or other occurrence relating to the Corporation or any stock of the Corporation, and provisions restricting the ability of the Corporation to enter into any such transaction absent an assumption by the other party or parties thereto of the obligations of the Corporation under such rights.
- (d) Provisions which deny the holder of a specified percentage of the outstanding stock or other securities of the Corporation the right to exercise such rights and/or cause the rights held by such holder to become void.
- (e) Provisions which permit the Corporation to redeem such rights.
- (f) The appointment of a rights agent with the respect to such rights.

## ARTICLE VI

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

## ARTICLE VII

Section 1. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

Section 2. The number of directors constituting the initial Board of Directors shall be seven (7) and thereafter the number of directors shall be as set forth in or pursuant to the Bylaws of the Corporation, but shall not be more than ten (10). The Board of Directors shall be divided by the directors into three classes, designated Classes I, II and III, which shall be as nearly equal in number as possible. Directors of Class I shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in 1994, directors of Class II shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in 1995 and directors of Class III shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in 1996. At each succeeding annual meeting of stockholders following such initial classification and election, the respective successors of each class shall be elected for three year terms. The holders of a majority of the shares then entitled to vote at an election of directors may remove any director or the entire Board of Directors, but only for cause.

Section 3. Advance notice of nominations for elections for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

## ARTICLE VIII

A director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of his duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derives an improper personal benefit. If the General Corporation Law of the State of Delaware is amended after the filing of this Restated Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director or the Corporation existing at the time of such repeal or modification.

## ARTICLE IX

Section 1. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation (including Landstar System Holdings, Inc., Ranger Transportation, Inc., Independent Freightway, Inc., Ligon Nationwide, Inc., Gemini Transportation Services, Inc., Poole Truck Line, Inc., Landstar Transportation Service, Inc. and Risk Management Claim Services, Inc.) or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action or omission in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, excise taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue with respect to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article IX with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding initiated by such indemnitee only if such proceeding was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article IX shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"), and provided, further, that, if required by the General Corporation Law of the State of Delaware, an advancement of expenses incurred by an indemnitee shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article IX or otherwise.

Section 2. If a claim under Section 1 of this Article IX is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation (except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days), the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met the applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled under this Article IX or otherwise to be indemnified, or to such advancement of expenses, shall be on the Corporation.

Section 3. The rights to indemnification and to the advancement of expenses conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under this Restated Certificate of Incorporation or any bylaw, contract, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. The Corporation may maintain insurance, at its expense, to protect itself and any indemnitee against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

Section 5. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article IX or as otherwise permitted under the General Corporation Law of the State of Delaware with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

#### ARTICLE X

A director of the Corporation, in determining what he reasonably believes to be in the best interests of the Corporation, shall consider the interests of the Corporation's stockholders and, in his discretion, may consider any of the following:

- (a) The interests of the Corporation's employees, independent contractors, agents, suppliers, creditors and customers;
- (b) The economy of the nation;
- (c) Community and societal interests; and
- (d) The long-term as well as short-term interests of the Corporation and its stockholders, including the possibility that these interests may be best served by the continued independence of the Corporation.

#### ARTICLE XI

Election of directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Corporation shall so provide.

#### ARTICLE XII

Cumulative voting for the election of directors shall not be permitted.

#### ARTICLE XIII

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of consent in writing to the taking of any action is hereby specifically denied. The foregoing sentence shall take affect on the day following the date on which the Corporation's initial underwritten public offering of Common Stock closes. Except as otherwise required by law, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors, by the President or as otherwise provided in the Bylaws of the Corporation.

#### ARTICLE XIV

The vote of stockholders of the Corporation required to approve Business Combinations (as hereinafter defined) shall be as set forth in this Article XIV.

##### Section 1.

In addition to any affirmative vote required by law or by this Restated Certificate of Incorporation, and except as

otherwise expressly provided in Section 3 of this Article XIV:

- (a) any merger or consolidation of the Corporation with (i) any Interested Stockholder or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or
- (b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder of (i) all or substantially all the assets of the Corporation or (ii) assets of the Corporation or any of its Subsidiaries representing in the aggregate more than 75% of the total value of the assets of the Corporation and its consolidated Subsidiaries as reflected on the most recent consolidated balance sheet of the Corporation and its consolidated Subsidiaries prepared in accordance with generally accepted accounting principles then in effect; or
- (c) any sale, lease, exchange, mortgage, pledge, transfer or other dispositions (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder of any assets of the Corporation or of any Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more, but less than the amount referred to in clause (ii) of paragraph (b) of this Section 1, or (ii) any merger or consolidation of any Subsidiary of the Corporation having assets with an aggregate Fair Market Value of \$10,000,000 or more in a transaction not covered by paragraph (b) of this Section 1 with (x) any Interested Stockholder or (y) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or
- (d) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) to any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder of any securities of the Corporation or any Subsidiary in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$10,000,000 or more, other than the issuance of securities upon the conversion of convertible securities of the Corporation or any Subsidiary which were not acquired by such Interested Stockholder (or such Affiliate or Associate) from the Corporation or a Subsidiary; or
- (e) The adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or
- (f) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving any Interested Stockholder), which in any such case has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of series of stock or securities convertible into stock of the Corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder;

shall not be consummated without (i) the affirmative vote of the holders of at least 75% of the combined voting power of the then outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors ("Voting Stock") and (ii) the affirmative vote of a majority of the combined voting power of the then outstanding shares of Voting Stock held by Disinterested Stockholders, in each case voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or by this Restated Certificate of Incorporation or by a registered securities association or in any agreement with any national securities exchange or otherwise.

Section 2. The term "Business Combination" as used in this Article XIV shall mean any transaction which is referred to in any one or more of paragraphs (a) through (f) of Section 1 of this Article XIV.

Section 3. The provisions of Section 1 of this Article XIV shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Restated Certificate of Incorporation, if all the conditions specified in any of the following paragraphs (a), (b) or (c) are met:

- (a) (i) such Business Combination shall have been approved by a majority of the Disinterested Directors and (ii) the Interested Stockholder involved in such Business Combination (x) acquired such status as an Interested Stockholder in a manner substantially consistent with an agreement or memorandum of understanding approved by the Board of Directors (including a majority of the Disinterested Directors) prior to the time of such Interested Stockholder became an Interested Stockholder and (y) has complied with all requirements imposed by such agreement or memorandum of understanding; or
- (b) in the case of any Business Combination described in paragraph (a) or (f) of Section 1 of this Article XIV, (i) such Business Combination shall have been approved by a majority of the Disinterested Directors, (ii) such Business Combination shall not have resulted, directly or indirectly, in an increase of more than 10% in the total amount of shares of any class or series of stock or securities convertible into stock of the Corporation or any Subsidiary which was directly or indirectly beneficially owned by an Interested Stockholder and all Affiliates and Associates of such Interested Stockholder at the time of the approval of such Business Combination by a majority of the Disinterested Directors, and (iii) such Business Combination shall not have been consummated within a period of two years after the consummation of any other Business Combination described in paragraph (a), (b), (c), (d), (e) or (f) of Section 1 of this Article XIV (whether or not such other Business Combination shall have been approved by a majority of the Disinterested Directors) which had the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of stock or securities convertible into stock of the Corporation or any Subsidiary which was directly or indirectly beneficially owned by such Interested Stockholder or any Affiliate or Associate of such Interested Stockholder; or

(c) in the case of any Business Combination described in paragraph (c) or (d) of Section 1 of this Article XIV, such Business Combination shall have been approved by a majority of the Disinterested Directors.

Section 4. For the purposes of this Article XIV:

(a) A “person” shall mean any individual, group, firm, corporation, partnership, trust or other entity.

(b) “Interested Stockholder” shall mean any person (other than the Corporation, any Subsidiary, or Kelso Investment Associates IV, L.P. or any of its Affiliates or Associates, and other than any group consisting of the directors and officers of the Corporation which may be deemed to be a group solely by reason of each of them being directors or officers of the Corporation or members of a slate proposed by the Corporation as directors) who or which:

(1) is the beneficial owner, directly or indirectly, of 10% or more of the combined voting power of the then outstanding shares of Voting Stock; or

(2) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the combined voting power of the then outstanding shares of Voting Stock; or

(3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(c) “Disinterested Stockholder” shall mean a stockholder of the Corporation who is not an Interested Stockholder of an Affiliate or an Associate of an Interested Stockholder.

(d) a person shall be a “beneficial owner” of any Voting Stock:

(1) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly: or

(2) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote or to direct the vote pursuant to any agreement, arrangement or understanding; or

(3) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(e) For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph (b) of this Section 4, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by such person through application of paragraph (d) of this Section 4 but shall not include any other shares of Voting Stock which may be issuable to other persons pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, exchange rights, warrants or options, or otherwise.

(f) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities and Exchange Act of 1934, as in effect on February 1, 1993.

(g) “Subsidiary” shall mean any Corporation more than 50% of whose outstanding stock having ordinary voting power in the election of directors is owned by the Corporation, by a Subsidiary of by the Corporation and one or more Subsidiaries, provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (b) of this Section 4, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned by the Corporation, by a Subsidiary or by the Corporation and one or more Subsidiaries.

(h) “Disinterested Director” means any member of the Board of Directors of the Corporation who is unaffiliated with, and not a nominee of, the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with and not a nominee of, the Interested Stockholder and who is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(i) “Fair Market Value” means: (1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the New York Stock Exchange Composite Tape, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (2) in the case of stock of any class or series which is not traded on any securities exchange or in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such stock or property, as the case may be, on the date in question as determined by a majority of the Disinterested Directors in good faith.

Section 5. A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article XIV, including, without limitation, (a) whether a person is an Interested Stockholder, (b) the number of shares of Voting Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another person, (d) whether the requirements of Section 3 of this Article XIV have been met with respect to any Business Combination and (e) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation has, (i) an aggregate Fair Market Value of \$10,000,000 or more or (ii) represent in the aggregate more than 75% of the total value of the assets of the Corporation and its consolidated Subsidiaries prepared in accordance with generally accepted accounting principles then in effect; and the good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article XIV.

Section 6. Nothing contained in this Article XIV shall be construed to relieve an Interested Stockholder from any fiduciary obligation imposed by law.

#### ARTICLE XV

The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed herein or by applicable law, and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Restated Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article XV; provided, however, that any amendment or repeal of Article VIII or Article IX of this Restated Certificate of Incorporation shall not adversely affect any right or protection existing hereunder immediately prior to such amendment or repeal; and provided, further, that Articles V, VI, VII, VIII, IX, X, XII, XIII, XIV and XV of this Restated Certificate of Incorporation shall not be amended, altered, changed or repealed without the affirmative vote of the holders of at least 75% of the then outstanding stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation has been signed this 9<sup>th</sup> day of February, 1993.

Landstar Holding Corporation

/S/ Henry H. Gerken

\_\_\_\_\_  
Name: Henry H. Gerken  
Title: Vice President

Attested by:

/s/ Michael L. Harvey

\_\_\_\_\_  
Michael L. Harvey, Secretary

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF  
CORPORATIONS  
FILED 12:32 PM  
02/10/1993  
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PARTICIPATING CUMULATIVE PREFERRED STOCK  
Par Value \$1.00 Per Share

of

Landstar System, Inc.  
(formerly Landstar Holding Corporation)

Pursuant to Section 151 of the General Corporation  
Law of the State of Delaware

We, Henry H. Gerkens, Vice President, and Michael L. Harvey, Secretary, of Landstar System, Inc., (formerly Landstar Holding Corporation), a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation (the "Restated Certificate") of the said Corporation, the said Board of Directors on February 9, 1993, by the affirmative vote of at least two-thirds of the members of the Board of Directors, adopted the following resolution creating a series of Two Hundred Thousand (200,000) shares of Preferred Stock, par value \$1.00 per share:

RESOLVED, that contingent upon the approval of the Restated Certificate, a series of Preferred Stock of the Corporation be, and it hereby is, created, and that the designation and amount thereof and the voting powers, preferences and relative participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount.

The shares of such series shall be designated as Junior Participating Cumulative Preferred Stock, par value \$1.00 per share (the "Junior Preferred Stock") and the number of shares constituting such series shall be Two Hundred Thousand (200,000). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Junior Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of preferred stock (or any similar stock) ranking prior and superior to the Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock, and of any other junior stock which may be outstanding, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$2.50 per share (\$10.00 per annum), or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Junior Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment date and the next subsequent Quarterly Dividend Payment date, a dividend of \$2.50 per share (\$10.00 per annum) on the Junior Preferred stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall accumulate but shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall

be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

### Section 3. Voting Rights.

The holders of shares of Junior Preferred Stock shall have the following voting rights.

(A) Subject to the provisions for adjustment as hereinafter set forth, each share of Junior Preferred Stock shall entitle the holder thereof to 100 votes (and each one one-hundredth of a share of Junior Preferred Stock shall entitle the holder thereof to one vote) on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by classification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or less number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in the Restated Certificate, in any other certificate of designation creating a series of preferred stock or any similar stock, or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) If at any time the Corporation shall not have declared and paid all accrued and unpaid dividends on the Junior Preferred Stock as provided in Section 2 hereof for four consecutive Quarterly Dividend Payment Dates, then, in addition to any voting rights provided for in paragraphs (A) and (B), the holders of the Junior Preferred Stock shall have the exclusive right, voting separately as class, to elect two directors on the Board of Directors of the Corporation (such directors, the "Preferred Directors"). The right of the holders of the Junior Preferred Stock to elect the Preferred Directors shall continue until all such accrued and unpaid dividends shall have been paid. At such time, the terms of any of the Preferred Directors shall terminate. At any time when the holders of the Junior Preferred Stock shall have thus become entitled to elect Preferred Directors, a special meeting of shareholders shall be called for the purpose of electing such Preferred Directors, to be held within 30 days after the right of the holders of the Junior Preferred Stock to elect such Preferred Directors shall arise, upon notice given in the manner provided by law or the by-laws of the Corporation for giving notice of a special meeting of shareholders (provided, however, that such a special meeting shall not be called if the annual meeting of shareholders is to convene within said 30 days). At any such special meeting or at any annual meeting at which the holders of the Junior Preferred Stock shall be entitled to elect Preferred Directors, the holders of a majority of the then outstanding Junior Preferred Stock present in person or by proxy shall be sufficient to constitute a quorum for the election of such directors. The persons elected by the holders of the Junior Preferred Stock at any meeting in accordance with the terms of the preceding sentence shall become directors on the date of such election.

### Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

- (i) declare or pay dividends or, make any other distributions on any shares or stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Junior Preferred Stock;
- (ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock except dividends paid ratably on the Junior Preferred Stock, and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
- (iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding-up) to the Junior Preferred Stock; or
- (iv) purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares.

Any shares of Junior Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever, shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock, without designation as to series, and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate, in any other certificate of designation creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding-Up.

Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Junior Preferred Stock unless prior thereto, the holders of shares of Junior Preferred Stock shall have received the higher of (i) \$10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock; nor shall any distribution be made (B) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock, except distributions made ratably on the Junior Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding-up. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock are entitled immediately prior to such event under the provision in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc.

In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, or otherwise changed, then in any such case each share of Junior Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption.

The shares of Junior Preferred Stock shall not be redeemable.

Section 9. Rank

Unless otherwise provided in the Restated Certificate or a certificate of designation relating to a subsequent series of preferred stock of the Corporation, the Junior Preferred Stock shall rank junior to all other series of the Corporation's preferred stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up, and senior to the Common Stock of the Corporation.

Section 10. Amendment.

The Restated Certificate, as amended and restated, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the Junior Preferred Stock, voting together as a single series.

Section 11. Fractional Shares.

Junior Preferred stock may be issued in fractions of a share (in one one-hundredths (1/100) of a share and integral multiples thereof) which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Junior Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its Vice President and attested by its Secretary this 10<sup>th</sup> day of February, 1993.

/s/ Henry H. Gerkens

\_\_\_\_\_  
Vice President

ATTEST:

/s/ Michael L. Harvey

\_\_\_\_\_  
Secretary

*State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 01:00 PM  
05/29/2003  
FILED 01:00 PM 05/29/2003  
SRV 030351554 - 2251460  
FILE*

CERTIFICATE OF AMENDMENT  
TO THE  
AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
LANDSTAR SYSTEM, INC.

Pursuant to Section 242 of the General  
Corporation Law of the State of Delaware

LANDSTAR SYTEM, INC., a corporation organized under the General Corporation Law of the State of Delaware (the “**Corporation**”), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, at a meeting of its members held on February 5, 2003, duly adopted resolutions instructing the officers of the Corporation to present the following proposed amendment (the “**Proposed Amendment**”) to the Amended and Restated Certificate of Incorporation of the Corporation for consideration by the Corporation’s Stockholders at their next annual meeting, and declaring the Proposed Amendment to be advisable:

That Section 1 of Article IV of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting Section 1 of Article IV in its entirety and inserting in lieu thereof the following:

“Section 1. The total number of shares of capital stock which the Corporation shall have the authority to issue is fifty-two million (52,000,000), consisting of (a) fifty million (50,000,000) shares of Common Stock, par value \$.01 per share, and (b) two million (2,000,000) shares of Preferred Stock, par value \$1.00 per share.”

SECOND: That at the duly called annual meeting of the Corporation’s Stockholders held on May 15, 2003, at which a quorum was present in accordance with the terms of the Company’s Amended and Restated By-Laws, the Stockholders have approved, by a majority of the shares of Common Stock present in person or by proxy at such meeting, resolutions increasing the number of authorized shares of Common Stock to 50,000,000.

THIRD: That this Proposed Amendment was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being a duly authorized Officer of the Corporation, for the purpose of amending the Amended and restated Certificate of Incorporation of the Corporation pursuant to Section 242 of the General Corporation Law of the State of Delaware, does make and file this Certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly has hereunto set his hand, this 29<sup>th</sup> day of May, 2003.

/s/ Robert C. LaRose

\_\_\_\_\_  
Name: Robert C. LaRose

Title: Vice President, Chief  
Financial Officer, and  
Secretary

LANDSTAR SYSTEM, INC.  
DIRECTORS STOCK COMPENSATION PLAN

ARTICLE I  
PURPOSE

The purposes of the Plan are to enable the Company to attract, retain and motivate the best-qualified directors and to enhance a long-term mutuality of interest between the directors and stockholders of the Company by providing Eligible Directors with compensation in the form of shares of Common Stock.

ARTICLE II  
DEFINITIONS

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

- (a) "Board" means the Board of Directors of the Company
- (b) "Common Stock" means the common stock, par value \$0.01 per share, of the Company.
- (c) "Company" means Landstar System, Inc., a Delaware corporation, and any successor thereto.
- (d) "Eligible Director" means a director of the Company who is neither an officer nor an employee of the Company or any of its subsidiaries.
- (e) "Plan" means this Landstar System, Inc. Directors Stock Compensation Plan, as the same may be amended from time to time.
- (f) "Share" means one share of Common Stock.
- (g) "Share Award" means an award of 1,500 Shares.

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

ARTICLE III  
ADMINISTRATION

3.1 Rules, Interpretation and Determination. The Plan shall be administered by the Board. The Board shall have full authority to interpret and administer the Plan, to establish, amend and rescind rules for carrying out the Plan, and to take all other actions that it deems necessary or advisable for administering the Plan. Any authority exercised by the Board under the Plan and any determination or interpretation made by the Board in respect of the Plan shall be exercised or made by it in its sole discretion, and all determinations, interpretations or other actions made or taken by the Board pursuant to the provisions of the Plan shall be final, binding and conclusive for all purposes and upon all persons.

3.2 Delegation by the Board. All the powers, duties and responsibilities of the Board specified in the Plan may, to the full extent permitted by applicable law, be exercised and performed by a committee of the Board to the extent authorized by the Board to exercise and perform such powers, duties and responsibilities. Any authority duly exercised by such committee and any determination or interpretation made by such committee in the exercise of such authority shall be exercised or made in its discretion and shall be final, binding and conclusive for all purposes and upon all persons.

3.3 Agents and Indemnification. The Board or any committee thereof may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. No member or former member of the Board or any committee thereof shall be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and Bylaws, each member or former member of the Board or any committee thereof shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan, unless arising out of such person's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the person may have as a director, officer or employee or under the Certificate of Incorporation of the Company or the Bylaws of the Company.

ARTICLE IV  
COMPENSATION

4.1 Compensation. Each Eligible Director shall be entitled to compensation for his or her participation on the Board. Compensation pursuant to the Plan shall be fixed at one Share Award. Subject to Article VII, the Board may adjust the time of payment and amount of any compensation from time to time.

4.2 Commencement of Service Between Annual Meetings. In the event that an Eligible Director commences service to the Board on a date during the term of the Plan that is between annual meetings of the stockholders of the Company (each, an "Annual Meeting"), such Eligible

Director shall be entitled to receive a pro rata portion of one Share Award, based on the number of days until the expiration of his term as a director of the Company. The Eligible Director shall receive this pro rata payment as soon as reasonably practicable following his commencement of services.

#### ARTICLE V SHARE AWARDS

5.1 Share Awards. Subject to Article IV, on the first business day after each Annual Meeting occurring during the term of the Plan in which an Eligible Director is elected or re-elected to the Board, such Eligible Director shall automatically be granted one Share Award.

5.2 Restrictions on Disposition of Shares. For the three-year period following the award of Shares to an Eligible Director, neither such Eligible Director nor any of such Eligible Director's heirs or representatives shall sell, assign, transfer, pledge or otherwise directly or indirectly dispose of or encumber any such Shares to or with any other person, firm or corporation (including, without limitation, transfers to any other holder of the Company's capital stock, dispositions by gift, by will, by a corporation as a distribution in liquidation and by operation of law, other than a transfer of such Shares by operation of law to the estate of the Eligible Director upon the death of the Eligible Director, provided that such estate shall be bound by all provisions of the Plan). Notwithstanding the foregoing, the restrictions on the transfer of such Shares under this Section 5.2 shall automatically lapse (and the legend referred to in Section 5.3 shall be removed) upon the termination of such Eligible Director's service as a director of the Company.

5.3 Issuance of Stock Certificates; Legends. Upon the issuance of Shares pursuant to this Plan, a certificate or certificates for the Shares shall be issued by the Company in the name of the person or persons receiving such Shares and be delivered to or upon the order of such person or persons. Certificates for Shares issued hereunder shall bear such legend or legends as the Board, in its discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act of 1933, as amended, or to implement the provisions of the Plan or any agreements between the Company and the Eligible Director with respect to such Shares including, without limitation, a legend reflecting the restrictions on the transfer of such Shares under Section 5.2, which will include, without limitation, the following language:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING TRANSFER RESTRICTIONS) CONTAINED IN THE LANDSTAR SYSTEM, INC. DIRECTORS STOCK COMPENSATION PLAN AND NEITHER THIS CERTIFICATE NOR THE SHARES REPRESENTED BY IT ARE ASSIGNABLE OR OTHERWISE TRANSFERABLE EXCEPT IN ACCORDANCE WITH SUCH PLAN, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

5.4 Securities Law Matters. The Board, in its discretion, may require an Eligible Director to make such representations and furnish such information, as it may consider appropriate in connection with the issuance of Common Stock in compliance with applicable laws, rules, and regulations.

#### ARTICLE VI SHARES SUBJECT TO PLAN

6.1 Shares Available. Subject to the provisions of Section 6.2, the maximum number of Shares that may be issued under this Plan may not exceed 50,000 in the aggregate.

6.2 Adjustment in Capitalization. The number of Shares that are eligible for grant or available for issuance under this Plan may be adjusted by the Board if it shall deem such an adjustment to be necessary or appropriate to reflect any stock dividend, stock split or share combination, or any recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change.

6.3 Delivery of Shares. Any Shares to be delivered under this Plan may consist, in whole or in part, of treasury shares or authorized but unissued shares not reserved for any other purpose.

#### ARTICLE VII TERMINATION, MODIFICATION AND AMENDMENT

The Board at any time may terminate or suspend the Plan, and from time to time may amend or modify the Plan; provided that without the approval by a majority of the votes cast at a meeting of stockholders at which a quorum representing a majority of the Shares is present in person or by proxy, no amendment or modification may (i) materially increase the benefits accruing to Eligible Directors under the Plan, (ii) except as expressly provided in Section 6.2, materially increase the number of Shares subject to the Plan, (iii) materially modify the requirements for participation in the Plan, or (iv) make any other amendment or modification that would require the approval of the stockholders of the Company under applicable laws, rules or regulations.

#### ARTICLE VIII GENERAL PROVISIONS

8.1 Requirements of Law. The Plan, the obligations of the Company hereunder and the compensation of Eligible Directors shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national or foreign securities exchanges as may be appropriate or required, as determined by the Board. Notwithstanding any other provision of this Plan, no Shares shall be issued if the Board determines that such payment or issuance would result in a violation of applicable law, rule or regulation, including the federal securities laws and any applicable state or foreign securities laws. The Company shall not be obligated by virtue of any provision of the Plan

to issue Common Stock in violation of any such laws, rules, or regulations, and neither the Company nor its directors or officers shall have any obligation or liability to any person because of such non-issuance.

8.2 Listing of Shares. If at any time the Board shall determine in its discretion that the listing, registration or qualification of the Shares covered by this Plan upon any national securities exchange or under any United States or non-United States federal, state or other law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance of Shares under this Plan, no Shares will be issued unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

8.3 No Right to Remain as a Director. This Plan shall not impose any obligations on the Company to retain any Eligible Director as a director of the Company nor shall it impose any obligation on the part of any Eligible Director to remain in service to the Company.

8.4 No Rights as a Stockholder. Except as provided in the Plan, neither an Eligible Director nor any person or persons to whom such Eligible Director's Shares shall have passed by will or by the laws of descent and distribution, as the case may be, shall have any voting, dividend or other rights or privileges as a stockholder of the Company with respect to any Shares unless and until a certificate for Shares is issued in respect thereof.

8.5 Tax Withholding. The Company shall have the power to withhold, or require an Eligible Director to remit to the Company promptly upon notification of the amount due, an amount determined by the Company to be sufficient to satisfy all federal, state, local and foreign withholding tax requirements (if any) in respect of the issuance of Shares and the Company may defer the issuance of Shares until such requirements are satisfied. The Board may permit or require an Eligible Director to satisfy his tax withholding obligation hereunder in such other manner subject to such conditions, as the Board shall determine.

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

8.7 Controlling Law. This Plan shall be construed and enforced according to the laws of the State of Delaware without regard to its conflicts of laws principles.

8.8 Freedom of Action. Subject to Article VII, nothing in the Plan shall be construed as limiting or preventing the Company or any of its subsidiaries from taking any action with respect to the operation or conduct of its business that it deems appropriate or in its best interest.

8.9 Non-Exclusivity. Subject to applicable laws, rules and regulations, neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for directors of the Company as it may deem desirable.

8.10 Effective Date. The Plan shall be effective upon its adoption by the Board and approval by a majority of the votes cast at a meeting of stockholders at which a quorum representing a majority of the Shares is present in person or by proxy. The Plan shall continue in effect, unless sooner terminated pursuant to Article VII, until the tenth anniversary of the date on which it is adopted by the Board.

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

8.12 Severability. In the event that one or more provisions of this Plan shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

8.13 Savings Clause. If any provision of the Plan does not comply with Section 16(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder, such provision shall be deemed deleted from the Plan and the remaining provisions of the Plan shall not be affected thereby.

8.14 Notices. All notices and other communications required or permitted to be given by an Eligible Director to the Company in connection with this Plan shall be in writing and shall be deemed to have been given if delivered personally or sent by certified or express mail, return receipt requested, postage prepaid, by Federal Express, or by any recognized international equivalent of such delivery, to Robert C. LaRose, Vice President, Chief Financial Officer and Secretary, at 13410 Sutton Park Drive South, Jacksonville, FL, 32224, or to such other person or address as the Board may designate from time to time. All such notices and communications shall be deemed to have been received on the date of delivery if delivered personally or on the third business day after the mailing thereof.



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

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net income	\$ 23,725	\$ 20,762	\$ 13,566	\$ 12,248
Average number of common shares outstanding	15,713	16,223	15,652	16,252
Earnings per common share	\$ 1.51	\$ 1.28	\$ 0.87	\$ 0.75

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

	Twenty Six Weeks Ended		Thirteen Weeks Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Net income	\$ 23,725	\$ 20,762	\$ 13,566	\$ 12,248
Average number of common shares outstanding	15,713	16,223	15,652	16,252
Plus : Incremental shares from assumed exercise of stock options	609	606	575	662
Average number of common shares and common share equivalents outstanding	16,322	16,829	16,227	16,914
Diluted earnings per share	\$ 1.45	\$ 1.23	\$ 0.84	\$ 0.72

## SECTION 302 CERTIFICATION

I, Jeffrey C. Crowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landstar System, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation ; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 8, 2003

/s/ Jeffrey C. Crowe  
Jeffrey C. Crowe  
Chairman of the Board and  
Chief Executive Officer

## SECTION 302 CERTIFICATION

I, Robert C. LaRose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landstar System, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation ; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 8, 2003

/s/ Robert C. LaRose  
Robert C. LaRose  
Vice President, Chief Financial  
Officer and Secretary

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

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending June 28, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey C. Crowe, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey C. Crowe

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Jeffrey C. Crowe  
Chairman of the Board  
and Chief Executive Officer  
August 8, 2003

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

In connection with the Quarterly Report of Landstar System, Inc. (the "Company") on Form 10-Q for the period ending June 28, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. LaRose, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Robert C. LaRose

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Robert C. LaRose  
Vice President, Chief  
Financial Officer and Secretary  
August 8, 2003