

LANDSTAR SYSTEM INC

Form DEF 14A

March 19, 2008

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SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

LANDSTAR SYSTEM, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

form or schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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**LANDSTAR SYSTEM, INC.
13410 Sutton Park Drive South
Jacksonville, Florida 32224**

March 31, 2008

To the Stockholders of Landstar System, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of Landstar System, Inc., on Thursday, May 1, 2008, at 9:00 a.m., local time, to be held in the first floor conference room of the principal offices of Landstar System, Inc., at the address above. A notice of meeting, a proxy card, the 2007 Annual Report on Form 10-K and a Proxy Statement containing information about the matters to be acted upon are enclosed. It is important that your shares be represented at the meeting. Accordingly, I urge you to sign and date the enclosed proxy card and promptly return it in the enclosed pre-addressed, postage-paid envelope even if you are planning to attend the meeting.

I look forward to the Annual Meeting of Stockholders, and I hope you will attend the meeting or be represented by proxy.

HENRY H. GERKENS
Chief Executive Officer

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**LANDSTAR SYSTEM, INC.
13410 Sutton Park Drive South
Jacksonville, Florida 32224**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 1, 2008**

Notice is hereby given that the 2008 Annual Meeting of Stockholders of Landstar System, Inc., a Delaware corporation (the Company), will be held in the first floor conference room of the principal offices of Landstar System, Inc., at the address above, on Thursday, May 1, 2008, at 9:00 a.m., local time, for the following purposes:

- (1) To elect three Class III Directors for terms to expire at the 2011 Annual Meeting of Stockholders;
- (2) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2008;
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 14, 2008 will be entitled to notice of and to vote at the meeting. A list of stockholders eligible to vote at the meeting will be available for inspection at the meeting at the address set forth above and during business hours from April 21, 2008 to the date of the meeting at 13410 Sutton Park Drive South, Jacksonville, Florida 32224, the Company's corporate headquarters.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 1, 2008:

The proxy statement and annual report to security holders are available at www.landstar.com.

All stockholders are cordially invited to attend the meeting in person. Whether you expect to attend the Annual Meeting or not, your proxy vote is very important. *To assure your representation at the meeting, please sign and date the enclosed proxy card and return it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States or Canada.*

By Order of the Board of Directors

/s/ MICHAEL K. KNELLER

MICHAEL K. KNELLER
Vice President, General Counsel and Secretary

Jacksonville, Florida
March 31, 2008

**IT IS IMPORTANT THAT THE ENCLOSED PROXY CARD BE COMPLETED
AND RETURNED PROMPTLY**

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LANDSTAR SYSTEM, INC.

PROXY STATEMENT

March 31, 2008

INTRODUCTION

This Proxy Statement is furnished to the stockholders of Landstar System, Inc. (the Company) in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board) to be voted at the Annual Meeting of Stockholders to be held on Thursday, May 1, 2008 at 9:00 a.m., local time (the 2008 Annual Meeting). The 2007 Annual Report to Stockholders (which does not form a part of the proxy solicitation material), including the financial statements of the Company for fiscal year 2007, is enclosed herewith. The mailing address of the principal executive offices of the Company is 13410 Sutton Park Drive South, Jacksonville, Florida 32224. This Proxy Statement, accompanying form of proxy, Notice of 2008 Annual Meeting and 2007 Annual Report are being mailed to the stockholders of the Company on or about March 31, 2008.

RECORD DATE

The Board has fixed the close of business on March 14, 2008 as the record date for the 2008 Annual Meeting. Only stockholders of record on that date will be entitled to vote at the meeting in person or by proxy.

PROXIES

Shares cannot be voted at the meeting unless the owner thereof is present in person or by proxy. The proxies named on the enclosed proxy card were appointed by the Board to vote the shares represented by the proxy card. If a stockholder does not return a signed proxy card, his or her shares cannot be voted by proxy. Stockholders are urged to mark the boxes on the proxy card to show how their shares are to be voted. All properly executed and unrevoked proxies in the accompanying form that are received in time for the meeting will be voted at the meeting or any adjournment thereof in accordance with any specification thereon, or if no specification is made, will be voted FOR each of the following proposals: (i) the election of the named nominees and (ii) the ratification of KPMG LLP as the independent registered public accounting firm for the Company. Each of these proposals is more fully described in this Notice of 2008 Annual Meeting. The proxy card also confers discretionary authority on the proxies to vote on any other matter not presently known to management that may properly come before the 2008 Annual Meeting.

Any proxy delivered pursuant to this solicitation is revocable at the option of the person(s) executing the same (i) upon receipt by the Company before the proxy is voted of a duly executed proxy bearing a later date, (ii) by written notice of revocation to the Secretary of the Company received before the proxy is voted or (iii) by such person(s) voting in person at the 2008 Annual Meeting.

The Board has selected BNY Mellon Shareowner Services as Inspectors of Election (the Inspectors) pursuant to Article I of the Company's Bylaws, as amended and restated (the Bylaws). The Inspectors shall ascertain the number of shares outstanding, determine the number of shares represented at the 2008 Annual Meeting by proxy or in person and count all votes and ballots. Each stockholder shall be entitled to one vote for each share of Common Stock (as defined hereafter) and such votes may be cast either in person or by written proxy.

PROXY SOLICITATION

The cost of the preparation of proxy materials and the solicitation of proxies will be paid by the Company. The Company has engaged Georgeson Shareholder Communications, Inc. as the proxy solicitor for the meeting for a fee of approximately \$7,000 plus reasonable expenses. In addition to the use of the mails, certain directors, officers or employees of the Company may solicit proxies by telephone or personal contact. Upon request, the Company will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares.

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STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

A description of the procedures as to how stockholders may send communications to the Board of Directors or individual Board members is included on the Company's website at www.landstar.com under Investor Relations/Corporate Governance.

VOTING SECURITIES

Shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), are the only class of voting securities of the Company which are outstanding. On March 14, 2008, 52,669,098 shares of Common Stock were outstanding. At the 2008 Annual Meeting, each stockholder of record at the close of business on March 14, 2008 will be entitled to one vote for each share of Common Stock owned on that date as to each matter properly presented to the 2008 Annual Meeting. The holders of a majority of the total number of the issued and outstanding shares of Common Stock shall constitute a quorum for purposes of the 2008 Annual Meeting.

PROPOSAL NUMBER ONE ELECTION OF DIRECTORS

The Board is divided into three classes (Class I, Class II and Class III), with Directors in each class serving staggered three-year terms. At each annual meeting of stockholders, the terms of Directors in one of these three classes expire. At that annual meeting of stockholders, Directors are elected in a class to succeed the Directors whose terms expire, with the terms of that class of Directors so elected to expire at the third annual meeting of stockholders thereafter. Pursuant to the Company's Bylaws, new Directors elected by the remaining Board members to fill a vacancy on the Board shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class of which they have been elected expires and until such Director's successors shall have been duly elected and qualified. There are seven members of the Board of Directors: three Class III Directors to be elected at the 2008 Annual Meeting of Stockholders (whose members' terms will expire at the 2011 Annual Meeting of Stockholders), two Class I Directors whose terms will expire at the 2009 Annual Meeting of Stockholders and two Class II Directors whose terms will expire at the 2010 Annual Meeting of Stockholders.

The Board has nominated David G. Bannister, Jeffrey C. Crowe and Michael A. Henning for election as Class III Directors. It is intended that the shares represented by the accompanying form of proxy will be voted at the 2008 Annual Meeting for the election of nominees David G. Bannister, Jeffrey C. Crowe and Michael A. Henning as Class III Directors, unless the proxy specifies otherwise. Each Class III Director's term will expire at the 2011 Annual Meeting of Stockholders. Each nominee has indicated his or her willingness to serve as a member of the Board, if elected.

If, for any reason not presently known, any of David G. Bannister, Jeffrey C. Crowe or Michael A. Henning is not available for election at the time of the 2008 Annual Meeting, the shares represented by the accompanying form of proxy may be voted for the election of one or more substitute nominee(s) designated by the Board or a committee thereof, unless the proxy withholds authority to vote for such substitute nominee(s).

Assuming the presence of a quorum, to be elected, a nominee must receive the affirmative vote of the holders of a majority of the Common Stock, present, in person or by proxy, at the 2008 Annual Meeting. Abstentions from voting and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD RECOMMENDS A VOTE FOR THIS PROPOSAL

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The following information describes the principal occupation or employment, other affiliations and business experience of each nominee named above and the other persons whose terms as Directors will continue after the 2008 Annual Meeting.

Name	Age	Business Experience
CLASS III Nominees to serve as Directors until the 2011 Annual Meeting		
David G. Bannister	52	Mr. Bannister has been a Director of the Company since April 1991 and was a Director of Landstar System Holdings, Inc (LSHI) from October 1988 to July 2004. Mr. Bannister is Executive Vice President and Chief Development Officer of FTI Consulting, Inc. and has held that position since June 2005. From 1998 to 2003, Mr. Bannister was a General Partner of Grotech Capital Group, a private equity and venture capital firm. Prior to joining Grotech Capital Group in May 1998, Mr. Bannister was a Managing Director at Deutsche Bank Alex Brown Incorporated.
Jeffrey C. Crowe	61	Mr. Crowe has been Chairman of the Board of the Company since April 1991. Mr. Crowe was Chief Executive Officer of the Company from December 2001 to June 30, 2004 and President and Chief Executive Officer of the Company from April 1991 to December 2001. He was Chief Executive Officer of LSHI from June 1989 to June 30, 2004. He was Chairman of the Board of LSHI from March 1991 to June 30, 2004. He was a member of the Board of Directors of each wholly-owned direct or indirect subsidiary of the Company, other than Signature Insurance Company, until June 30, 2004. Mr. Crowe has served as a Director of the U.S. Chamber of Commerce since February 1998, serving as Vice Chairman from June 2002 until May 2003 and as Chairman from June 2003 to June 2004. Mr. Crowe has also served as a Director of the National Chamber Foundation since 1997. He served as Chairman of the National Defense Transportation Association (the NDTA) from October 1993 to July 2003 and has served on the National Surface Transportation Infrastructure Financing Commission since March 2007. He has served as a Director of Silgan Holdings, Inc. since May 1997, as a Director of SunTrust Banks, Inc. since April 2004 and as a Director of PSS World Medical, Inc. since March 2007.
Michael A. Henning	67	Mr. Henning has been a Director of the Company since July 2007. Mr. Henning served in various capacities with

Ernst & Young from 1961 to 2000, including Deputy Chairman of Ernst & Young from December 1999 to October 2000 and Chief Executive Officer of Ernst & Young International from September 1993 to December 1999. Mr. Henning also serves on the Board of Directors of Omnicom Group, Inc., CTS Corporation and Highlands Acquisition Corp.

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Name	Age	Business Experience
CLASS I Directors whose terms expire at the 2009 Annual Meeting		
Ronald W. Drucker	66	Mr. Drucker has been a Director of the Company since April 1994 and was a Director of LSHI from April 1994 to July 2004. Mr. Drucker is the Chairman of the Board of Trustees of the Cooper Union for the Advancement of Science and Art. Between 1966 and 1992, Mr. Drucker served with CSX Corporation predecessor companies in various capacities, including President and Chief Executive Officer of CSX Rail Transport. He is a member of the American Railway Engineering and Maintenance-of-Way Association, the American Society of Civil Engineers and the NDTA. Mr. Drucker serves as a member of the Board of Directors of the B&O Railroad Museum.
Henry H. Gerkens	57	Mr. Gerkens has been a Director of the Company and LSHI since May 2000. Mr. Gerkens has been President and Chief Executive Officer of the Company and LSHI since July 1, 2004. He was President and Chief Operating Officer of the Company and LSHI from December 2001 to June 30, 2004. Mr. Gerkens held various other positions at the Company and LSHI since 1988. Mr. Gerkens is a member of the Board of Directors of each current wholly-owned direct or indirect subsidiary of the Company (collectively the Subsidiaries).
CLASS II Directors whose terms expire at the 2010 Annual Meeting		
William S. Elston	67	Mr. Elston has been a Director of the Company since February 1998 and was a Director of LSHI from February 1998 to July 2004. Mr. Elston was an Executive Recruiting Consultant from December 1999 until December 2003. He was President and Chief Executive Officer of Clean Shower, L.P. from November 1998 to December 1999. He served as Managing Director/Executive Vice President of DHR, International, an executive recruiting firm, from February 1995 to November 1998. He was Executive Vice President of Operations, Steelcase, Inc., April 1994 to January 1995. Mr. Elston was President and Chief Executive Officer of GATX Logistics, Inc. from 1990 through March 1994.

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Name	Age	Business Experience
Diana M. Murphy	51	Ms. Murphy has been a Director of the Company since February 1998 and was a Director of LSHI from February 1998 to July 2004. Ms. Murphy is a Managing Director of Rocksolid Holdings, LLC, a private equity firm. From 1997 to 2007, she was a Managing Director at Chartwell Capital Management Company, a private equity firm. Ms. Murphy was an associate with Chartwell Capital and served as interim President for one of Chartwell's portfolio companies, Strategic Media Research, Inc. in 1996. She was Senior Vice President for The Baltimore Sun, a newspaper company, from 1992 to 1995. Ms. Murphy also serves on the Board of Directors of The Coastal Bank of Georgia, the Southeast Georgia Boys and Girls Club and other privately held companies.

INFORMATION REGARDING BOARD OF DIRECTORS AND COMMITTEES

The business of the Company is managed under the direction of the Board. The Board meets on a regularly scheduled basis four times a year to review significant developments affecting the Company and to act on matters requiring Board approval. It also holds special meetings and acts by written consent when important matters require Board action between scheduled meetings.

Attendance at Annual Meetings

Each member of the Board of Directors is required to attend all meetings (whether special or annual) of the stockholders of the Company. In the case where a Company Director is unable to attend a special or annual stockholders meeting, such absence shall be publicly disclosed in the subsequent Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission and an explanation for such absence shall be provided to the Company's Nominating and Corporate Governance Committee. Any consideration of additional Company action, as appropriate, with respect to such absence shall be solely within the discretion of the Nominating and Corporate Governance Committee. All Board members, other than Mr. Henning who became a member of the Board in July 2007, attended the Annual Meeting of Stockholders held on May 3, 2007.

Attendance at Board Meetings

During the 2007 fiscal year, the Board held four regularly scheduled meetings, seven telephonic meetings and did not act by unanimous written consent. During the 2007 fiscal year, each Director attended 75% or more of the total number of meetings of the Board and each committee of the Board on which such Director serves.

Independent Directors

Each of David G. Bannister, Ronald W. Drucker, William S. Elston, Michael A. Henning and Diana M. Murphy is an independent director, as defined in Rule 4200(a)(15) of the Marketplace Rules of the NASDAQ Stock Market (such Directors are, collectively, the Independent Directors). The Independent Directors of the Board held five meetings during fiscal year 2007 without the presence of management or any non-Independent Directors. The Independent Directors have elected William S. Elston to serve as Lead Independent Director for such term as the Independent

Directors may determine.

Committees of the Board

The Board has established an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, a Safety Committee and a Strategic Planning Committee to devote attention to specific subjects. The functions of those committees and the number of meetings held during 2007 are described below. The

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Board does not have an Executive Committee. In addition, the Board has established a Disclosure Committee comprised of members of management, including one employee member of the Board, to establish and maintain certain disclosure controls and procedures to ensure accurate and timely disclosure in the Company's periodic reports filed with the Securities and Exchange Commission.

Audit Committee

The members of the Audit Committee are David G. Bannister, Ronald W. Drucker, William S. Elston, Michael A. Henning and Diana M. Murphy, each an Independent Director.

The charter of the Audit Committee was amended and restated by the Board of Directors at the January 31, 2006 board meeting. The Charter of the Audit Committee more fully describes the purposes, membership, duties and responsibilities of the Audit Committee described herein. A copy of the Charter of the Audit Committee is available on the Company's website at www.landstar.com under Investor Relations/Corporate Governance.

The Audit Committee (i) appoints the independent registered public accounting firm for the Company and monitors the performance of such firm, (ii) reviews and approves the scope and results of the annual audits, (iii) evaluates with the independent registered public accounting firm the Company's annual audit of the consolidated financial statements and audit of internal control over financial reporting, (iv) monitors the performance of the Company's internal audit function, (v) reviews with management the annual and quarterly financial statements, (vi) reviews with management and the internal auditors the status of internal control over financial reporting, (vii) reviews and maintains procedures for the anonymous submission of complaints concerning accounting and auditing irregularities and (viii) reviews problem areas having a potential financial impact on the Company which may be brought to its attention by management, the internal auditors, the independent registered public accounting firm or the Board. In addition, the Audit Committee preapproves all non-audit related services provided by the independent registered public accounting firm and approves the independent registered public accounting firm's fees for services rendered to the Company. During the 2007 fiscal year, the Audit Committee held four meetings and five telephonic meetings.

Compensation Committee

The members of the Compensation Committee are David G. Bannister, Ronald W. Drucker, William S. Elston, Michael A. Henning and Diana M. Murphy, each an Independent Director.

The Compensation Committee functions include (i) reviewing and making determinations with respect to matters having to do with the compensation of executive officers and Directors of the Company and (ii) administering certain plans relating to the compensation of officers and Directors. During the 2007 fiscal year, the Compensation Committee held three meetings.

The charter of the Compensation Committee was approved and adopted by the Board of Directors at the August 1, 2007 board meeting. The Charter of the Compensation Committee more fully describes the purposes, membership, duties and responsibilities of the Compensation Committee described herein. A copy of the Charter of the Compensation Committee is available on the Company's website at www.landstar.com under Investor Relations/Corporate Governance.

The Compensation Committee has full and complete discretion to establish the compensation payable to the Company's Chief Executive Officer, and that of other executive officers. With regard to such other executive officers, the Compensation Committee considers the recommendations of the Chief Executive Officer. The Compensation Committee following authorization by the Company's Board of Directors has delegated to the Company's Chief Executive Officer authority with respect to management annual salary decisions up to \$150,000 per employee upon

consultation with the Chairman of the Compensation Committee and the authority to grant up to 1,000 stock options per new employee at the director level or below of the Company. The Compensation Committee has otherwise not delegated to management any of its responsibilities with respect to the compensation of the executive officers of the Company, except in respect to the day to day operations of the Company's compensation plans.

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The Compensation Committee has the authority to hire and negotiate the terms of compensation for its advisers, including compensation consultants. The Compensation Committee periodically reviews the Company's compensation programs, and when it last conducted such a review process in 2004, it retained Mercer Consulting to assist it in this process.

Compensation Committee Interlocks and Insider Participation

As noted above, the members of the Compensation Committee are David G. Bannister, Ronald W. Drucker, William S. Elston, Michael A. Henning and Diana M. Murphy, each an Independent Director.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are David G. Bannister, Ronald W. Drucker, William S. Elston, Michael A. Henning and Diana M. Murphy, each an Independent Director.

The Nominating and Corporate Governance Committee functions include identifying persons for future nomination for election to the Board of Directors. During the 2007 fiscal year, the Nominating and Corporate Governance Committee held two meetings. Stockholders who wish to submit names to the Nominating and Corporate Governance Committee for consideration should do so in writing addressed to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Landstar System, Inc., 13410 Sutton Park Drive South, Jacksonville, Florida 32224.

The Charter of the Nominating and Corporate Governance Committee was approved and adopted by the Board of Directors at the February 27, 2004 board meeting. The Charter more fully describes the purposes, membership, duties and responsibilities of the Nominating and Corporate Governance Committee described herein. A copy of the Charter of the Nominating and Corporate Governance Committee is available on the Company's website at www.landstar.com under Investor Relations/Corporate Governance. The Nominating and Corporate Governance Committee approved and adopted Corporate Governance Guidelines at its February 1, 2006 meeting. The Corporate Governance Guidelines set forth, among other things, guidelines with respect to Director qualification standards and Board membership criteria, limitations on the number of public company boards on which a director may serve, attendance of Directors at board meetings, Director compensation, Director education, evaluation of the Company's Chief Executive Officer and Board self-assessment.

The Nominating and Corporate Governance Committee oversees an annual self-evaluation conducted by the Board in order to determine whether the Board and its Committees are functioning effectively. The Nominating and Corporate Governance Committee also oversees individual Director self-assessments in connection with the evaluation of such Director every three years for purposes of making a recommendation to the Board as to the persons who should be nominated for election or re-election, as the case may be, at the upcoming annual meeting of stockholders.

The Nominating and Corporate Governance Committee considers candidates for Board Membership suggested by its members and other Board members, as well as management and stockholders. There are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates nominees for the Board of Directors based on whether or not the nominee is recommended by a stockholder. The Nominating and Corporate Governance Committee evaluates prospective nominees against a number of minimum standards and qualifications, including business experience and financial literacy. The Nominating and Corporate Governance Committee also considers such other factors as it deems appropriate, including the current composition of the Board, the balance of management and Independent Directors, the need for Audit Committee or other relevant expertise and the evaluations of other prospective nominees. The Committee then determines whether to interview the prospective nominees, and, if warranted, one or more of the members of the Nominating and Corporate Governance Committee, and others as

appropriate, interview such prospective nominees whether in person or by telephone. After completing this evaluation and interview, the Nominating and Corporate Governance Committee makes a recommendation to the full Board of Directors as to the persons who should be nominated by the Board of Directors. The Board of Directors then determines the nominees after considering the recommendation and report of the Nominating and Corporate Governance Committee.

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Safety Committee

The members of the Safety Committee are Jeffrey C. Crowe, David G. Bannister, Ronald W. Drucker, William S. Elston, Henry H. Gerken, Michael A. Henning and Diana M. Murphy.

The Safety Committee functions include the review and oversight of the Company's safety performance, goals and strategies. During the 2007 fiscal year, the Safety Committee held two meetings and did not act by written consent.

Strategic Planning Committee

The members of the Strategic Planning Committee are Jeffrey C. Crowe, David G. Bannister, Ronald W. Drucker, William S. Elston, Henry H. Gerken, Michael A. Henning and Diana M. Murphy.

The Strategic Planning Committee functions include the development of strategic objectives and policies and procedures to achieve the strategic objectives of the Company. The Strategic Planning Committee solicits the views of the Company's senior management and determines strategic directions for implementation. During the 2007 fiscal year, the Strategic Planning Committee held one meeting and did not act by written consent.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company are paid an annual fee of \$48,000 with no additional fees payable for attendance at or participation in Board or committee meetings or service as a chairman of a committee of the Board. In addition, Directors who are not employees of the Company are paid a retainer fee of \$25,000 upon his or her election or re-election to the Board. Directors are also reimbursed for expenses incurred in connection with attending Board meetings.

Prior to 2003, Directors who were elected or re-elected to the Board at an annual stockholders meeting were granted options to purchase Common Stock of the Company under the 1994 Director's Stock Option Plan. In 2003, the 1994 Director's Stock Option Plan was replaced by the Director's Stock Compensation Plan. Pursuant to the Company's Director's Stock Compensation Plan, each non-employee Director receives 6,000 shares of the Company's Common Stock, subject to certain restrictions on transfer, upon his or her election or re-election to the Board. Under the Director's Stock Compensation Plan, Mr. Bannister and Mr. Henning, each a Director Nominee nominated for re-election at the Annual Meeting of Stockholders scheduled to be held on May 1, 2008, will receive 6,000 shares of the Company's Common Stock if re-elected.

Directors who are also employees of the Company do not receive any additional compensation for services as a Director, for services on committees of the Board or for attendance at meetings, but are eligible for expense reimbursement. With respect to Mr. Crowe, the Company's non-executive Chairman of the Board, the Company and Mr. Crowe entered into a letter agreement, dated April 27, 2004, a copy of which was attached as Exhibit 10.2 to a Current Report on Form 8-K, filed by the Company on April 28, 2004 and which is incorporated by reference to the Company's Annual Report on Form 10-K for the year ending December 29, 2007 as Exhibit 10.15. Pursuant to this letter agreement, Mr. Crowe receives an annual base salary of \$250,000 and is entitled to continue to participate in all of the Company's employee benefit plans, programs and arrangements. This letter agreement also sets forth the terms and conditions under which Mr. Crowe continues to provide the Company services in addition to those performed by other Directors.

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The following table summarizes the compensation paid to Mr. Crowe and the Independent Directors during 2007.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Total (\$)
David G. Bannister	48,000			48,000
Jeffrey C. Crowe	250,000		1,458	251,458
Ronald W. Drucker	48,000			48,000
William S. Elston	73,000	299,940		372,940
Michael A. Henning	21,759	78,531		100,290
Merritt J. Mott	16,340			16,340
Diana M. Murphy	73,000	299,940		372,940

- (1) Stock award amount reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 29, 2007, in accordance with Financial Accounting Standard No. 123R, Share-Based Payment (FAS 123R) for stock awarded upon Mr. Elston's and Ms. Murphy's re-election to the Board of Directors at the 2007 annual stockholders meeting. Mr. Elston and Ms. Murphy each were granted 6,000 shares of the Company's Common Stock at a fair value, calculated based upon the average of the high and low bid and ask prices per share of Common Stock as reported on NASDAQ on the date of grant, of \$49.99 per share. In connection with Mr. Henning's election to the Board on July 18, 2007, the Board determined that Mr. Henning should receive a pro rated portion of the restricted stock award under the 2003 Directors Stock Compensation Plan equal to 1,577 shares of the Company's Common Stock at a fair value of \$49.80 per share. In addition, the Board had previously determined that each non-employee director of the Company is entitled to receive a retainer equal to \$25,000 upon his or her election to a three-year term and an annual retainer equal to \$48,000. In connection with Mr. Henning's election to the Board, the Board determined that Mr. Henning should receive a pro rated portion of the director election retainer equal to \$6,569 for the period of Mr. Henning's service between July 18, 2007 and the Company's 2008 Annual Meeting of Stockholders and a pro rated portion of the annual retainer equal to \$21,962 for Mr. Henning's service as a director during the remainder of the third quarter and the fourth quarter of 2007, a portion of which is to be paid in 2008.
- (2) Amount for Mr. Crowe reflects the dollar amount recognized for financial reporting purposes for fiscal year ended December 29, 2007 in accordance with FAS 123R and includes amounts from option awards granted in 2004. At December 29, 2007, Messrs. Bannister, Drucker and Elston and Ms. Murphy had 72,000, 72,000, 48,000 and 72,000, respectively, option awards outstanding and exercisable to purchase the Company's Common Stock. At December 29, 2007, Mr. Crowe had no options outstanding.

The Compensation Committee of the Board has established stock ownership guidelines for Directors of the Company that recommend that each Director hold a minimum of 15,000 shares of the Company's Common Stock within five years of such Director's initial election to the Board. At March 14, 2008, each current Director who has served five years on the Board was in compliance with the stock ownership guidelines.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee has the sole authority and responsibility to select, evaluate and, when appropriate, replace the Company's independent registered public accounting firm. The Audit Committee is comprised of all of the Independent Directors. The Audit Committee operates under a written charter approved by the Board of Directors.

Management is responsible for the Company's internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The independent registered public accounting firm is also responsible for auditing the Company's internal control over financial reporting. The Audit Committee is responsible for monitoring these processes. The Audit Committee is not, however, professionally engaged in the practice of accounting or auditing and does not provide any expert or other special assurance as to such financial statements concerning compliance with laws, regulations or generally accepted accounting principles or as to the independent registered public accounting firm's independence. The Audit Committee relies, without independent verification, on the information provided to it and on presentations and statements of fact made by management, the internal auditors and the independent registered public accounting firm.

In connection with these responsibilities, as discussed elsewhere in this Proxy, the Audit Committee held four meetings and five telephonic meetings during 2007. These meetings were designed, among other things, to facilitate and encourage communication among the Audit Committee, management, the internal auditors and the independent registered public accounting firm. The Audit Committee discussed with representatives of the independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee also met with representatives of the independent registered public accounting firm, with and without management and the internal auditors present, during 2007 to discuss the December 29, 2007 financial statements and the Company's internal control over financial reporting. The Audit Committee also reviewed and discussed the December 29, 2007 financial statements with management and reviewed and discussed the status of the Company's internal control over financial reporting with management and the internal auditors. The Audit Committee also discussed with representatives of the independent registered public accounting firm the matters required by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) and also received written disclosures from the independent registered public accounting firm required by the Public Company Accounting Oversight Board Interim Independence Standards Rule 3600T (Independence Discussions with Audit Committees). The Audit Committee had discussions with representatives of the independent registered public accounting firm concerning the independence of the independent registered public accounting firm under the rules and regulations governing auditor independence promulgated under the Sarbanes-Oxley Act. The Audit Committee had discussions with management and the internal auditors concerning the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the Securities and Exchange Commission and the Sarbanes-Oxley Act to accompany the Company's periodic filings with the Securities and Exchange Commission.

The Board of Directors has determined that Mr. Bannister and Mr. Henning, each an independent director as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities and Exchange Act of 1934 (the '34 Act'), meet the SEC criteria of an audit committee financial expert under the standards established by Item 401(h)(2) of Regulations S-K under the Securities Act. Mr. Bannister's background and experience includes serving as a Managing Director of Deutsche Bank Alex Brown Incorporated, a General Partner of Grotech Capital Group, and currently as Executive Vice President and Chief Development Officer of FTI Consulting, Inc., a critical issues solutions firm listed on the New York Stock Exchange. In addition, Mr. Bannister was a certified public accountant employed as an audit

manager at the firm of Deloitte, Haskins and Sells. Mr. Henning's background and experience includes serving in various capacities with Ernst & Young from 1961 to 2000, including Deputy Chairman of Ernst & Young from December 1999 to October 2000 and Chief Executive Officer of Ernst & Young International from September 1993 to December 1999.

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During 2007, the Audit Committee preapproved the continuation of all non-audit services to be rendered to the Company by the independent registered public accounting firm in 2007(which services are disclosed elsewhere in this Proxy Statement) and concluded that these services were compatible with maintaining the independence of the registered public accounting firm.

Based upon the Audit Committee's discussions with management and the independent registered public accounting firm, and the Audit Committee's review of the representations of management and the independent registered public accounting firm, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 29, 2007, filed with the Securities and Exchange Commission on February 26, 2008. The Audit Committee has also selected KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 27, 2008 and has recommended to the Board that this selection be presented to the stockholders for ratification.

THE AUDIT COMMITTEE

David G. Bannister, Chairman
Ronald W. Drucker
William S. Elston
Michael A. Henning
Diana M. Murphy

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The following table sets forth the name, age, principal occupation and business experience during the last five years of each of the current executive officers (the "Executive Officers") of the Company. The Executive Officers of the Company serve at the discretion of the Board and until their successors are duly elected and qualified. For information regarding ownership of Common Stock by the Executive Officers of the Company, see "Security Ownership by Management and Others." There are no family relationships among any of the Directors and Executive Officers of the Company or any of its Subsidiaries.

Name	Age	Business Experience
Henry H. Gerkens	57	See previous description under "Directors of the Company."
James B. Gattoni	46	Mr. Gattoni was named Vice President and Chief Financial Officer of the Company on April 23, 2007. Mr. Gattoni has been an Executive Officer of the Company since January 2005. Mr. Gattoni was Vice President and Co-Chief Financial Officer of the Company from January 2, 2007 to April 20, 2007. He was Vice President and Corporate Controller of LSHI from July 2000 to January 1, 2007. He was Corporate Controller from November 1995 until July 2000. He is also an officer of each of the Subsidiaries.
Michael K. Kneller	33	Mr. Kneller has been an Executive Officer of the Company since June 2005. He has been Vice President, General Counsel and Secretary of the Company since June 2005. Prior to joining the Company in 2005, Mr. Kneller was a corporate attorney at the law firm of Debevoise and Plimpton LLP. He is also an officer of each of the Subsidiaries, other than Signature.
Patrick J. O Malley	49	Mr. O Malley has been an Executive Officer of the Company since January 2008. Mr. O Malley was named President of Landstar Carrier Services, Inc. ("LCSI"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Gemini, Inc. ("Landstar Gemini"), Landstar Inway, Inc. ("Landstar Inway"), Landstar Ligon, Inc. ("Landstar Ligon"), and Landstar Ranger, Inc. ("Landstar Ranger") on January 2, 2008. Mr. O Malley was Executive Vice President of Operations for LCSI, Landstar Gemini, Landstar Inway, Landstar Ligon and Landstar Ranger from January 2005 to December 2007. Mr. O Malley was Vice President and Chief Safety Officer of LSHI from January 2003 to January 2005. Prior to 2003, Mr. O Malley held various other positions within subsidiaries of the Company since 1985.

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Name	Age	Business Experience
Jim M. Handoush	46	Mr. Handoush has been an Executive Officer of the Company since January 2005. Mr. Handoush has been the President of Landstar Global Logistics, Inc. (Landstar Global Logistics) since January 2005. Mr. Handoush was President of Landstar Logistics, Inc. (Landstar Logistics) from July 2004 to April 2007 at which time Landstar Logistics merged with Landstar Global Logistics. Mr. Handoush was President of Landstar Express America from January 2006 to December 2007. From January 2003 until July 2004, he was Executive Vice President and Chief Financial Officer of Landstar Logistics. From January 1996 until July 2004, he was Vice President and Chief Financial Officer of Landstar Logistics.
Larry S. Thomas	47	Mr. Thomas has been an Executive Officer of the Company since January 2005. He has been Vice President and Chief Information Officer of the Company since January 2005. Mr. Thomas has been Vice President and Chief Information Officer of LSHI since May 2001. He was Vice President Research and Development of LSHI from July 2000 until May 2001. From April 1994 until July 2000, he was Director of Management Information Systems of Landstar Ligon.
Joseph J. Beacom	43	Mr. Beacom has been an Executive Officer of the Company since January 2006. He has been Vice President and Chief Compliance, Safety and Security Officer of the Company since January 2006. Mr. Beacom has been Vice President and Chief Safety, Security and Compliance Officer of LSHI since May 2005. From March 2000 to April 2005, he was Chief Compliance Officer of LSHI. Prior to March 2000, Mr. Beacom held various positions at Landstar Inway since 1995.

Compensation Discussion and Analysis**Overall Policy**

The Company's executive compensation philosophy is designed to attract and motivate executive talent best suited to develop and implement the Company's business strategy. These objectives are attained by tying a significant portion of each executive's compensation to the Company's success in meeting specified annual corporate financial performance goals and, through the grant of stock options, to appreciation in the Company's stock price. The Company's philosophy is to recognize individual contributions while supporting a team approach in achieving overall business objectives and increasing shareholder value.

The key elements of the Company's executive compensation consist of base salary, annual incentive payments and stock options. The Company's policies with respect to each of these elements, including the basis for the compensation awarded, are discussed below.

The Company's philosophy is to pay annual compensation generally in cash, with long-term incentive compensation paid in the form of stock options. Base salary is intended to constitute a modest percentage of total compensation. The annual incentive compensation plan is designed to pay substantial compensation for superior

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performance. Stock options have historically accounted for a significant portion of each Executive Officer's total compensation. The Company believes this approach both rewards for performance and is generally aligned with the Company's variable cost business model. The Company awards stock options to its Executive Officers as a reward for the achievement of overall business objectives and to help align management's future interests with that of the Company's stockholders.

The Compensation Committee of the Company's Board of Directors is solely responsible for decisions with respect to the compensation of the Company's President and Chief Executive Officer, Henry H. Gerken. The Compensation Committee is also responsible, taking into consideration recommendations of the President and Chief Executive Officer, for decisions with respect to the compensation awarded to the other individuals whose compensation is detailed below (collectively herein referred to as the "Named Executives"), subject to review by the entire Board of Directors of the Company.

The executive compensation program is reviewed annually by the Compensation Committee. Periodically, at the Compensation Committee's sole discretion, an independent review of the executive compensation program may be performed by outside consultants. The last such review took place during the Company's 2004 fiscal year.

Base Salaries

Base salaries for Executive Officers are initially determined by evaluating the responsibilities of the position held and the experience of the individual. Salary adjustments are determined by evaluating the performance of the Company and of each Executive Officer, and also take into account the assumption of new responsibilities. In the case of Executive Officers with responsibility for an operating subsidiary, the financial results of such operating subsidiary are also considered. The base salaries of the seven Named Executives are detailed in the Summary Compensation Table that follows.