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

FORM 10-K

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

For the fiscal year ended December 27, 1997

or

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

For the transition period from ____________ to ____________

Commission File Number: 0-21238

LANDSTAR SYSTEM, INC.
(Exact name of registrant as specified in its charter)

Delaware	06-1313069
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4160 Woodcock Drive, Jacksonville, Florida	32207
(Address of principal executive offices)	(Zip Code)

(904) 390-1234
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Documents Incorporated by Reference

Portions of the following documents are incorporated by reference in this

Form 10-K as indicated herein:

Document	Part of 10-K into which incorporated
1997 Annual Report to Shareholders	Part II
Proxy Statement relating to Landstar System, Inc.'s Annual Meeting of Shareholders	Part III

The number of shares of the registrant's common stock, par value $.01 per share, (the "Common Stock") outstanding as of the close of business on March 20, 1998 was 11,433,533; and the aggregate market value of the voting stock held by non-affiliates of the registrant was $349,260,947 (based on the $31.375 per share closing price on that date, as reported by NASDAQ National Market System). In making this calculation, the registrant has assumed, without admitting for any purpose, that all directors and executive officers of the registrant, and no other person, are affiliates.

LANDSTAR SYSTEM, INC.
1997 Annual Report on Form 10-K

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Part I

Item 1. - Business

General

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

Historical Background

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

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

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

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. and Landstar Poole operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors. The plan to restructure Landstar Poole included the transfer of the variable cost business component of Landstar Poole to Landstar Ranger and the disposal of 175 Landstar Poole company-owned tractors. During 1997 and 1996, the Company incurred approximately $3,164,000 and $7,263,000 of such restructuring costs, respectively. In addition, in January 1997, the operations of Landstar Gemini were merged into the operations of Landstar Logistics. The Company's restructuring plan was substantially completed by June 28, 1997.

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

Description of Business

Landstar, a transportation services company, operates one of the largest truckload carrier businesses in North America, with revenue of $1,312.7 million in 1997. The Company seeks to provide transportation services which emphasize information coordination and customer service delivered primarily by a network of approximately 1,150 independent commission sales agents. The vast majority of the Company's truckload capacity is provided by independent contractors.

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

Under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information", the Company has determined it has four reportable business segments. These are the carrier segment, multimodal segment, company-owned tractor segment and insurance segment. The following table provides financial information relating to the Company's reportable business segments as of and for the fiscal years ending 1997, 1996 and 1995 (dollars in thousands):

	Fiscal Year Ended		
	1997	1996	1995
Revenue from unaffiliated customers:			
Carrier segment	$ 945,330	$ 905,472	$ 852,235
Multimodal segment	255,041	224,384	202,413
Company-owned tractor segment	93,393	153,945	150,019
Insurance segment	18,940		
Inter-segment revenue:			
Carrier segment	$ 39,453	$ 37,479	$ 30,874
Multimodal segment	968	1,160	563
Company-owned tractor segment	6,785	6,956	9,238
Insurance segment	15,452		
Operating income:			
Carrier segment	$ 62,280	$ 57,031	$ 70,307
Multimodal segment	5,355	4,584	1,497
Company-owned tractor segment	849	1,543	4,581
Insurance segment	8,933		
Other	(30,247)	(23,261)	(26,377)
Identifiable assets:			
Carrier segment	$ 192,143	$ 212,034	$ 189,414
Multimodal segment	64,055	56,547	49,987
Company-owned tractor segment	68,791	85,526	97,098
Insurance segment	21,538		
Other	10,652	16,694	16,580

The carrier segment is comprised of three of Landstar's operating subsidiaries, Landstar Ranger, Landstar Inway and Landstar Ligon. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment business is such that a significant portion of its operating costs vary directly with revenue. At December 27, 1997, the carrier segment operated a fleet of approximately 7,500 tractors, provided by approximately 5,800 independent contractors, and approximately 12,000 trailers, 5,800 of which are supplied by independent contractors. Approximately 70% of the trailers available to the carrier segment are provided by independent contractors or are leased by the Company at rental rates that vary with the revenue generated through the trailer. The carrier segment's trailer fleet is comprised of approximately 7,200 dry vans, 3,000 flatbeds, 1,300 specialty and 400 refrigerated vans. The carrier segment has a network of approximately 860 independent commission sales agents. An agent in the carrier segment is typically paid 7% of the revenue generated through that agent, with volume-based incentive commissions that can increase the percentage to 10% of revenue. The use of independent contractors enables the carrier segment to utilize a large fleet of revenue equipment while minimizing capital investment and fixed costs, thereby enhancing the carrier segment's return on investment. Independent contractors who provide truckload capacity to the carrier segment are compensated on the basis of a fixed percentage of the revenue generated from the shipments they haul. In 1997, revenue generated through independent contractors was 99% of carrier segment revenue.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck and emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. An agent in the multimodal segment is compensated based on a percentage of the gross profit on revenue generated through that agent. Independent contractors who provide truck capacity to the multimodal segment are compensated based on a percentage of the revenue generated from the shipments they haul. Railroads and air cargo carriers are paid a contractually agreed fixed fee. The nature of the multimodal segment business is such that a significant portion of its operating costs vary directly with revenue. At December 27, 1997, the multimodal segment operated a fleet of 600 trucks, provided by approximately 530 independent contractors. The truck capacity provided by the independent contractors to the multimodal segment is primarily power only, in which the freight is hauled by an independent contractor in a customer trailer or container, or cargo van and straight truck for emergency and expedited freight services. The multimodal segment has a network of approximately 230 independent commission sales agents. In 1997, revenue generated through independent contractors, including railroads and air cargo carriers, was 100% of multimodal segment revenue.

The company-owned tractor segment is comprised of Landstar Poole. The company-owned tractor segment provides truckload transportation services over short and medium length regional traffic lanes. The company-owned tractor segment primarily markets its services through an employee sales force and primarily utilizes company-owned and employee-driven tractors and to a lesser extent

independent contractors who are compensated on a cents-per-mile driven basis. At December 27, 1997, the company-owned tractor segment operated a fleet of approximately 870 tractors, including 190 tractors provided by 171 independent contractors, and approximately 1,400 trailers. The trailer fleet of the company-owned tractor segment is comprised of approximately 1,200 dry vans and 220 flatbeds. In 1997, revenue generated through independent contractors was 18% of company-owned tractor segment revenue.

The insurance segment is Signature, a wholly-owned offshore insurance subsidiary that was formed in March 1997. The insurance segment reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar. In addition, the insurance segment provides certain property and casualty insurance directly to the Company's transportation group.

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

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

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

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

The following table illustrates the diversity of this equipment as of December 27, 1997:

Trailers:	
Vans	8,360
Specialty Vans	116
Temperature-Controlled	420
Flatbeds	2,721
Drop Deck/Low Boys	499
Light Specialty	79
Other Specialized Flatbeds	1,236
Total	13,431

MARKETING NETWORK. Landstar's network of approximately 1,150 independent commission sales agents results in regular contact with shippers at the local level and the capability to be highly responsive to shippers' changing needs. The agent network enables Landstar to be responsive both in providing specialized equipment to both large and small shippers and in providing capacity on short notice from the Company's large fleet to high volume shippers. Through its agent network, the Company believes it offers smaller shippers a level of service comparable to that typically reserved by other truckload carriers only for their largest customers. Examples of services that Landstar is able to make available through the agent network to smaller shippers include the ability to haul shipments on short notice (often within hours from notification to time of pick-up), multiple pick-up and delivery points, electronic data interchange capability and access to specialized equipment. In addition, a number of the Company's agents specialize in certain types of freight and transportation services (such as oversized or heavy loads). An agent in the carrier segment is typically paid a percentage of the revenue generated through that agent, with volume-based incentives. An agent in the multimodal segment is typically paid a contractually agreed upon percentage of the gross profit on revenue generated through that agent. During 1997, more than 360 agents generated revenue for Landstar of at least $1 million each, or approximately $981.7 million of Landstar's total revenue. The majority of the agents who generate revenue of $1 million or more have chosen to represent Landstar exclusively. The typical Landstar agent maintains a relationship with a number of shippers and services these shippers by providing a base of operations for independent contractors, both single-unit owner-operator and multi-unit contractors. Contracts with agents are typically terminable upon 30 days' notice. Historically, Landstar has experienced very limited agent turnover among its larger volume agents. Each operating subsidiary emphasizes programs to support the agents' operations and to establish pricing

parameters. Each operating subsidiary contracts directly with customers and generally assumes the credit risk and liability for freight losses or damages. The carrier segment and multimodal segment generally dispatch their fleets through their local agents, while the company-owned tractor segment generally operates through a central dispatch system. The carrier segment and multimodal segment hold regular regional agent meetings for their independent commission sales agents and Landstar holds an annual company-wide agent convention.

TECHNOLOGY. Management believes leadership in the development and application of technology is an ongoing part of providing high quality service at competitive prices. Landstar manages its carrier and multimodal segments' technology programs centrally through a Chief Information Officer. The technology programs of the company-owned equipment segment are controlled by management of that segment.

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

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

INDEPENDENT CONTRACTORS. Landstar operates the largest fleet of truckload independent contractors in North America. This provides marketing, operating, safety, recruiting and retention and financial advantages to the Company. Most of the Company's truckload independent contractors are compensated on the basis of a fixed percentage of the revenue generated from the freight they haul. This percentage generally ranges from 60% to 70% where the independent contractor provides a tractor and from 75% to 79% where the independent contractor provides both a tractor and trailer. The independent contractor must pay all the expenses of operating his/her equipment, including driver wages and benefits, fuel, physical damage insurance, maintenance, highway use taxes and debt service. In 1997, Landstar experienced a turnover rate among independent contractors of approximately 79%. A significant percentage of this turnover was attributable to independent contractors who had been independent contractors with the Company for less than one year and the effect of the restructuring. Management believes that the availability of loads is a significant factor in turnover. Management believes other factors that tend to limit turnover include the Company's extensive agent network, the Company's programs to reduce the operating costs of its independent contractors, and Landstar's reputation for quality, service and reliability. The Landstar Contractors' Advantage Purchasing Program ("LCAPP") leverages Landstar's purchasing power as one of the largest truckload carriers in North America to provide discounts to the independent contractors when they purchase equipment, fuel, tires and other items. In addition, LCFI provides a source of funds at competitive interest rates to the independent contractors to purchase tractors, trailers or mobile communication equipment. Landstar also benefits from its use of independent contractors as it allows the Company to maintain a lower level of capital investment. As a result, the carrier and multimodal segments tend to have higher variable costs and lower fixed costs.

Competition

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

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

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

Insurance and Claims

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

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

Potential Changes in Fuel Taxes

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

Independent Contractor Status

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

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

Regulation

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

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

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

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

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

Seasonality

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than the quarters ending in June, September and December due to reduced shipments and higher operating costs in the winter months.

Employees

As of December 27, 1997, the Company and its subsidiaries employed approximately 2,050 individuals. Approximately 150 Landstar Ranger drivers (out of a total of approximately 3,600) are members of the International Brotherhood of Teamsters. The Company considers relations with its employees to be good.

Item 2. - Properties

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

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

Item 3. - Legal Proceedings

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

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

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1997.

Part II

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

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

Calendar Period	1997 Market Price		1996 Market Price	
	High	Low	High	Low
First Quarter	$26 1/2	$21 3/4	$ 27 1/4	$ 21 3/4
Second Quarter	29	23 1/2	30 5/8	23 1/4
Third Quarter	28 1/2	23 1/2	29 3/8	23 1/4
Fourth Quarter	28 3/4	23 5/8	27 1/4	21 1/2

The reported last sale price per share of the Common Stock as quoted through the NASDAQ National Market System on March 20, 1998 was $31.375 per share. As of such date, Landstar had 11,433,533 shares of Common Stock outstanding. As of March 20, 1998, the Company had 105 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders of record because a substantial number of the Company's shares are held by broker or dealers for their customers in street name.

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

Item 6. - Selected Financial Data

The information required by this Item is set forth under the caption "Selected Consolidated Financial Data" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on page 45 of the Company's 1997 Annual Report to Shareholders.

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

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 25 to 30 of the Company's 1997 Annual Report to Shareholders.

Item 8. - Financial Statements and Supplementary Data

The information required by this Item is set forth under the captions "Consolidated Balance Sheets", "Consolidated Statements of Income", "Consolidated Statements of Cash Flows", "Consolidated Statements of Changes in Shareholders' Equity", "Notes to Consolidated Financial Statements", "Independent Auditors' Report" and "Quarterly Financial Data" in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 31 through 44 of the Company's 1997 Annual Report to Shareholders.

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

None.

Part III

Item 10. - Directors and Executive Officers of the Registrant

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

Item 11. - Executive Compensation

The information required by this Item is set forth under the captions "Compensation of Directors and Executive Officers", "Summary Compensation Table", "Fiscal Year-End Option Values", "Report of the Compensation Committee on Executive Compensation", "Performance Comparison" and

"Key Executive Employment Protection Agreements" on pages 9 through 14 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

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

The information required by this Item is set forth under the caption "Security Ownership by Management and Others" on pages 15 through 17 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. - Certain Relationships and Related Transactions

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

Part IV

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

(a) (1) Financial Statements

Financial statements of the Company and related notes thereto, together with the report thereon of KPMG Peat Marwick LLP dated February 10, 1998, are in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 31 through 43 of the Company's 1997 Annual Report to Shareholders.

(2) Financial Statement Schedules

The report of the Company's independent public accountants with respect to the financial statement schedules listed below appears on page 23 of this Annual Report on Form 10-K.

Schedule Number	Description	Page
I	Condensed Financial Information of Registrant Parent Company Only Balance Sheet Information	S-1
I	Condensed Financial Information of Registrant Parent Company Only Statement of Income Information	S-2
I	Condensed Financial Information of Registrant Parent Company Only Statement of Cash Flows Information	S-3
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 27, 1997	S-4
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 28, 1996	S-5
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 30, 1995	S-6

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

(3) Exhibits

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

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

(b) No reports on Form 8-K were filed during the last quarter of fiscal year 1997.

SIGNATURES

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

LANDSTAR SYSTEM, INC.

By: Henry H. Gerkens

Henry H. Gerkens
Executive Vice President & Chief Financial Officer

By: Robert C. LaRose

Robert C. LaRose
Vice President Finance & Treasurer

Date: March 25, 1998

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

Signature	Title	Date
Jeffrey C. Crowe Jeffrey C. Crowe	Chairman of the Board, President & Chief Executive Officer, Principal Executive Officer	March 25, 1998
Henry H. Gerkens Henry H. Gerkens	Executive Vice President & Chief Financial Officer; Principal Financial Officer	March 25, 1998
Robert C. LaRose Robert C. LaRose	Vice President Finance & Treasurer; Principal Accounting Officer	March 25, 1998
* John B. Bowron	Senior Vice President and Director	March 25, 1998
* David G. Bannister	Director	March 25, 1998
* Ronald W. Drucker	Director	March 25, 1998
*	Director	March 25, 1998

- -------------------
Arthur J. Fritz, Jr.

*	Director	March 25, 1998

- -------------------
Merritt J. Mott

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

EXHIBIT INDEX

Form 10-K for fiscal year ended 12/27/97

Exhibit No.	Description

(3) Articles of Incorporation and Bylaws:

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

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

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

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

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

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

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

4.5 Second Amended and Restated Credit Agreement, dated October 10, 1997, among LSHI, Landstar, the lenders named therein and The Chase Manhattan Bank as administrative agent (including exhibits and schedules thereto).(Incorporated by reference to

Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 27, 1997 (Registration No. 0-21238))

Exhibit No. Description

(10) Material Contracts:

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

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

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

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

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

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

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

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

10.9*+ Key Executive Employment Protection Agreement dated January 30, 1998 between Landstar System, Inc. and certain officers of the Company

Exhibit No. Description

	10.10*+	Amendment to the Landstar System, Inc. 1993 Stock Option Plan
(11)		Statement re: Computation of Per Share Earnings:
	11.1*	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share
	11.2*	Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share
(13)		Annual Report to Shareholders, Form 10-Q or Quarterly Report to Shareholders:
	13.1*	Excerpts from the 1997 Annual Report to Shareholders
(21)		Subsidiaries of the Registrant:
	21.1*	List of Subsidiary Corporations of the Registrant
(23)		Consents of Experts and Counsel:
	23.1*	Consent of KPMG Peat Marwick LLP as Independent Auditors of the Registrant
(24)		Power of Attorney
	24.1*	Powers of Attorney
(27)		Financial Data Schedules
	27.1*	1997 Financial Data Schedule
	27.2*	Restated 1996 Financial Data Schedule

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

INDEPENDENT AUDITORS' REPORT

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

Under date of February 10, 1998, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 27, 1997 and December 28, 1996, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995, as contained in the 1997 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1997. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 14 (a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

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

KPMG Peat Marwick LLP

Stamford, Connecticut
February 10, 1998

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

	Dec. 27, 1997	Dec. 28, 1996
Assets		
Investment in Landstar System Holdings, Inc., net of advances	$151,696	$147,344
Operating property, less accumulated amortization of $1,504 and $878		626
Total assets	$151,696	$147,970
Liabilities and Shareholders' Equity		
Current maturities of long-term debt		$ 413
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,900,974 and 12,882,874 shares	$ 129	129
Additional paid-in capital	62,169	61,740
Retained earnings	112,345	87,655
Cost of 915,441 and 94,041 shares of common stock in treasury	(22,947)	(1,967)
Total shareholders' equity	151,696	147,557
Total liabilities and shareholders' equity	$151,696	$147,970

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

	FISCAL YEAR ENDED		
	Dec. 27, 1997	Dec. 28, 1996	Dec. 30, 1995
Rental income	$ 648	$ 682	$ 323
Amortization expense	(626)	(626)	(252)
Interest expense	(22)	(56)	(71)
Equity in undistributed earnings of Landstar System Holdings, Inc.	24,736	18,942	$ 25,019
Income taxes	(46)	(17)	(57)
Net income	$ 24,690	$ 18,925	$ 24,962
Earnings per common share	$ 1.97	$ 1.48	$ 1.95
Diluted earnings per share	$ 1.96	$ 1.47	$ 1.94
Average number of shares outstanding:			
Earnings per common share	12,541,000	12,785,000	12,807,000
Diluted earnings per share	12,580,000	12,831,000	12,898,000

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

	FISCAL YEAR ENDED		
	Dec. 27, 1997	Dec. 28, 1996	Dec. 30, 1995
Operating Activities			
Net income	$ 24,690	$ 18,925	$ 24,962
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of operating property	626	626	252
Equity in undistributed earnings of Landstar System Holdings, Inc.	(24,736)	(18,942)	(25,019)
Net Cash Provided By Operating Activities	580	609	195
Investing Activities			
Additional investments in and advances from (to) Landstar System Holdings, Inc., net	20,384	(223)	2,001
Net Cash Provided (Used) By Investing Activities	20,384	(223)	2,001
Financing Activities			
Principal payments on borrowings under capital lease obligations	(413)	(622)	(469)
Proceeds from sales of common stock	429	236	
Purchases of common stock	(20,980)		(1,727)
Net Cash Used By Financing Activities	(20,964)	(386)	(2,196)
Change in cash	0	0	0
Cash at beginning of period	0	0	0
Cash at end of period	$ 0	$ 0	$ 0

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR THE FISCAL YEAR ENDED DECEMBER 27, 1997
(Dollars in thousands)

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

(A) Write-offs, net of recoveries.

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

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at	Additions			
	Beginning of	Charged to Costs and	Charged to Other Accounts	Deductions	Balance at End

Description	Period	Expenses	Describe	Describe (A)	of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 6,923	$ 1,667	$ -	$ (2,064)	$ 6,526
Deducted from other receivables	4,205	3,084	-	(2,899)	4,390
Deducted from other non-current receivables	0	17	-	-	17
	$11,128	$ 4,768	$ -	$ (4,963)	$10,933

(A) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 30, 1995
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe (A)	Deductions Describe	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 4,136	$ 3,755	$ 1,105	$ (2,073)	$ 6,923
Deducted from other receivables	3,662	2,477	95	(2,029)	4,205
	$ 7,798	$ 6,232	$ 1,200	$ (4,102)(B)	$11,128

=======	=========	=========	========	=======

(A) Amounts in this column represent opening balances from new business acquired during 1995.

(B) Write-offs, net of recoveries.

EXHIBIT 10.9

KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

THIS AGREEMENT between Landstar System, Inc., a Delaware corporation (the "Company"), and ------------------ (the "Executive"), dated as of this --- day of January 30, 1998.

W I T N E S S E T H

WHEREAS, the Company has employed the Executive in an executive officer position and has determined that the Executive holds a position of significant importance with the Company;

WHEREAS, the Company believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such situation in the best interests of shareholders;

WHEREAS, the Company understands that any such situation will present significant concerns for the Executive with respect to his financial and job security;

WHEREAS, the Company desires to assure itself of the Executive's services during the period in which it is confronting such a situation, and to provide the Executive certain financial assurances to enable the Executive to perform the responsibilities of his position without undue distraction and to exercise his judgment without bias due to his personal circumstances;

WHEREAS, to achieve these objectives, the Company and the Executive desire to enter into an agreement providing the Company and the Executive with certain rights and obligations upon the occurrence of a Change of Control (as defined in Section 2);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Company and the Executive as follows:

1. Operation of Agreement. (a) Effective Date. The effective date of this Agreement shall be the date on which a Change of Control occurs

(the "Change of Control Date"), provided that, except as provided in Section 1 (b), if the Executive is not employed by the Company on the Change of Control Date, this Agreement shall be void and without effect. Notwithstanding the foregoing, if, prior to the occurrence of a Change of Control or a Potential Change of Control (as defined in Section 2), the Executive is demoted, the Board of Directors shall have the right to declare this Agreement void and without effect.

(b) Termination of Employment Following a Potential Change of Control. Notwithstanding Section 1(a), if (i) the Executive's employment is terminated by the Company without Cause (as defined in Section 2) after the occurrence of a Potential Change

of Control and prior to the occurrence of a Change of Control and (ii) a Change of Control occurs within one year of such termination, the Executive shall be deemed, solely for purposes of determining his rights under this Agreement, to have remained employed until the date such Change of Control occurs and to have been terminated by the Company without Cause immediately after this Agreement becomes effective.

(c) Termination of Employment Following Death or Disability. This Agreement shall terminate automatically upon the Executive's death or termination due to Disability (as defined in Section 2).

2. Definitions. (a) Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean (i) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended ("the Act")), but excluding the Company, any of its subsidiaries, or any employee benefit plan of the Company or any of its subsidiaries, or any employee benefit plan of the Company or any of its subsidiaries, is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of common stock of the Company representing the greater of 35% or more of the combined voting power of the Company's then outstanding common stock; (ii) the shareholders of the Company approve a definitive agreement (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in

which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company; or (iii) the purchase of common stock of the Company pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14 (d)(2) of the Act), other than the Company, any of its subsidiaries, or an employee benefit plan of the Company or any of its subsidiaries for 35% or more of the common stock of the Company.

(b) Potential Change of Control. For the purposes of this Agreement, a "Potential Change of Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Act) commences a tender offer for common stock, which if consummated, would result in such person owning 35% or more of the combined voting power of the Company's then outstanding common stock; (ii) the Company enters into an agreement the consummation of which would constitute a Change of Control; (iii) proxies for the election of directors of the Company are solicited by anyone other than the Company; or (iv) any other event occurs which is deemed to be a Potential Change of Control by the Board of Directors of the Company.

(c) Cause. For the purposes of this Agreement, "Cause" means (i) the Executive's conviction or plea of nolo contendere to a felony; (ii) an act or acts of extreme dishonesty or gross misconduct on the Executive's part which result or are intended to result in material damage to the Company's business or reputation; or (iii) repeated material violations by the Executive of his position, authority or responsibilities as in effect at the Change of Control Date, which violations are demonstrably willful and deliberate on the Executive's part and which result in material damage to the Company's business or reputation.

(d) Good Reason. "Good Reason" means the occurrence of any of the following, without the express written consent of the Executive, after the occurrence of a Potential Change of Control or a Change of Control:

(i) (A) the assignment to the Executive of any duties inconsistent in any material adverse respect with the Executive's position, authority or responsibilities as in effect at the Change of Control Date, or (B) any other material adverse change in such position, including titles, authority or responsibilities;

(ii) any failure by the Company, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Executive, to provide the Executive with (A) an annual base salary, as it may be increased from time to time (the "Base Salary"), which is at least equal to the Base Salary paid to the Executive immediately prior to the Change of Control Date, or (B) incentive compensation opportunities at a level which is at least equal to the level of incentive compensation opportunities made available, to the Executive immediately prior to the Change of Control Date;

(iii) the failure by the Company to permit the Executive (and, to the extent applicable, his dependents) to participate in or be covered under all pension, retirement, deferred compensation, savings, medical, dental, health, disability, group life, accidental death and travel accident insurance plans and programs of the Company and its affiliated companies at a level that is commensurate with the Executive's participation in such plans immediately prior to the Change of Control Date (or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter);

(iv) the Company's requiring the Executive to be based at any office or location more than 50 miles from that location at which he performed his services for the Company immediately prior to the Change of Control, except for travel reasonably required in the performance of the Executive's responsibilities; or

(v) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 5.

In no event shall the mere occurrence of a Change of Control, absent any further impact on the Executive, be deemed to constitute Good Reason.

(e) Disability. For purposes of this Agreement, "Disability" shall mean the Executive's inability to perform the duties of his position, as determined in accordance with the policies and procedures applicable with respect to the Company's long-term disability plan, as in effect immediately prior to the Change of Control Date.

(f) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 6(d). For purposes of this Agreement, a "Notice of Termination" means a written notice given, in the case of a termination for Cause, within 10 business days of the Company's having actual knowledge of the events giving rise to such termination, and in the case of a termination for Good Reason, within 90 days of the later to occur of (x) the Change of Control Date or (y) the Executive's having actual knowledge of the events giving rise to such termination, and which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

(g) Date of Termination. For the purpose of this Agreement, the term "Date of Termination" means (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such notice of Termination or, if later, the date specified therein, as the case may be, and (ii) in all other cases, the actual date on which the Executive's employment terminates.

3. Employment Protection Benefits. (a) Basic Benefits. If (x) on or before the second anniversary of the Change of Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason at any time on or before the second anniversary of the Change of Control Date or (y) if the Executive voluntarily terminates his employment, with or without Good Reason, at any time within the 60 day period beginning on the 181st day following the Change of Control Date, then the Company shall pay the Executive the following amounts:

(i) the Executive's Base Salary earned through the Date of Termination (the "Earned Salary");

(ii) a cash amount (the "Severance Amount") equal to one (two) or (three) times the sum of

(A) the Executive's annual Base Salary; and
(B) the amount that would have been payable to the Executive as a target bonus for the year in which the Change of Control occurs; and

(iii) any vested amounts or benefits owing to the Executive under the Company's otherwise applicable employee benefit plans and programs, including any compensation previously deferred by the Executive (together with any accrued earnings thereon) and not yet paid by the Company and any accrued vacation pay not yet paid by the Company (the "Accrued Obligations").

The Earned Salary and Severance Amount shall be paid in a single lump sum as soon as practicable, but in no event more than ten business days (or at such earlier date required by law) following the Executive's Date of Termination. Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) Continuation of Benefits. If the Executive receives the Severance Amount described in this Section 3, the Executive (and, to the extent applicable, his dependents) shall be entitled, after the Date of Termination until the earlier of (x) the first anniversary of his Date of Termination (the "End Date") or (y) the date the Executive becomes eligible for comparable benefits under a similar plan, policy or program of a subsequent employer, to continue participation in all of the Company's employee and executive welfare and fringe benefit plans (the "Benefit Plans") as were generally provided to the Executive in accordance with the Company's policies and practices immediately prior to the Change of Control Date. To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall provide a comparable benefit under another plan or from the Company's general assets. The Executive's participation in the Benefit Plans will be on the same terms and conditions that would have applied had the Executive continued to be employed by the Company through the End Date.

(c) Indemnification. The Company shall indemnify the Executive and hold the Executive harmless from and against any claim, loss or cause of action arising from or out of the Executive's performance as an officer, director or employee of the Company or any of its subsidiaries or in any other capacity, including any fiduciary capacity, in which the Executive serves at the request of the Company to the maximum extent permitted by applicable law and the Company's Certificate of Incorporation and By-Laws (the "Governing Documents"), provided that in no event shall the protection afforded to the Executive hereunder be less than that afforded under the Governing Documents as in effect immediately prior to the Change of Control Date.

(d) Certain Further Payments by the Company. In the event that any amounts or benefits paid or distributed to the Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to the Executive by the Company or any affiliated company (collectively, the "Covered Payments"), are or become subject to the tax (the "Excise Tax") imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any similar tax that may hereafter be imposed, the Company shall pay to the Executive at the time specified below an additional amount (the "Tax Reimbursement Payment") such that the net amount retained by the Executive with respect to such Covered Payments, after deduction of any Excise Tax on the Covered Payments and any Federal, state and local income or employment tax and Excise Tax on the Tax Reimbursement Payment provided for by this Section 3(d), but before deduction for any Federal, state or local income or employment tax withholding on such Covered Payments, shall be equal to the amount of the Covered Payments.

The Tax Reimbursement Payment shall be paid to the Executive not later than 10 business days following the payment of the Covered Payments; provided, however, that if the amount of such Tax Reimbursement Payment cannot be finally determined on or before the date on which payment is due, the Company shall pay to the Executive by such date an amount estimated in good faith by the Company's independent certified public accountants appointed prior to the Change of Control Date or tax counsel selected by such accountants (the "Accountants") to be the minimum amount of such Tax Reimbursement Payment and shall pay the remainder of such Tax Reimbursement Payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon

as the amount thereof can be determined, but in no event later than 45 calendar days after payment of the related Covered Payments. In the event that the amount of the estimated Tax Reimbursement Payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth business day after written demand by the Company for payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(i) such Covered Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of the Accountants, the Company has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the base amount, or such parachute payments are otherwise not subject to such Excise Tax, and

(ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

For purposes of determining the amount of the Tax Reimbursement Payment, the Executive shall be deemed to pay:

(A) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which the Tax Reimbursement Payment is to be made, and

(B) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Tax Reimbursement Payment is to be made, net of the maximum reduction in Federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year.

(e) Adjustments to the Tax Reimbursement Payment. In the event that the Excise Tax is subsequently determined by the Accountants or pursuant to any proceeding or negotiations with the Internal Revenue Service to be less than the amount taken into account hereunder in calculating the Tax Reimbursement Payment made, the Executive shall repay to the Company, at the time that the amount of such reduction in the Excise Tax is finally determined, the portion of such prior Tax Reimbursement Payment that would not have been paid if such Excise Tax had been applied in initially calculating such Tax Reimbursement Payment, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Tax Reimbursement Payment to be refunded to the Company has been paid to any Federal, state or local tax authority, repayment thereof shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expenses thereof) if the Executive's good faith claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountants or pursuant to any proceeding or negotiations with the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Tax Reimbursement Payment is made (including, but not limited to, by reason of any payment the existence or amount of which cannot be determined at the time of the Tax Reimbursement Payment), the Company shall make an additional Tax Reimbursement Payment in respect of such excess (plus any interest or penalty payable with respect to such excess) at the time that the amount of such excess is finally determined.

(f) Discharge of the Company's Obligations. Except as expressly provided in Section 4, the Severance Amount and the other amounts payable and benefits provided in respect of the Executive pursuant to this Section 3 following termination of his employment shall be in full and complete satisfaction of the Executive's rights under this Agreement and any other claims he may have in respect of his employment by the Company or any of its subsidiaries. Such amounts shall constitute liquidated damages with respect to any and all such rights and claims and, upon the Executive's receipt of such amounts, the Company shall be released and discharged from any and all liability to the Executive in connection with this Agreement or otherwise in connection with the Executive's employment with the Company and its subsidiaries. Without limiting the generality of the foregoing, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others whether by reason of the subsequent employment of the Executive or otherwise. Nothing in this Section 3(f), however, shall in any way limit the Company's obligations to the Executive pursuant to Section 3(c) hereof.

4. Legal Fees and Expenses. If the Executive asserts any claim in any contest (whether initiated by the Executive or by the Company) as to the validity, enforceability or interpretation of any provision of this Agreement, the Company shall pay the Executive's legal expenses (or cause such expenses to be paid) including, without limitation, his reasonable attorney's fees, on a quarterly basis, upon presentation of proof of such expenses, provided that the Executive shall reimburse the Company for such amounts, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if the Executive shall not prevail, in whole or in part, as to any material issue as to the validity, enforceability or interpretation of any provision of this Agreement.

5. Successors. This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be

required to perform if no such succession had taken place. This Agreement is personal to the Executive and is not assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

6. Miscellaneous. (a) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, applied without reference to principles of conflict of laws.

(b) Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Jacksonville, Florida, and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration, and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Executive. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators.

(c) Entire Agreement. Upon the Change of Control Date, this Agreement shall constitute the entire agreement between the parties hereto with respect to the matters referred to herein. There are no promises, representations, inducements or statements between the parties other than those that are expressly contained herein. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. In the event any provision of this Agreement is invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not be affected. The Executive acknowledges that he is entering into this Agreement of his own free will and accord, and with no duress, that he has read this Agreement and that he understands it and its legal consequences.

(d) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the home address of the Executive noted on the records of the Company

If to the Company: Landstar Systems, Inc.
4160 Woodcock Drive
Jacksonville, Florida 32207

Attn.: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

LANDSTAR SYSTEM, INC.

By:______________________
Title:

WITNESSED:

____

____

WITNESSED:

____

EXHIBIT 10.10

LANDSTAR SYSTEM, INC.
1993 STOCK OPTION PLAN
AS AMENDED, EFFECTIVE August 7, 1997

SECTION 1.

PURPOSE

The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by (a) motivating superior performance by means of performance-related incentives,

(b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees, and (c) enabling the Company to attract and retain the services of an outstanding management team upon whose judgment, interest, and special effort the successful conduct of its operations is largely dependent.

SECTION 2.

DEFINITIONS

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

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

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

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

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

(i) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act, but excluding the Company, any of its Subsidiaries, any employee benefit plan of the Company or any of its Subsidiaries, Kelso Investment Associates IV, L.P., and its affiliates and Alex. Brown & Sons Incorporated, and its affiliates) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Act), directly or indirectly, of securities of the Company representing the greater of 35% or more of the combined voting power of the Company's then outstanding securities; or

(ii) the stockholders of the Company shall approve a definitive agreement (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the stockholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company; or

(iii) the purchase of Stock pursuant to any tender or exchange offer made by any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d)(2) of the Act), other than the Company, any of its Subsidiaries, an employee benefit plan of the Company or any of its Subsidiaries, Kelso Investment Associates IV, L.P., and its affiliates, or Alex. Brown & Sons Incorporated, and its affiliates, for 35% or more of the Stock of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3.

ELIGIBILITY AND PARTICIPATION

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

SECTION 4.

POWERS OF THE COMMITTEE

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

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

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

SECTION 5.

STOCK SUBJECT TO PLAN

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

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

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

SECTION 6.

STOCK OPTIONS

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

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

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

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

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

6.6. Buyout. The Committee may at any time offer to buy out for a payment in cash any Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time such offer is made.

SECTION 7.

TERMINATION OF EMPLOYMENT

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

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

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

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

SECTION 8.

CHANGE IN CONTROL

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

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

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

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

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

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

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

SECTION 9.

AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

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

SECTION 10.

MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

EXHIBIT 11.1

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

	Fiscal Year Ended		
	December 27, 1997	December 28, 1996	December 30, 1995
Net income	$ 24,690	$ 18,925	$ 24,962
Average number of common shares outstanding	12,541	12,785	12,807
Earnings per common share	$ 1.97	$ 1.48	$ 1.95

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EXHIBIT 11.2

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

	Fiscal Year Ended December 27, 1997	Fiscal Year Ended December 28, 1996	Fiscal Year Ended December 30, 1995
Net income	$ 24,690	$ 18,925	$ 24,962
Average number of common shares outstanding	12,541	12,785	12,807
Plus: Incremental shares from assumed exercise of stock options	39	46	91
Average number of common shares and common share equivalents outstanding	12,580	12,831	12,898
Diluted earnings per share	$ 1.96	$ 1.47	$ 1.94

EXHIBIT 13.1

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

RESULTS OF OPERATIONS

Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("Landstar" or the "Company"), provide transportation services to a variety of market niches throughout the United States and to a lesser extent in Canada and between the United States and Canada and Mexico through its operating subsidiaries which employ different operating strategies. Under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," the Company determined it has four reportable business segments. These are the carrier segment, multimodal segment, company-owned tractor segment and insurance segment.

The carrier segment consists of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway") and Landstar Ligon, Inc. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment's business is such that a significant portion of its operating costs vary directly with revenue. The carrier segment's revenue represented 72%, 71% and 71% of Landstar's consolidated revenue in 1997, 1996 and 1995, respectively.

The multimodal segment is comprised of Landstar Logistics, Inc. ("Landstar Logistics") and Landstar Express America, Inc. ("Landstar Express"). Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage, short-to-long haul movement of containers by truck and emergency and expedited air freight and truck services. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. The nature of the multimodal segment's business is such that a significant portion of its operating costs also vary directly with revenue. The multimodal segment's revenue represented 19%, 17% and 17% of Landstar's consolidated revenue in 1997, 1996 and 1995, respectively.

The company-owned tractor segment consists of Landstar Poole, Inc. ("Landstar Poole"). The company-owned tractor segment provides truckload transportation services over short and medium length regional traffic lanes. The company-owned tractor segment primarily markets its services through an employee sales force

and primarily utilizes company-owned and employee-driven tractors. The company-owned tractor segment's revenue represented 7%, 12% and 12% of Landstar's consolidated revenue in 1997, 1996 and 1995, respectively.

The insurance segment is Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary, formed in March 1997. The insurance segment reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar. In addition, the insurance segment provides certain property and casualty insurance directly to Landstar's operating subsidiaries. The insurance segment's revenue represented 2% of Landstar's consolidated revenue in 1997.

During the fourth quarter of 1996, the Company announced a plan to restructure the operations of both Landstar Poole and Landstar T.L.C., Inc. ("Landstar T.L.C."). The Landstar Poole restructuring plan included the transfer of the variable cost business component of Landstar Poole to Landstar Ranger and the disposal of 175 company-owned tractors. The Landstar T.L.C. restructuring plan included the merger of the operations of Landstar T.L.C. into Landstar Inway and the disposal of all the company-owned tractors. The restructuring was substantially completed by June 28, 1997.

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

Purchased transportation represents the amount an independent contractor is paid to haul freight and is primarily based on a contractually agreed upon percentage of revenue generated by the haul for truck capacity provided by independent contractors. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed upon fixed rate. Purchased transportation as a percentage of revenue for the intermodal services operations is normally higher than that of Landstar's other transportation operations. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through independent contractors. Commissions to agents and brokers are primarily based on contractually agreed upon percentages of revenue or contractually agreed upon percentages of gross profit. Commissions to agents and brokers as a percentage of consolidated revenue will vary directly with revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents and brokers generally will also

increase or decrease as a percentage of the Company's consolidated revenue if there is a change in the percentage of revenue contributed by the intermodal services operations or the air freight operations of the multimodal segment or through the company-employed drivers of the company-owned tractor segment.

Drivers' wages and benefits represent the amount the Company's employee drivers are compensated. Employee drivers are compensated primarily on a cents-per-mile driven basis. Drivers' wages and benefits as a percentage of consolidated revenue generally will vary only if there is a change in the revenue contribution generated through independent contractors or a change in the rate of employee driver pay or benefit structure.

The Company's intention is to continue its expansion of truckload capacity provided by independent contractors and to maintain or reduce its truckload capacity provided by company-owned equipment and company-employed drivers. It is also the Company's intention to favor independent commission sales agent locations over company-owned and operated locations. Historically, Landstar T.L.C. and the intermodal services operations of Landstar Logistics have principally utilized a company employee sales structure and to a lesser degree, independent commission sales agents. During 1996, management completed the process of converting the majority of company-owned sales locations at Landstar Logistics and Landstar T.L.C. to independent commission sales agent locations. Accordingly, purchased transportation and commissions to agents and brokers are anticipated to increase as a percentage of total consolidated revenue and drivers' wages and benefits are anticipated to decline as a percentage of total consolidated revenue over time.

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

The cost of fuel is the largest component of fuel and other operating costs. Changes in prevailing prices of fuel or increases in fuel taxes can significantly affect the company-owned tractor segment's operating results. Also included in fuel and other operating costs are costs of equipment maintenance paid to third parties and the operating costs of Landstar Poole and Landstar T.L.C. terminals. Effective August 1, 1996, Landstar closed all but one of the Landstar Poole terminals, including those that had functioned as Landstar Centers. The closings were part of Landstar's strategy to reduce the fixed cost elements of the company-owned tractor segment.

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 data processing expense, communications costs and rent expense.

Depreciation and amortization primarily relate to depreciation of tractors and trailers.

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

	Fiscal Year		
	1997	1996	1995
Revenue	100.0%	100.0%	100.0%
Costs and expenses:			
Purchased transportation	70.4	69.0	67.5
Drivers' wages and benefits	2.1	3.2	4.0
Fuel and other operating costs	3.7	5.5	5.6
Insurance and claims	3.7	2.8	3.1
Commissions to agents and brokers	7.6	6.8	6.2
Selling, general and administrative	7.1	7.1	7.7
Depreciation and amortization	1.6	1.9	1.7
Restructuring costs	0.2	0.6	
Total costs and expenses	96.4	96.9	95.8
Operating income	3.6	3.1	4.2
Interest and debt expense, net	0.4	0.6	0.7
Income before income taxes	3.2	2.5	3.5
Income taxes	1.3	1.0	1.4
Net income	1.9%	1.5%	2.1%

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

Revenue for the fiscal year 1997 was $1,312,704,000, an increase of $28,903,000, or 2.3%, over revenue for the 1996 fiscal year. The increase was attributable to higher revenue of $39,858,000 and $30,657,000 at the carrier and multimodal segments, respectively, and premium revenue of $18,940,000 generated by the insurance segment. These increases were partially offset by a $60,552,000 revenue decline at the company-owned tractor segment, which resulted from the restructuring of the operations of Landstar Poole. Overall, revenue per revenue mile (price) increased approximately 4%, which reflected improved freight quality, while revenue miles (volume) were approximately 8% lower than 1996, which reflected the effects of the restructuring. During 1997, revenue generated through all independent contractors, including railroads and air cargo carriers, was 92.9% of consolidated revenue compared with 90.4% in 1996.

Purchased transportation was 70.4% of revenue in 1997 compared with 69.0% in 1996. Drivers' wages and benefits were 2.1% of revenue in 1997 compared with 3.2% in 1996. Fuel and other operating costs were 3.7% of revenue in 1997 compared with 5.5% in 1996. The increase in purchased transportation and decrease in drivers' wages and benefits and fuel and other operating costs as a percentage of revenue was primarily attributable to an increased percentage of revenue generated through independent contractors due to the reduction of

company-owned tractors as a result of the Landstar Poole and Landstar T.L.C. restructuring. The decrease in fuel and other operating costs was also attributable to reduced terminal and maintenance costs. Insurance and claims were 3.7% of revenue in 1997 compared with 2.8% in 1996. The increase in insurance and claims as a percentage of revenue was primarily attributable to the effects of insurance programs available to the Company's independent contractors which Signature reinsures. Excluding the premium revenue and insurance and claims expense related to the above reinsurance programs, insurance and claims as a percentage of revenue was 2.9% in 1997. This increase was attributable to the favorable development of prior year claims in 1996, partially offset by lower third party premiums in 1997. Commissions to agents and brokers were 7.6% of revenue in 1997 compared with 6.8% in 1996 primarily due to an increased percentage of revenue generated through independent commission sales agents. Selling, general and administrative costs were 7.1% of revenue in both 1997 and 1996. Depreciation and amortization was 1.6% of revenue in 1997 compared with 1.9% in 1996 primarily due to the reduction of company-owned equipment as a result of the Landstar Poole and Landstar T.L.C. restructuring.

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. and Landstar Poole operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. During the 1996 fourth quarter, the Company recorded $7,263,000 in restructuring costs, which included $4,166,000 for impairment of certain long-lived assets, $939,000 for the early termination of certain operating leases, $850,000 for employee termination costs and $1,308,000 of other costs. Long-lived assets, having an aggregate carrying value of $16,500,000, were reduced to their estimated sales value and primarily represented revenue equipment to be sold. During the first half of 1997, the Company recorded an additional $3,164,000 of restructuring costs, which included $1,647,000 for office and employee relocation and $1,517,000 of other costs. The restructuring was substantially completed by June 28, 1997.

Interest and debt expense, net was 0.4% of revenue in 1997 and 0.6% in 1996. This decrease was primarily attributable to the effect of lower average borrowings on the senior credit facility, reduced capital lease obligations and interest income from investments at Signature.

The provisions for income taxes for the 1997 and 1996 fiscal years were based on an effective income tax rate of approximately 42% and 41.5%, respectively, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion. At December 27, 1997, the valuation allowance of $710,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill were reduced by $106,000 for state operating loss carryforwards utilized in 1997. The valuation allowance and goodwill will be further reduced by $682,000 when realization of deferred state income tax benefits becomes likely. The Company believes that deferred income tax benefits, net of the valuation allowance, are more likely than not to be realized because of the Company's ability to generate future taxable earnings.

Net income was $24,690,000, or $1.97 per common share, in 1997 compared with $18,925,000, or $1.48 per common share, in the prior year. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.96 in 1997 and $1.47 in 1996. Excluding restructuring costs, net income would have been $26,525,000, or $2.12 per common share ($2.11 diluted earnings per share), in 1997 and $23,174,000, or $1.81 per common share ($1.80 diluted earnings per share), in 1996.

FISCAL YEAR ENDED DECEMBER 28, 1996 COMPARED TO FISCAL YEAR ENDED DECEMBER 30, 1995

Revenue for the fiscal year 1996 was $1,283,801,000, an increase of $79,134,000, or 6.6%, over revenue for the 1995 fiscal year. The increase was primarily attributable to an increase in revenue miles of 6.5%, which included the revenue of the businesses acquired during the first quarter of 1995 for the full fifty-two weeks of 1996, and an increase of less than 1% in revenue per revenue mile. During 1996, revenue generated through independent contractors, including railroads and air cargo carriers, was 90.4% of consolidated revenue compared with 88.5% in 1995.

Purchased transportation was 69.0% of revenue in 1996 compared with 67.5% in 1995. Drivers' wages and benefits were 3.2% of revenue in 1996 compared with 4.0% in 1995. Fuel and other operating costs were 5.5% of revenue in 1996 compared with 5.6% in 1995. The increase in purchased transportation and decrease in drivers' wages and benefits and fuel and other operating costs as a percentage of revenue was primarily attributable to an increase in the percentage of revenue generated through independent contractors. The decrease in fuel and other operating costs was partially offset by an increase in fuel prices. Insurance and claims were 2.8% of revenue in 1996 compared with 3.1% in 1995 due to a decrease in third party premiums and favorable development of prior year claims. Commissions to agents and brokers were 6.8% of revenue in 1996 compared with 6.2% in 1995 due to an increase in the percentage of revenue generated through independent commission sales agents which reflected the conversion of company-owned sales locations to independent commission sales agent locations. Selling, general and administrative costs were 7.1% of revenue in 1996 compared with 7.7% of revenue in 1995, primarily due to a lower provision for customer bad debts, reduced employee sales costs which reflected the conversion of company-owned sales locations to independent commission sales agent locations and the effect of increased revenue.

Interest and debt expense, net was 0.6% of revenue in 1996 and 0.7% in 1995. This decrease was primarily attributable to the effect of increased revenue.

The provisions for income taxes for both the 1996 and 1995 fiscal years were based on an effective income tax rate of approximately 41%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion. The valuation allowance and goodwill were reduced by $190,000 for state operating loss carryforwards utilized in 1996. The valuation allowance was reduced by an additional $265,000 for state operating loss carryforwards that had expired.

Net income was $18,925,000, or $1.48 per common share, in 1996 compared with $24,962,000, or $1.95 per common share, in the prior year. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.47 in 1996 and $1.94 in 1995. Excluding restructuring costs, 1996 net income would have been $23,174,000, or $1.81 per common share ($1.80 diluted earnings per share). If the acquisitions had taken place at the beginning of 1995, pro forma net income for 1995 would have been $24,352,000, or $1.90 per common share ($1.89 diluted earnings per share).

CAPITAL RESOURCES AND LIQUIDITY

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. At December 27, 1997, Landstar had commitments for letters of credit outstanding in the amount of $24,659,000, $17,659,000 of which were supported by the Second Amended and Restated Credit Agreement, primarily as collateral for estimated insurance claims. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 27, 1997, the margin was equal to 32/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 27, 1997, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 27, 1997, the weighted average interest rate on borrowings outstanding under the Acquisition Facility was 6.32%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Acquisition Facility was estimated to approximate carrying value.

The Second Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the

Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Charge Coverage level by approximately $6,500,000 at December 27, 1997.

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

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

Shareholders' equity increased to $151,696,000, or 75% of total capitalization, at December 27, 1997, compared with $147,557,000, or 62% of total capitalization, at December 28, 1996, primarily as a result of 1997 net income and the repayment of $39,950,000 of long-term debt, partially offset by the purchase of 821,400 shares of the Company's common stock at a total cost of $20,980,000. Working capital and the ratio of current assets to current liabilities were $79,051,000 and 1.57 to 1, respectively, at December 27, 1997, compared with $70,653,000 and 1.54 to 1, respectively, at December 28, 1996. Landstar has historically operated with current ratios ranging between 1.0 to 1 and 1.5 to 1. Cash provided by operating activities was $70,431,000 in 1997 compared with $24,994,000 in 1996. The increase in cash provided by operating activities was primarily attributable to the timing of payments and cash receipts and increased earnings. During the 1997 fiscal year, Landstar purchased $9,794,000 of operating property. The Company did not acquire any operating property by entering into capital leases during 1997. Landstar anticipates it will acquire approximately $25,000,000 of operating property during fiscal year 1998 either by purchase or by lease financing.

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

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

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

The Company is aware of the issues associated with the programming code in its existing computer systems in order for the systems to recognize date-sensitive information when the year changes to 2000. The Company believes it has identified and is in the process of modifying all computer software which requires change to ensure its computer systems will be year 2000 compliant as part of its scheduled maintenance and normal system upgrades. As such, management has not separately quantified the cost of year 2000 compliance, however, management does not believe that the future costs of maintaining and upgrading Landstar's computer systems will have a material adverse effect on results of operations. It is anticipated that all reprogramming and testing efforts will be completed by May 1999. To date, confirmations have been received from the Company's primary outside processing vendors that plans have been developed to address the year 2000 issue.

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

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

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income". This Statement, effective for fiscal years beginning after December 15, 1997, establishes standards for reporting and display of comprehensive income and its components. Management believes that upon adoption of this Statement, Landstar's comprehensive income will not be materially different from its reported net income, considering the nature of the transactions the Company routinely enters into.

SEASONALITY

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than the quarters ending June, September and December due to reduced shipments and higher operating costs in the winter months.

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

	December 27, 1997	December 28, 1996
ASSETS		
Current assets:		
Cash	$ 17,994	$ 4,187
Short-term investments	3,012	
Trade accounts receivable, less allowance of $5,957 and $6,526	176,785	176,892
Other receivables, including advances to independent contractors, less allowance of $4,009 and $4,390	12,599	10,740
Inventories	922	1,785
Prepaid expenses and other current assets	6,910	7,319
Total current assets	218,222	200,923
Operating property, less accumulated depreciation and amortization of $50,301 and $50,223	81,258	105,564
Goodwill, less accumulated amortization of $8,818 and $7,087	53,289	55,126
Deferred income taxes and other assets	4,410	9,188
Total assets	$357,179	$370,801
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 12,475	$ 13,488
Accounts payable	50,394	39,901
Current maturities of long-term debt	14,228	23,241
Insurance claims	28,247	25,328
Other current liabilities	33,827	28,312
Total current liabilities	139,171	130,270
Long-term debt, excluding current maturities	36,218	67,155
Insurance claims	27,890	25,819
Deferred income taxes	2,204	
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,900,974 shares and 12,882,874 shares	129	129
Additional paid-in capital	62,169	61,740

Retained earnings	112,345	87,655
Cost of 915,441 and 94,041 shares of common stock in treasury	(22,947)	(1,967)
Total shareholders' equity	151,696	147,557
Total liabilities and shareholders' equity	$357,179	$370,801

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	December 27, 1997	December 28, 1996	December 30, 1995
Revenue	$ 1,312,704	$ 1,283,801	$ 1,204,667
Costs and expenses:			
Purchased transportation	923,654	885,500	813,003
Drivers' wages and benefits	28,010	41,210	47,970
Fuel and other operating costs	48,733	70,207	67,861
Insurance and claims	47,993	36,495	37,816
Commissions to agents and brokers	99,848	87,935	73,974
Selling, general and administrative	93,214	91,267	93,194
Depreciation and amortization	20,918	24,027	20,841
Restructuring costs	3,164	7,263	
Total costs and expenses	1,265,534	1,243,904	1,154,659
Operating income	47,170	39,897	50,008
Interest and debt expense, net	4,602	7,547	7,552
Income before income taxes	42,568	32,350	42,456
Income taxes	17,878	13,425	17,494
Net income	$ 24,690	$ 18,925	$ 24,962
Earnings per common share	$ 1.97	$ 1.48	$ 1.95
Diluted earnings per share	$ 1.96	$ 1.47	$ 1.94
Average number of shares outstanding:			
Earnings per common share	12,541,000	12,785,000	12,807,000
Diluted earnings per share	12,580,000	12,831,000	12,898,000

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Fiscal Year Ended December 27, 1997	December 28, 1996	December 30, 1995
OPERATING ACTIVITIES			
Net income	$ 24,690	$ 18,925	$ 24,962
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of long-lived assets		4,166	
Depreciation and amortization of operating property	18,783	21,878	18,824
Amortization of goodwill and non-competition agreements	2,135	2,149	2,017
Non-cash interest charges	264	264	253
Provisions for losses on trade and other receivables	3,998	4,768	6,232
Gains on sales of operating property	(2,379)	(2,530)	(2,080)
Deferred income taxes, net	6,620	355	(419)
Non-cash charge in lieu of income taxes	106	190	
Changes in operating assets and liabilities, net of businesses acquired:			
Increase in trade and other accounts receivable	(5,750)	(28,032)	(14,417)
Decrease (increase) in other assets	966	868	(2,635)
Increase (decrease) in accounts payable	10,493	2,474	(2,928)
Increase in estimated insurance claims	4,990	3,462	7,179
Increase (decrease) in other liabilities	5,515	(3,943)	(17,025)
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,431	24,994	19,963
INVESTING ACTIVITIES			
Purchases of businesses, net of cash acquired			(33,932)
Purchases of investments	(4,799)		
Maturities of short-term investments	1,787		
Purchases of operating property	(9,794)	(12,853)	(7,286)
Proceeds from sales of operating property	17,696	12,517	7,154
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,890	(336)	(34,064)
FINANCING ACTIVITIES			
Borrowings to finance businesses acquired			45,900
Borrowings under revolving credit facility		16,000	10,000
Increase (decrease) in cash overdraft	(1,013)	39	4,029
Proceeds from exercise of stock options and related income tax benefit	429	236	
Purchases of common stock	(20,980)		(1,727)
Principal payments on borrowings under revolving credit facility, long-term debt and capital lease obligations	(39,950)	(40,161)	(58,441)
NET CASH USED BY FINANCING ACTIVITIES	(61,514)	(23,886)	(239)
Increase (decrease) in cash	13,807	772	(14,340)
Cash at beginning of period	4,187	3,415	17,755
Cash at end of period	$ 17,994	$ 4,187	$ 3,415

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Fiscal Year Ended December 27, 1997,
December 28, 1996 and December 30, 1995
(Dollars in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost Shares	Treasury Stock at Cost Amount	Total
Balance December 31, 1994	12,871,674	$ 129	$61,504	$ 43,768	24,041	$ (240)	$105,161
Net income				24,962			24,962
Purchases of common stock					70,000	(1,727)	(1,727)
Balance December 30, 1995	12,871,674	129	61,504	68,730	94,041	(1,967)	128,396
Net income				18,925			18,925
Exercise of stock options and related income tax benefit	11,200		236				236
Balance December 28, 1996	12,882,874	129	61,740	87,655	94,041	(1,967)	147,557
Net income				24,690			24,690
Purchases of common stock					821,400	(20,980)	(20,980)

Exercise of stock options and related income tax benefit	18,100		429				429
Balance December 27, 1997	12,900,974	$ 129	$62,169	$112,345	915,441	$(22,947)	$151,696

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

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

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

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

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

Inventories
Inventories, consisting of fuel, tires and vehicle repair parts, are valued at the lower of average cost or market.

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

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

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

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

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

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

Earnings Per Share
In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," which requires companies to present basic earnings per share ("earnings per common share") and diluted earnings per share.

Earnings per common share amounts are based on the weighted average number of common shares outstanding and diluted earnings per share amounts are based on the weighted average number of common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of all dilutive stock options.

(2) Restructuring Costs

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

The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, Inc., the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors. The plan to restructure Landstar Poole included the transfer of the variable cost business component of Landstar Poole to Landstar Ranger, Inc. ("Landstar Ranger") and the disposal of 175 Landstar Poole company-owned tractors.

During the 1996 fourth quarter, the Company recorded $7,263,000 in restructuring costs, which included $4,166,000 for the impairment of certain long-lived assets, $939,000 for the early termination of certain operating leases, $850,000 for employee termination costs and $1,308,000 of other costs. Long-lived assets, having an aggregate carrying value of $16,500,000, were reduced to their estimated sales value and primarily represented revenue equipment to be sold. After deducting related income tax benefits of $3,014,000, the restructuring charge reduced net income by $4,249,000, or $0.33 per common share, in 1996.

During the first half of 1997, the Company recorded an additional $3,164,000 of restructuring costs, which included $1,647,000 for office and employee relocation and $1,517,000 of other costs. After deducting related income tax

benefits of $1,329,000, the restructuring charge reduced net income by $1,835,000, or $0.15 per common share, in 1997. The restructuring was substantially completed by June 28, 1997.

(3) Acquisitions

During the first quarter of 1995, Landstar, through different subsidiaries of Landstar System Holdings, Inc. ("LSHI"), acquired the businesses and net assets of Intermodal Transport Company, a California-based intermodal marketing company, LDS Truck Lines, Inc., a California-based drayage company, and T.L.C. Lines, Inc., a Missouri-based temperature-controlled and long-haul, time sensitive dry van carrier. Also in the 1995 first quarter, Landstar, through another subsidiary of LSHI, acquired all of the outstanding common stock of Express America Freight Systems, Inc., a North Carolina-based air freight and truck expedited service provider. The aggregate purchase price of the four acquisitions, including expenses, was $34,076,000, plus the assumption of $24,162,000 of long-term debt, including current maturities.

The aggregate purchase price and a portion of the debt assumed was paid or refinanced with proceeds received from $34,500,000 of borrowings under the acquisition line of Landstar's revolving credit facility, $11,400,000 of borrowings from Fleet Bank, N.A. and Mark Twain Bank, and available cash.

The acquisitions were accounted for under the purchase method and the net assets acquired and the results of operations of the four acquisitions were included in Landstar's consolidated financial statements from their respective dates of acquisition. The aggregate purchase price was allocated to the assets acquired, including $22,036,000 of operating property, and the liabilities assumed based on their respective estimated fair values. The aggregate purchase price exceeded the fair value of the net assets acquired by $27,415,000 of which $1,200,000 was assigned to non-competition agreements and $26,215,000 was assigned to goodwill. The non-competition agreements are being amortized on the straight-line method over the two and three year lives of the agreements, and goodwill is being amortized on the straight-line method over periods of twenty and forty years.

The following unaudited pro forma information represents the consolidated results of operations of Landstar and the four acquired businesses as if the acquisitions had occurred at the beginning of fiscal year 1995, and gives effect to increased depreciation of operating property, amortization of goodwill and non-competition agreements and increased interest expense, at rates available to Landstar under the acquisition line of its revolving credit facility (in thousands, except per share amounts):

	Fiscal Year 1995
Revenue	$1,214,267

Net income	$	24,352
Earnings per common share	$	1.90
Diluted earnings per share	$	1.89

The above pro forma information is not necessarily indicative of the results of operations which actually would have been obtained during 1995.

(4) Income Taxes

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

	Fiscal Year		
	1997	1996	1995
Current:			
Federal	$ 9,027	$10,830	$14,838
State	2,125	2,050	3,075
	11,152	12,880	17,913
Deferred:			
Federal	5,798	869	413
State	822	(514)	(832)
	6,620	355	(419)
Non-cash charge in lieu of income taxes	106	190	
Income taxes	$17,878	$13,425	$17,494

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

	Dec. 27, 1997	Dec. 28, 1996
Deferred tax assets:		
Receivable valuations	$ 2,380	$ 3,750
Deferred state income tax benefits	1,100	812
State net operating loss carryforwards	4,032	3,235
Self insured claims	15,094	20,294
Compensated absences	529	620
All other	376	1,245
	23,511	29,956
Valuation allowance	(710)	(816)
	$ 22,801	$ 29,140
Deferred tax liabilities:		
Operating property	$ 19,784	$ 20,254
All other	5,221	4,470
	$ 25,005	$ 24,724

At December 27, 1997, the valuation allowance of $710,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill were reduced by $106,000 for state operating loss carryforwards utilized in 1997. The valuation allowance and goodwill will be further reduced by $682,000 when realization of deferred state income tax benefits becomes likely.

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

	Fiscal Year		
	1997	1996	1995
Income taxes at federal income tax rate	$14,899	$11,323	$14,860
State income taxes, net of federal income tax benefit	1,984	1,122	1,458
Amortization of goodwill	439	439	420
Meals and entertainment exclusion	457	448	647
Other, net	99	93	109
Income taxes	$17,878	$13,425	$17,494

Landstar paid income taxes of $10,184,000 in 1997, $15,949,000 in 1996 and $19,679,000 in 1995.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 27, 1997	Dec. 28, 1996
Land	$ 1,776	$ 2,309
Leasehold improvements	56	366
Buildings and improvements	11,279	10,937
Revenue equipment	95,623	125,124
Other equipment	22,825	17,051
	131,559	155,787
Less accumulated depreciation and amortization	50,301	50,223
	$ 81,258	$105,564

Included above is $86,706,000 in 1997 and $110,936,000 in 1996 of operating property under capital lease, $46,363,000 and $74,792,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering

into capital leases in the amount of $20,690,000 in 1996 and $28,566,000 in 1995. Landstar did not acquire any property by entering into capital leases in 1997.

(6) Pension Plans

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

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

The expense for the Company sponsored defined contribution plan and for union sponsored plans was $1,037,000 and $1,193,000 in 1997, respectively, $1,144,000 and $1,085,000 in 1996, respectively, and $1,185,000 and $937,000 in 1995, respectively.

(7) Debt

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

	Dec. 27, 1997	Dec. 28, 1996
Capital leases	$31,946	$61,896
Acquisition Facility	18,500	28,500
	50,446	90,396
Less current maturities	14,228	23,241
Total long-term debt	$36,218	$67,155

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

Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 27, 1997, the margin was equal to 32/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Company's Leverage Ratio, as therein defined. As of December 27, 1997, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 27, 1997, the weighted average interest rate on borrowings outstanding under the Acquisition Facility was 6.32%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Acquisition Facility was estimated to approximate carrying value.

The Second Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Charge Coverage level by approximately $6,500,000 at December 27, 1997.

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

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

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

Landstar paid interest of $5,476,000 in 1997, $7,180,000 in 1996 and $7,359,000 in 1995.

(8) Leases

The future minimum lease payments under all noncancelable leases at December 27, 1997, principally for revenue equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
1998	$15,991	$ 1,983
1999	10,759	1,663
2000	6,583	798
2001	1,596	474
2002		345
Thereafter		60
	34,929	$ 5,323
Less amount representing interest (6.0% to 10.1%)	2,983	
Present value of minimum lease payments	$31,946	

Total rent expense, net of sublease income, was $22,270,000 in 1997, $19,928,000 in 1996 and $17,667,000 in 1995.

(9) Stock Option Plans

The Company maintains two stock option plans. Under the 1993 Stock Option Plan (the "Plan"), the Compensation Committee of the Board of Directors may grant options to Company employees for up to 615,000 shares of common stock. Under the 1994 Directors Stock Option Plan (the "DSOP"), outside members of the Board of Directors will be granted up to an aggregate of 120,000 options to purchase common stock. Under the DSOP, each outside Director will be granted 12,000 options to purchase common stock upon election or re-election to the Board of Directors.

Options granted become exercisable in five equal annual installments under the Plan and three equal annual installments under the DSOP, commencing on the first anniversary of the date of grant, subject to acceleration in certain circumstances, and expire on the tenth anniversary of the date of grant. Under the plans, the exercise price of each option equals the market price of the Company's stock on the date of grant. At December 27, 1997, there were 705,700 shares of the Company's stock reserved for issuance upon exercise of options granted under the plans.

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

	Options Outstanding		Options Exercisable	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Options at December 31, 1994	389,000	$ 22.07	37,200	$ 18.33
Granted	212,000	$ 30.06		
Forfeited	(1,500)	$ 25.50		
Options at December 30, 1995	599,500	$ 24.89	121,100	$ 21.10
Granted	35,000	$ 27.53		
Exercised	(11,200)	$ 18.50		
Forfeited	(110,400)	$ 26.94		
Options at December 28, 1996	512,900	$ 24.77	201,000	$ 23.10
Granted	23,500	$ 26.38		
Exercised	(18,100)	$ 19.89		
Forfeited	(36,800)	$ 24.95		
Options at December 27, 1997	481,500	$ 25.01	276,800	$ 23.90

The fair value of each option grant on its grant date was calculated using the Black-Scholes option pricing model with the following assumptions for grants made in 1997, 1996 and 1995: risk free interest rate of 6.0%, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 37% in 1997 and 39% in 1996 and 1995. The weighted average grant date fair value of stock options granted was $11.23, $12.06 and $13.20 per share in 1997, 1996 and

1995, respectively.

The following table summarizes stock options outstanding at December 27, 1997:

Range of Exercise Prices Per Share	Options Outstanding: Number Outstanding Dec. 27, 1997	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share
$14.625 - $22.531	120,500	6.0	$ 18.53
$22.532 - $32.250	361,000	7.6	$ 27.17
$14.625 - $32.250	481,500	7.2	$ 25.01

Range of Exercise Prices Per Share	Options Exercisable: Number Outstanding Dec. 27, 1997	Weighted Average Exercise Price Per Share
$14.625 - $22.531	94,800	$ 18.47
$22.532 - $32.250	182,000	$ 26.73
$14.625 - $32.250	276,800	$ 23.90

The Company accounts for its stock option plans using the intrinsic value method as prescribed in Accounting Principal Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation cost for the Company's stock option plans been determined using the fair value at grant date method as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation", the effect on net income and earnings per common share for the fiscal year would have been $378,000, or $0.03 per common share, in 1997, $270,000, or $0.02 per common share, in 1996 and $91,000, or $0.01 per common share, in 1995.

Options to purchase 166,500 shares of common stock at a weighted average exercise price of $29.34 per share were outstanding during 1997 but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

(10) Shareholders' Equity

During 1997, Landstar purchased 821,400 shares of its common stock at a total cost of $20,980,000 pursuant to previously announced stock purchase programs. As of December 27, 1997, Landstar may purchase up to an additional 857,600 shares of its common stock in order to complete its most recently authorized stock purchase program.

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

(11) Segment Information

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", which requires a company to report certain financial information about its operating segments. The Company implemented SFAS No. 131 for fiscal year 1997.

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

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

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

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

The following tables summarize information about the Company's reportable business segments as of and for the fiscal years ending December 27, 1997, December 28, 1996 and December 30, 1995 (in thousands):

1997	Carrier	Multimodal	Company-owned Tractor	Insurance	Other	Total
External revenue	$ 945,330	$ 255,041	$ 93,393	$ 18,940		$1,312,704
Internal revenue	39,453	968	6,785	15,452		62,658
Interest income				(468)		(468)
Interest expense, net					$ 5,070	5,070
Depreciation and amortization	6,334	1,285	9,564		3,735	20,918
Restructuring costs	1,244	154	(83)		1,849	3,164
Operating income	62,280	5,355	849	8,933	(30,247)	47,170
Expenditures on long-lived assets	6,082	861	850		2,001	9,794
Total assets	192,143	64,055	68,791	21,538	10,652	357,179

1996	Carrier	Multimodal	Company-owned Tractor	Insurance	Other	Total
External revenue	$ 905,472	$ 224,384	$ 153,945			$1,283,801
Internal revenue	37,479	1,160	6,956			45,595
Interest expense, net					$ 7,547	7,547

Depreciation and amortization	9,583	1,310	10,213		2,921	24,027
Restructuring costs	4,675		1,326		1,262	7,263
Operating income	57,031	4,584	1,543		(23,261)	39,897
Expenditures on long-lived assets	7,930	906	2,819		1,198	12,853
Capital lease additions	12,828		7,045		817	20,690
Total assets	212,034	56,547	85,526		16,694	370,801

1995	Carrier	Multimodal	Company-owned Tractor	Insurance	Other	Total
External revenue	$ 852,235	$ 202,413	$ 150,019			$1,204,667
Internal revenue	30,874	563	9,238			40,675
Interest expense, net					$ 7,552	7,552
Depreciation and amortization	8,471	1,086	9,554		1,730	20,841
Operating income	70,307	1,497	4,581		(26,377)	50,008
Expenditures on long-lived assets	1,889	785	3,197		1,415	7,286
Capital lease additions	9,796		18,770			28,566
Total assets	189,414	49,987	97,098		16,580	353,079

(12) Commitments and Contingencies

At December 27, 1997, the Company had commitments for letters of credit outstanding in the amount of $24,659,000, primarily as collateral for estimated insurance claims. The commitments for letters of credit outstanding include $17,659,000 under the Second Amended and Restated Credit Agreement and $7,000,000 secured by assets deposited with a financial institution.

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

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

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

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 27, 1997 and December 28, 1996, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 27, 1997 and December 28, 1996, and the results of their operations and their cash flows for the fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Stamford, Connecticut
February 10, 1998

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

	Fourth Quarter 1997	Third Quarter 1997	Second Quarter 1997 (1)	First Quarter 1997 (1)
Revenue	$ 347,153	$ 326,311	$ 333,682	$ 305,558
Operating income	$ 14,063	$ 13,965	$ 12,523	$ 6,619
Income before income taxes	$ 13,241	$ 13,046	$ 11,101	$ 5,180
Income taxes	5,561	5,481	4,661	2,175
Net income	$ 7,680	$ 7,565	$ 6,440	$ 3,005
Earnings per common share (2)	$ 0.63	$ 0.60	$ 0.51	$ 0.24
Diluted earnings per share (2)	$ 0.62	$ 0.60	$ 0.51	$ 0.24

	Fourth Quarter 1996 (3)	Third Quarter 1996	Second Quarter 1996	First Quarter 1996
Revenue	$ 329,017	$ 330,195	$ 329,112	$ 295,477
Operating income	$ 3,185	$ 15,261	$ 14,118	$ 7,333
Income before income taxes	$ 1,547	$ 13,325	$ 12,067	$ 5,411
Income taxes	484	5,631	5,053	2,257
Net income	$ 1,063	$ 7,694	$ 7,014	$ 3,154
Earnings per common share (2)	$ 0.08	$ 0.60	$ 0.55	$ 0.25
Diluted earnings per share (2)	$ 0.08	$ 0.60	$ 0.54	$ 0.25

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(1) Includes pre-tax restructuring costs of $1,985 and $1,179 in the second and first quarters, respectively. After deducting related income tax benefits of $834 and $495 in the second and first quarters, respectively, the restructuring costs reduced net income by $1,151, or $0.09 per common share, in the 1997 second quarter, and $684, or $0.05 per common share, in the 1997 first quarter.

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

(3) Includes pre-tax restructuring costs of $7,263. After deducting related income tax benefits of $3,014, the restructuring costs reduced net income by $4,249, or $0.33 per common share.

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

	Fiscal Year				
	1997	1996	1995	1994	1993
Income Statement Data:					
Revenue	$1,312,704	$1,283,801	$1,204,667	$ 984,359	$ 780,520
Costs and expenses:					
Purchased transportation	923,654	885,500	813,003	653,076	500,368
Drivers' wages and benefits	28,010	41,210	47,970	38,287	37,124
Fuel and other operating costs	48,733	70,207	67,861	53,627	55,376
Insurance and claims	47,993	36,495	37,816	35,413	30,314
Commissions to agents and brokers	99,848	87,935	73,974	61,542	45,965
Selling, general and administrative	93,214	91,267	93,194	83,143	68,390 (3)
Depreciation and amortization	20,918	24,027	20,841	13,509	12,759
Restructuring costs	3,164	7,263			
Total costs and expenses	1,265,534	1,243,904	1,154,659	938,597	750,296
Operating income	47,170	39,897	50,008	45,762	30,224
Interest and debt expense, net	4,602	7,547	7,552	4,134	5,711
Income before income taxes and extraordinary loss	42,568	32,350	42,456	41,628	24,513
Income taxes	17,878	13,425	17,494	17,221	10,955
Income before extraordinary loss	24,690	18,925	24,962	24,407	13,558
Extraordinary loss					(1,830) (4)
Net income	$ 24,690 (1)	$ 18,925 (2)	$ 24,962	$ 24,407	$ 11,728
Earnings per common share:					
Income before extraordinary loss	$ 1.97 (1)	$ 1.48 (2)	$ 1.95	$ 1.90	$ 1.14 (3)
Extraordinary loss					(0.15) (4)
Earnings per common share	$ 1.97 (1)	$ 1.48 (2)	$ 1.95	$ 1.90	$ 0.99 (3) (5)
Diluted earnings per share:					
Income before extraordinary loss	$ 1.96	$ 1.47	$ 1.94	$ 1.89	$ 1.12
Extraordinary loss					(0.15)
Diluted earnings per share	$ 1.96	$ 1.47	$ 1.94	$ 1.89	$ 0.97
	Dec. 27, 1997	Dec. 28, 1996	Dec. 30, 1995	Dec. 31, 1994	Dec. 25, 1993
Balance Sheet Data:					
Total assets	$ 357,179	$ 370,801	$ 353,079	$ 267,084	$ 219,412
Long-term debt, including current maturities	50,446	90,396	93,867	43,680	48,074
Shareholders' equity	151,696	147,557	128,396	105,161	80,754

(1) After deducting related income tax benefits of $1,329, the restructuring costs reduced net income by $1,835, or $0.15 per common share.

(2) After deducting related income tax benefits of $3,014, the restructuring costs reduced net income by $4,249, or $0.33 per common share.

(3) Included in selling, general and administrative costs in 1993 are one-time charges in the amount of $1,200 for the termination of consulting and management services agreements with two parties-in-interest. After deducting related income tax benefits of $504, these charges reduced earnings per common share by $0.06.

(4) Represents the after-tax loss on the early extinguishment of the Company's 14% senior subordinated notes.

(5) If the initial public offering and the redemption of the Company's 14% senior subordinated notes had taken place at the beginning of 1993, earnings per common share for 1993 would have been $1.16.

EXHIBIT 21.1

LIST OF SUBSIDIARY CORPORATIONS OF LANDSTAR SYSTEM, INC.

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

Signature Insurance Company	Cayman Islands, BWT...	100

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

Landstar Corporate Services, Inc.	Delaware	100

Subsidiary of Landstar Logistics, Inc.

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

Subsidiary of Landstar Inway, Inc.

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

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-76340 and No 33-94304) on Form S-8 of Landstar System, Inc. of our reports dated February 10, 1998, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as December 27, 1997 and December 28, 1996, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 27, 1997, December 28, 1996, and December 30, 1995, and all related schedules, which reports appear in or are incorporated by reference in the December 27, 1997 annual report on Form 10-K of Landstar System, Inc.

KPMG Peat Marwick LLP

Stamford, Connecticut
March 25, 1998

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/97

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 27, 1997, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

David G. Bannister

David G. Bannister

DATED: March 16, 1998

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/97

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 27, 1997, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

John B. Bowron

John B. Bowron

DATED: March 16, 1998

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/97

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 27, 1997, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

Ronald W. Drucker

Ronald W. Drucker

DATED: March 16, 1998

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/97

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

Arthur J. Fritz, Jr.

Arthur J. Fritz, Jr.

DATED: March 16, 1998

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/27/97

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 27, 1997, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

Merritt J. Mott

Merritt J. Mott

DATED: March 16, 1998

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This schedule contains summary financial information extracted from the Consolidated Balance Sheets at December 27, 1997 and the Consolidated Statements of Income for the fiscal year ended December 27, 1997 and is qualified in its entirety by reference to such financial statements.
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This schedule contains summary financial information extracted from the Consolidated Balance Sheets at December 28, 1996 and the Consolidated Statements of Income for the fiscal year ended December 28, 1996 and is qualified in its entirety by reference to such financial statements.
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