

LANDSTAR SYSTEM INC

Form DEF 14A

March 19, 2004

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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)

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LANDSTAR SYSTEM, INC.

**13410 Sutton Park Drive South
Jacksonville, Florida 32224**

March 24, 2004

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 13, 2004, at 10:00 AM, local time, to be held in the first floor conference room of the principal offices of Landstar System, Inc., at 13410 Sutton Park Drive South, Jacksonville, Florida 32224. A notice of meeting, a proxy card, the 2003 Annual Report 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.

JEFFREY C. CROWE

Chairman of the Board and 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 13, 2004

Notice is hereby given that the 2004 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 above address, on Thursday, May 13, 2004, at 10:00 a.m., local time, for the following purposes:

- (1) To elect three Class II Directors for terms to expire at the 2007 Annual Meeting of Stockholders;
- (2) To ratify the appointment of KPMG LLP as the Company's independent auditors for fiscal year 2004;
- (3) To consider approval of an amendment to Article IV of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized shares of Common Stock of the Company; and
- (4) 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 19, 2004 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 May 3, 2004 to the date of the meeting at the Company's corporate headquarters as set forth above.

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

ROBERT C. LAROSE
Vice President, Chief Financial Officer and Secretary

Jacksonville, Florida
March 24, 2004

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

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LANDSTAR SYSTEM, INC.

PROXY STATEMENT

March 24, 2004

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 13, 2004 at 10:00 a.m., local time (the 2004 Annual Meeting). The 2003 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 2003, 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 2004 Annual Meeting and 2003 Annual Report are being mailed to the stockholders of the Company on or about March 24, 2004.

RECORD DATE

The Board has fixed the close of business on March 19, 2004 as the record date for the 2004 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, (ii) the ratification of KPMG LLP as independent auditors for the Company and (iii) the approval of the amendment to Article IV of the Company's Restated Certificate of Incorporation, as amended, (the Certificate of Incorporation) to increase the number of authorized shares of Common Stock of the Company. Each of these proposals is more fully described in this Notice of 2004 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 2004 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 2004 Annual Meeting.

The Board has selected The Bank of New York 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 2004 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.

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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 Geogeson Shareholder Communications, Inc. as the proxy solicitor for the meeting for a fee of approximately \$6,500 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.

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 are included on the Company's website at www.landstar.com under 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 19, 2004, 29,776,172 shares of Common Stock were outstanding. At the 2004 Annual Meeting, each stockholder of record at the close of business on March 19, 2004 will be entitled to one vote for each share of Common Stock owned on that date as to each matter properly presented to the 2004 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 2004 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 II Directors to be elected at the 2004 Annual Meeting of Stockholders (whose members' terms will expire at the 2007 Annual Meeting of Stockholders), two Class III Directors whose terms will expire at the 2005 Annual Meeting of Stockholders and two Class I Directors whose terms will expire at the 2006 Annual Meeting of Stockholders.

It is intended that the shares represented by the accompanying form of proxy will be voted at the 2004 Annual Meeting for the election of nominees William S. Elston, Merritt J. Mott and Diana M. Murphy as Class II Directors, unless the proxy specifies otherwise. Each Class II Director's term will expire at the 2007 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 William S. Elston, Merritt J. Mott or Diana M. Murphy is not available for election at the time of the 2004 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 2004 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

Table of Contents**DIRECTORS OF THE COMPANY**

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 2004 Annual Meeting.

Name	Age	Business Experience
CLASS II Nominees to serve as Directors until the 2007 Annual Meeting		
William S. Elston	63	Mr. Elston has been a Director of the Company and Landstar System Holdings, Inc. (a wholly-owned subsidiary of the Company) (LSHI) since February 1998 and an Executive Recruiting Consultant since December 1999. 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.
Merritt J. Mott	58	Mr. Mott has been a Director of the Company and a Director of LSHI since August 1994. He is the Owner and Chief Executive Officer of Rockford Sanitary Systems, Inc. Mr. Mott also serves as a consultant to various private enterprises. From 1980 through 1996, he served in various capacities at Mott Bros. Company including Executive Vice President and Chief Financial Officer. Mr. Mott was a Director of Rockford Health Plans from 1994 through 1997. He serves as a Director of Blackhawk Bancorp, Inc. and has served as a trustee of the William Howard Trust since 1984.
Diana M. Murphy	47	Ms. Murphy has been a Director of the Company and LSHI since February 1998 and has been a Managing Director in the private equity firm of Chartwell Capital Management Company since 1997. 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 division of The Tribune Corporation from 1992 to 1995. Ms. Murphy also serves on the Board of Directors of Raymedica, Inc., eMotion and Enterworks, Inc.
CLASS III Directors whose terms expire at the 2005 Annual Meeting		
David G. Bannister	48	Mr. Bannister has been a Director of the Company since April 1991 and a Director of LSHI since October 1988. Mr. Bannister is an independent investor. 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 in May 1998, Mr. Bannister was a Managing Director at Deutsche Bank Alex. Brown Incorporated. Mr. Bannister also serves on the Board of Directors of Allied Holdings, Inc.

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Name	Age	Business Experience
Jeffrey C. Crowe	57	<p>Mr. Crowe has been Chairman of the Board and Chief Executive Officer of the Company since April 1991. Mr. Crowe was President of the Company from April 1991 to June 2001. He has been Chief Executive Officer of LSHI since June 1989 and Chairman of the Board of LSHI since March 1991. Mr. Crowe has been President of Signature Insurance Company (Signature), one of the Company's subsidiaries, since February 1997. Mr. Crowe is a member of the Board of Directors of each wholly-owned direct or indirect subsidiary of the Company (collectively the Subsidiaries) except Signature, namely: Landstar Gemini, Inc. (Landstar Gemini), Landstar Inway, Inc. (Landstar Inway), Landstar Ligon, Inc., (Landstar Ligon), Landstar Contactor Financing, Inc. (LCFI), Landstar Carrier Services, Inc. (LCS), Risk Management Claim Services, Inc., (RMCS), Landstar Ranger, Inc., (Landstar Ranger), Signature Technology Services, Inc. (STSI), Landstar Corporate Services, Inc. (LCSI), Landstar Express America, Inc. (Landstar Express America) and Landstar Logistics, Inc. (Landstar Logistics). 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 commenced serving as Chairman of the U.S. Chamber of Commerce in June 2003. He served as Chairman of the National Defense Transportation Association (NDTA) from October 1993 to July 2003. He has served as a Director of Silgan Holdings Inc. since May 1997, a Director of the National Chamber Foundation since November 1997 and a Director of SunTrust Bank-North Florida since January 1999. He became a member of the Board of Trustees of United Way North East Florida in August 2003. He served as a member of the Board of Advisors for the U.S. Merchant Marine Academy Global Maritime and Transportation School from April 2001 to April 2002 and served as a Director for the ENO Transportation Foundation, Inc. from October 2001 until January 2004.</p>
CLASS I Directors whose term expire at the 2006 Annual Meeting		
Ronald W. Drucker	62	<p>Mr. Drucker has been a Director of the Company and a Director of LSHI since April 1994. Mr. Drucker is a consultant. He served as Chairman of the Board of Encompass, a global logistics information joint venture of AMR and CSX Corporation from 1989 through 1997. Between 1966 and 1992, Mr. Drucker served with CSX Corporation predecessor companies in various capacities. He is a member of the American Railway Engineering and Maintenance-of-Way Association and the American Society of Civil Engineers and serves as a member of the Board of Directors of SunTrust Bank-North Florida, The Cooper Union for the Advancement of Science and Art, and the NDTA.</p>
Henry H. Gerken	53	<p>Mr. Gerken has been a Director of the Company and LSHI since May 2000. Mr. Gerken has been President and Chief Operating Officer of the Company and LSHI since December 2001. He was President and Chief Financial</p>

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Name	Age	Business Experience
		Officer of the Company and LSHI from July 2001 to December 2001. He served as Executive Vice President and Chief Financial Officer of the Company and LSHI from November 1994 to July 2001. He served as Vice President and Chief Financial Officer of the Company from January 1993 to November 1994 and held the same positions at LSHI from August 1988 to November 1994. He is a member of the Board of Directors of each of the Subsidiaries.

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 immediately preceding 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 attended the Annual Meeting of Stockholders held on May 15, 2003.

Attendance at Board Meetings

During the 2003 fiscal year, the Board held four regularly scheduled meetings, two telephonic meetings and acted twice by unanimous written consent. During such fiscal year, each Director attended 75% or more of the total number of meetings during such periods 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, Merritt J. Mott and Diana M. Murphy is an independent director, as defined in Rule 4200(a)(15) of the National Association of Securities Dealers (NASD) listing standards (such Directors are, collectively, the Independent Directors). The Independent Directors of the Board held four meetings during fiscal year 2003 without the presence of management or any inside directors.

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 and to assist in the discharge of its responsibilities. The functions of those committees and the number of meetings held during 2003 are described below. The Board does not have an Executive Committee. In addition, the Board has established a Disclosure Committee comprised of members of management, including the two employee members 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.

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The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are each comprised of all of the Independent Directors. The Safety Committee and Strategic Planning Committee are each comprised of all members of the Board of Directors.

Audit Committee

The Audit Committee (i) appoints the independent auditors for the Company and monitors the performance of such firm, (ii) reviews and approves the scope and results of the annual audit, (iii) evaluates with the independent auditors the Company's annual audit and annual consolidated financial statements, (iv) reviews with management the status of internal accounting controls, (v) reviews and maintains procedures for the anonymous submission of complaints concerning accounting and auditing irregularities, and (vi) reviews problem areas having a potential financial impact on the Company which may be brought to its attention by management, the independent auditors or the Board. In addition, the Audit Committee preapproves all non-audit related services provided by the independent auditors and approves the independent auditors' fees for services rendered to the Company. During the 2003 fiscal year, the Audit Committee held ten meetings. The Charter of the Audit Committee is attached as Appendix A hereto and is also available on the Company's website at www.landstar.com under Corporate Governance.

Compensation Committee

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 2003 fiscal year, the Compensation Committee held four meetings and one telephonic meeting.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee functions include identifying persons for future nomination for election to the Board of Directors. During the 2003 fiscal year, the Nominating and Corporate Governance Committee held one meeting. 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. A copy of 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, and is attached as Appendix B hereto. A copy of the Charter of the Nominating and Corporate Governance Committee is included on the Company's website at www.landstar.com under Corporate Governance. The purposes, membership, duties and responsibilities of the Nominating and Corporate Governance Committee are more fully described in Appendix B.

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 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 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 Safety Committee functions include the development and implementation of safety goals and strategies to be implemented by the Company. During the 2003 fiscal year, the Safety Committee held two meetings and did not act by written consent.

Strategic Planning Committee

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 2003 fiscal year, the Strategic Planning Committee held two meetings and did not act by written consent.

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 auditors. 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 controls and financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards accepted in the United States of America and to issue a report thereon. The Audit Committee's responsibility is to monitor 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 auditor independence. The Audit Committee relies, without independent verification, on the information provided to it and on presentations and statements of fact made by management and the independent auditors.

In connection with these responsibilities, as discussed elsewhere in this Proxy, the Audit Committee held ten meetings during 2003. These meetings were designed, among other things, to facilitate and encourage communication among the Audit Committee, management and the independent auditors. The Audit Committee discussed with the independent auditors the overall scope and plans for their audit. The Audit Committee also met with the independent auditors, with and without management present, during 2004 to discuss the December 27, 2003 financial statements and their observations regarding the Company's internal controls. The Audit Committee also reviewed and discussed the December 27, 2003 financial statements with management. The Audit Committee also discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees) and also received written disclosures from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee had discussions with the independent auditors concerning the independence of the independent auditors under the rules and regulations governing auditor independence promulgated under the Sarbanes-Oxley Act. The Audit Committee had discussions with management 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. David Bannister, an independent director as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act, meets 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 extensive background and experience includes serving as the Managing Director of Deutsche Bank Alex. Brown Incorporated and most recently as a General Partner of Grotech

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Capital Group, where Mr. Bannister participated in dealing with accounting, auditing and internal control and risk management issues.

During 2003, the Audit Committee preapproved the continuation of all non-audit services to be rendered to the Company by the independent auditors in 2003 (which services are disclosed elsewhere in this Proxy Statement) and concluded that these services were compatible with maintaining the independence of these auditors. For each fiscal year commencing with fiscal 2003, the Audit Committee expects to preapprove all non-audit services rendered to the Company by the independent auditors, including all related fee arrangements.

Based upon the Audit Committee's discussions with management and the independent auditors, and the Audit Committee's review of the representations of management and the independent auditors, 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 27, 2003, to be filed with the Securities and Exchange Commission. The Audit Committee has also selected KPMG LLP as the Company's independent auditors for the fiscal year ending December 25, 2004 and have 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
 Merritt J. Mott
 Diana M. Murphy

EXECUTIVE OFFICERS OF THE COMPANY

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 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 the Subsidiaries.

Name	Age	Business Experience
Jeffrey C. Crowe	57	See previous description under Directors of the Company.
Henry H. Gerken	53	See previous description under Directors of the Company.
Robert C. LaRose	49	Mr. LaRose has been Vice President, Chief Financial Officer and Secretary of the Company and LSHI since December 2001. He served as Vice President of Finance, Treasurer and Assistant Secretary of the Company and LSHI from September 2001 to December 2001. He served as Vice President of Finance and Treasurer of the Company and LSHI from October 1995 to September 2001. He served as Vice President and Controller of the Company from January 1993 to October 1995 and held the same positions at LSHI from March 1989 to October 1995. Mr. LaRose was Assistant Treasurer of the Company from May 1991 to January 1993. He is also an officer of each of the Subsidiaries.

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Compensation of Directors. Directors who are not employees of the Company are paid an annual Director's fee of \$25,000, a fee of \$2,000 for each Board meeting attended in person, a fee of \$1,000 for each telephonic Board meeting attended, and a fee of \$1,000 for each in person or telephonic meeting of a committee attended if the committee meeting is held on a day other than a day on which a Board meeting is held. In addition, each Director who is not an employee of the Company is paid a Director's 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 3,000 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. Elston, Mr. Mott and Ms. Murphy, the Director Nominees nominated for re-election at the Annual Meeting of Stockholders scheduled to be held on May 13, 2004, will receive 3,000 shares of the Company's Common Stock upon re-election.

Directors who are also officers of the Company do not receive any additional compensation for services as a Director or for services on committees of the Board or for meetings or attendance fees.

Compensation of Officers. The following table summarizes the compensation paid to the Chief Executive Officer and each of the Company's two other executive officers for services rendered to the Company and the Subsidiaries during the 2003, 2002 and 2001 fiscal years (collectively, the Executive Officers). The following table also includes such information with respect to Messrs. Hartter and Hertwig, who are the two most highly compensated non-executive officers of the Company (collectively, with the Executive Officers, the Named Executives).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation	All Other Compensation(3)
		Annual Salary(1)	Bonus	Other Annual Compensation(2)	No. of Securities Underlying Options Granted	
Jeffrey C. Crowe	2003	\$ 436,000	\$ 850,000	\$ 0	60,000	\$ 21,288
Chairman of the Board & Chief Executive Officer	2002	420,000	950,000	65,979	240,000	114,891
	2001	420,000	0	163,893	61,200	246,522
Henry H. Gerkens	2003	314,000	600,000	0	48,000	15,520
Director, President & Chief Operating Officer	2002	300,000	690,000	16,425	180,000	30,486
	2001	287,500	0	68,223	93,600	104,131
Robert C. LaRose	2003	234,000	340,000	0	36,000	10,591
Vice President, Chief Financial Officer & Secretary	2002	220,000	350,000	13,649	120,000	23,006
	2001	200,000	0	36,644	46,000	54,830
Gary W. Hartter	2003	230,000	275,000	0	12,000	14,091
President of Landstar	2002	220,000	300,000	2,943	96,000	10,579
Ranger, Landstar Gemini, Landstar Inway & Landstar Ligon	2001	212,500	0	3,046	47,200	10,279
James R. Hertwig	2003	210,000	100,000	1,165	12,000	12,735
President of Landstar Logistics	2002	200,000	200,000	9,325	84,000	21,706
	2001	200,000	0	17,385	27,200	30,663

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- (1) Amounts shown include any salary deferred at the election of the Named Executive under the Landstar 401(k) Savings Plan and/or the Landstar Supplemental Executive Retirement Plan.

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- (2) Amounts shown represent amounts reimbursed during the fiscal year for the payment of taxes on behalf of the above Named Executives.
- (3) Amounts for 2003 include contributions in the amount of \$8,000 which were made by the Company under the Landstar 401(k) Savings Plan on behalf of each of the Named Executives and contributions made by the Company under the Landstar Supplemental Executive Retirement Plan on behalf of Messrs. Crowe, Gerkens, LaRose, Hartter and Hertwig in the amounts of \$9,440, \$4,560, \$1,360, \$1,200 and \$400, respectively. Amounts for 2003 include the dollar value of term life insurance premiums paid by the Company on behalf of Messrs. Crowe, Gerkens, LaRose, Hartter and Hertwig in the amounts of \$3,848, \$2,960, \$1,231, \$4,891 and \$2,304, respectively. Amount for Mr. Hertwig in 2003 includes \$2,031, which represents interest forgiven under a loan extended in connection with the exercise of his stock options.

There were 205,280 options granted under the Company's 1993 Employee Stock Option Plan and 287,320 options granted under the Company's 2002 Employee Stock Option Plan in fiscal year 2003. The following table sets forth the number of and information about stock options granted in fiscal 2003 to each of the Named Executives of the Company.

NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED

	No. of Securities Underlying Options Granted(1)	% of Total Options Granted	Exercise Price	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Jeffrey C. Crowe	60,000	12.2%	\$29.2413	Jan. 2, 2013	\$ 1,103,382	\$ 2,796,186
Henry H. Gerkens	48,000	9.7%	\$29.2413	Jan. 2, 2013	\$ 882,705	\$ 2,236,949
Robert C. LaRose	36,000	7.3%	\$29.2413	Jan. 2, 2013	\$ 662,029	\$ 1,677,712
Gary W. Hartter	12,000	2.4%	\$29.2413	Jan. 2, 2013	\$ 220,676	\$ 559,237
James R. Hertwig	12,000	2.4%	\$29.2413	Jan. 2, 2013	\$ 220,676	\$ 559,237

- (1) All the options granted shall become exercisable in three equal installments on each of the first three anniversaries of the respective dates of grant, provided the executive is employed by the Company on each such anniversary date.

The following table sets forth the number and value of all options exercised during the 2003 fiscal year and the number and assumed value of securities underlying unexercised options at December 27, 2003 by the Named Executives.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND
FISCAL YEAR-END OPTION VALUES**

	Shares Acquired On Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at December 27, 2003		Value of Unexercised In-the-Money Options at December 27, 2003(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jeffrey C. Crowe	180,880	\$3,111,269	195,920	291,600	\$4,734,166	\$5,561,633
Henry H. Gerkens	146,298	\$2,804,940	64,982	248,400	\$1,359,877	\$4,754,721
Robert C. LaRose	56,400	\$1,240,111	76,160	159,360	\$1,685,499	\$2,983,872
Gary W. Hartter	64,480	\$ 911,381	0	117,440	\$ 0	\$2,383,453
James R. Hertwig	115,360	\$1,837,395	7,440	98,400	\$ 213,113	\$1,992,852

- (1) The value realized represents the difference between the fair market value of the shares acquired on the date of exercise and the exercise price of the option. The fair market value was calculated based upon the

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average of the high and low bid and ask prices per share of Common Stock as quoted on NASDAQ on the respective option exercise dates.

- (2) The value of in-the-money options represents the difference between the fair market value of the shares as of December 26, 2003 and the exercise price of the option. The fair market value was calculated based upon the average of the high and low bid and ask prices per share of Common Stock as quoted on the NASDAQ on the last business day of the Company's fiscal year ended December 27, 2003, which was December 26, 2003.

Indebtedness of Management

In 2001, under an employee stock option loan program, the Company made a loan to Mr. Hertwig in the amount of \$49,250 in connection with the exercise of options to purchase 4,000 shares of the Company's Common Stock at \$12.3125 per share. In 2003, Mr. Hertwig repaid this loan in full.

In accordance with the stock option loan program, interest on the loans was forgiven annually. On May 1, 2002, the Company ceased making loans under the employee stock option loan program and terminated the program with respect to future stock option exercises.

Key Executive Employment Protection Agreements and Other Arrangements

On January 23, 1998, the Board approved the execution of the Key Executive Employment Protection Agreements for Messrs. Crowe, Gerkens, LaRose, Hartter and Hertwig. On August 1, 2002, the Board approved certain amendments to these agreements. Each agreement, as amended, provides certain severance benefits in the event of a Change of Control of the Company (as defined in the agreements). Each agreement, as amended, provides, generally, that if a covered executive's employment is terminated by the Company without cause (as defined in the agreements) or by the executive for good reason (as so defined), in either such case, in connection with or within the two-year period following the Change of Control or if a covered executive terminates his employment for any reason six months following the Change of Control, such executive will be entitled to severance benefits consisting of a cash amount equal to three times for Messrs. Crowe and Gerkens, two times for Mr. LaRose and one time for Messrs. Hartter and Hertwig of 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. Each agreement also provides for continuation of medical benefits and for certain tax gross-ups to be made to a covered executive in the event payments to the executive are subject to the excise tax on parachute payments imposed under Section 4999 of the Internal Revenue Code of 1986. In addition, in July of 2002, the Compensation Committee of the Board of Directors exercised its discretionary authority under the Company's 1993 Stock Option Plan and its Executive Incentive Compensation Plan to determine that in the event Mr. Gerkens' employment with the Company is or is likely to be terminated for any reason in connection with a Change of Control (as such term is defined in the 1993 Stock Option Plan), (i) each vested and unexercised option granted to Mr. Gerkens prior to such Change of Control will be cashed out for an amount equal to the excess of the Change of Control Price (as such term is defined in the 1993 Stock Option Plan) over the exercise price of such option and (ii) Mr. Gerkens will receive, with respect to any Change of Control occurring prior to the end of any calendar year, a pro-rated bonus for such year under the Executive Incentive Compensation Plan based on the bonus he would have received under such plan had he remained an employee of the Company through the end of the year in which such Change of Control occurs.

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**REPORT OF THE COMPENSATION COMMITTEE
ON EXECUTIVE COMPENSATION**

Overall Policy

The Company's executive compensation philosophy is designed to attract and retain the best possible executive talent and to motivate these executives to develop and implement the Company's business strategy.